ANGLIA REVENUES & BENEFITS PARTNERSHIP

Strategic Review

ARP Joint Committee

30 January 2013

1. Introduction

Purpose of Review

1.1 Anglia Revenues and Benefits Partnership (ARP) has commissioned a strategic review to help chart its future development. ARP is seeking to build on its strengths and successes in the context of the Government's welfare reform programme which removes part of ARP's core responsibilities whilst potentially creating new opportunities to provide valuable support to its service users.

1.2 At its meeting on 13 September 2012, the Joint Committee considered a report which recommended the committee to consider the key issues which should inform the strategic review with the aim of presenting an update on progress by the end of 2012 and a detailed improvement plan by March 2013 for approval by the Joint Committee.

1.3 The report stressed the strengths of the partnerships to date and the benefits and cost savings achieved, before considering areas for improvement including:

- The success of an organic and pragmatic approach to growth has led to 'strategic drift'.
- The need for greater engagement with ARP's governance structures.
- Ad hoc support service arrangements.
- The complexity of employment arrangements.
- The protracted process of formalising the expansion of the partnership.

1.4 The key questions identified for the review to address included:

- Whether the currently delivery model of a joint committee and seconded staff was fit for purpose.
- Whether ARP should continue to look for new local authority partners.
- Whether the management structure and support services were fit for purpose.
- How ARP should respond to the introduction of Universal Credit.
- What the impact of localised business rates will be on ARP.
- What the role of ARPT should be.

1.5 At the September meeting, members of the Joint Committee also added a number of comments, including the need to promote the success of ARP; the importance of reviewing governance and operational arrangements to take account of new partners; and of being proactive in decision making at the highest level and exploring new work

Approach to the Review

1.6 Activist has been commissioned to undertake a short and focused strategic review of ARP. In our experience, shared service partnerships succeed when they are based on a sound and realistic business case. They flourish when they are able to foster the positive relationships which will enable them, together, to develop and maintain:

- Clarity about the partners' individual objectives for the partnership and its place in each partner's future plans.
- A shared understanding of, and commitment to, an agreed vision.
- Shared realism about the potential for growth and the investment required.
- Sustained senior level engagement in the strategic management of the partnership.

1.7   The review has explored the operational issues and potential responses to Universal Credit and tax localisation, but also key stakeholders' perceptions, ambitions and concerns through a series of interviews, meetings and workshops. We would like to thank the partners' Members and senior managers and the ARP Management Team for their open and willing commitment to the process of the review.

Shared Services and the Ingredients of Success

1.8   Local government has, over the decades, collaborated in joint arrangements to secure its policy objectives, including regional planning, infrastructure investment or operational services.

1.9   From a comparatively low base, the sharing of operational services has accelerated rapidly over recent years as a result of efficiency initiatives, such as those supported by Regional Improvement and Efficiency Partnerships. The greatest spur to the growth of shared services has been the dramatic reductions in local authority funding precipitated by the Government's response to the global financial crisis of recent years.

1.10   Numerous benefits are claimed for shared services, including:

- **Cost savings**: by creating economies of scale, management costs and other overheads can be shared. One-off costs can also be shared, such as investments in new technology and other periodic demands on resources (such as the interpretation of new regulations and updating guidance and training staff).

- **Capacity to improve**: the shared investment of ideas, energy and resources and the broader resource pool available allow a stronger capacity for improvement, facilitated by the ability to share the cost of transformational change.

- **Resilience**: smaller authorities and smaller functions within services can be exposed to business continuity risks through staff turnover or peaks in workload. Shared services are able to create a larger staff complement to help reduce those risks.

- **Wider skills**: the larger functional units within a shared service make it possible to share a wider talent pool or employ specialist resources that would not be affordable for individual authorities.

1.11   While many shared services have been successfully created, there have been numerous failed attempts and a number of shared services that have been launched before faltering and failing. The experience suggests that there are a number of key ingredients needed to ensure that a shared service is a success:

- The **key foundations** are in place, including a culture of collaboration, a clear business case, a sound business model, shared objectives and sound management.

- Building on those foundations, the **conditions for sustained success** include a focus on outcomes, a commitment to innovation, adaptability and strategic leadership.

- If growth is to be secured, **business development capabilities** are required including a compelling proposition, commercial competence and senior sponsorship.

1.12   These ingredients of success are expanded upon further in Appendix 2.

Structure of Report

1.13   In section 2 we have set out the context for the review, including a summary of ARP's development to date and the key drivers for change. In section 3, an assessment of ARP is provided against the ingredients of success set out in Appendix 2. Where we have identified gaps and areas for development, we have facilitated the development of a policy framework for the future of ARP and provided recommendations for priority actions and initiatives; these are summarised in section 4. In section 5 we have identified key stakeholders' expected outcomes and objectives sought for ARP and used these as the basis for evaluating the most effective corporate structures to support that policy framework. Implementation issues and an outline timetable are then explored. Appendix 1 lists the proposed policies for ARP and the recommendations contained in the body of the report. Appendix 2 explains the key ingredients for success in shared services and Appendix 3 includes further detail on the option appraisal of the shortlisted service delivery models.

1.14   This report is designed to act as an aid to the partners' decision-making over the future business direction and structure for ARP. The report should not be relied upon alone as the basis for decisions; the Joint Committee and each partner authority will need to take any final decisions with the benefit of specific legal and financial advice in the usual way.

2. ARP: its Development and Future Challenges

The Origins and Growth of ARP

2.1   When ARP was created, there were comparatively few shared services in operation in local government. ARP was, for many years, considered to be a pioneer and provided a model that others have since emulated, with increasing numbers of shared service operations for revenues and benefits services. Its pre-eminence was recognised by the award of beacon status for 2006/07.

2.2   ARP was formed in 2003 by Breckland Council and Forest Heath District Council. It was joined by East Cambridgeshire District Council in 2007 and, most recently, by St Edmundsbury Borough Council in 2011. The original drivers for the creation of the partnership were the need to improve performance and reduce costs. Despite the economic downturn over recent years, performance levels have been maintained and year-on-year cost reductions have continued to be achieved.

2.3   ARP's success has been recognised through various awards and ARP has provided support to a number of other authorities. This has included undertaking work under contract and delivering consultancy services through a trading arm, ARP Trading Limited (ARPT), which is owned by Breckland and Forest Heath.

2.4   The scope of the partnership continues to expand with the recent agreement with Waveney District Council and Suffolk Coastal District Council for them to take advantage of ARP's ICT service for revenues and benefits as a first step towards exploring opportunities for closer collaboration.

2.5   ARP is operated as a joint committee under section 102 of the Local Government Act 1972. Each of the four core partners nominates two elected members to serve on the joint committee which steers the partnership, supported by an Operational Improvement Board at which the partners are represented by senior officers. Staff working for ARP are employed by three of the four partner authorities (East Cambridgeshire does not employ any ARP staff).

The Management and Performance of ARP

2.6   For the original partners, a key driver was the need to improve performance. For both Forest Heath and Breckland, the creation of ARP contributed to substantial improvements in performance. From results that were among the worst in the country, the partners' Best Value Performance Indicators were among the best.

2.7   Performance management is exercised through the Joint Committee, the Operational Improvement Board and the Operational Board. Performance reports covering process and income indicators are reported to the OIB on a monthly basis and on a quarterly basis to the Joint Committee. ARP's management team (which makes up the Operational Board), meets weekly and reviews performance data and some indicators are tracked on a daily basis. Each year, a service plan is approved by the Joint Committee which reviews the previous year's achievements and includes targets for

improvement and new initiatives. Given the pressures on partners' budgets, there will be a continued demand for further savings from ARP, although ARP's scope for continuing to reduce costs will be constrained by the impact of welfare reform.

2.8   The original partners in ARP, Breckland and Forest Heath, formed a trading company, ARPT, through which to sell services to other authorities. ARPT has provided consultancy services to other authorities, supplied additional capacity (eg for 'backlog busting' exercises) and training. It also provided a choice-based lettings service to Breckland and was sub-contracted to Steria to help deliver an outsourced revenues and benefits service to Welwyn Hatfield Borough Council. Since the end of these two contracts, ARPT's trading activities have reduced significantly and the contract terminations contributed to a small loss in 2012 of £34k (excluding adjustments) after several years of profitable trading. The trend is shown in table 2.1 below which excludes the impact of one-off adjustments largely due to pension gains and losses. This loss in 2012 may impact on ARPT's ability to secure some types of external work.

Table 2.1: Summary of ARPT's Recent Trading History

Year	2009	2010	2011	2012
Turnover (£)	1,006,507	1,963,800	1,707,373	453,041
(Loss) Profit (after tax and excl adjustments) (£)	51,404	29,747	139,943	(34,236)

The Impacts of Legislation

2.9   The core business of ARP is the collection of council tax and business rates and the assessment and administration of benefit payments. The scope, nature and purpose of these services will be changing to reflect the Government's commitment to welfare reform and localism. Plans for the introduction of Universal Credit, the Localisation of Business Rates and the Localisation of Council Tax Support are currently being piloted and/or finalised. While the broad shape of the changes are now apparent, the precise details and impact may take some years to become clear.

2.10   Under the plans being piloted by the department for Work and Pensions, most housing benefit work will in future be undertaken by the DWP as part of the payment of Universal Credit. However, since the assessment process currently supports both housing benefit and council tax support, this transfer of responsibility will have relatively little impact on ARP's workload for assessment. In fact, other Government measures such as the Localisation of Council Tax Support will lead to an increase in workload for authorities that have decided that contributions will be required from claimants. These relatively small sums will need to be collected and enforced.

2.11   There is a strong risk that local authorities will not be fully compensated for the loss of housing benefit administration grant and the new costs of collecting council tax from council tax support claimants. This loss of 'economies of scope' will increase the pressure on authorities to find yet more economies from their remaining revenues and benefits services. The new council tax support regime will take effect from April 2013, but the implementation of the changes affecting housing benefit is not scheduled to be completed until 2017. This will allow ARP time to absorb the lessons from

implementation elsewhere in the country and prepare thoroughly for the changes required. The Government's localisation of business rates will have little impact on ARP's operations, but will generate additional demands for data and intelligence and so will impact on ARP's operating model as set out below.

2.12   At this stage, it does not appear likely that there would be substantial changes to the broad thrust of welfare reform in the event of a change of government after the next general election, although some aspects, such as the localisation of council tax, may be subject to review.

Prospects for Growth

2.13   ARPT has significantly reduced the level of its trading activities at a time when the level of new outsourcing deals or shared services for revenues and benefits services have slowed. There have been some new outsourcing or shared service deals in recent months, but these have tended to be as part of a larger package of services. Examples include Barnet Council's decision to award a large outsourcing contract to Capita and Norwich City Council's participation in the LGSS shared service. Nevertheless, there is evidence that a number of authorities are seeking additional resilience and cost reductions through new partnerships. Examples include:

- The Forest of Dean District Council's delegation of its service to Gloucester City Council which has outsourced its service to Civica.

- A reported 77 authorities taking part in Liberata's 'Capacity Grid' which provides performance management systems and the opportunity for participant authorities to 'trade' capacity with other authorities.

2.14   With new private sectors entrants (eg Civica) into the revenues and benefits business process outsourcing market over the last few years, providers report that there is increased competition and some excess capacity. This is heightened by the increasing number of public sector trading companies and shared service partnerships offering revenues and benefits services (eg LGSS, Hoople, Compass Point Business Services).

2.15   Service providers are currently assuming that the demand for new outsourcing contracts or shared service partnerships for revenues and benefits services will increase once the changes flowing from the Government's welfare reform programme have taken effect. If this assumption proves to be correct, service providers that are able to demonstrate high levels of effectiveness and efficiency will be well-placed to take advantage of new opportunities. Indeed, shared service partnerships and local authority trading companies (with Teckal status) have the advantage that new partners will be able to join without the need for lengthy procurement processes.

2.16   ARP continues to enjoy a positive external reputation and has a number of other advantages: its focus as a specialist provider; its comparatively low cost base; its longevity; and the number of partner authorities. ARP has not taken part recently in formal benchmarking exercises, so it is not possible to confirm that its performance and costs provide a competitive advantage. However, given the continued downward

pressure exerted on costs at ARP, it is probable that its unit costs would be attractive to authorities struggling to achieve substantial reductions in their budgets.

2.17 A more immediate possibility is presented by the relationship established with Waveney District Council and Suffolk Coastal District Council. Waveney and Suffolk Coastal have collaborated with ARP to produce a business case to assess the merits of the councils joining ARP. At this stage, the two councils have limited their participation to using ARP's revenues and benefits IT system. There is not yet any commitment by the two councils or by ARP for Waveney and Suffolk Coastal to join ARP. If they were to join, ARP would become one of the country's largest revenues and benefits operations, serving a population larger than that of Manchester City Council[i]. This would significantly enhance ARP's credibility in the marketplace.

Changes to the Operating Model

2.18 While the most significant changes to ARP's 'target operating model' flow from the Government's welfare reform programme and the way that its policies on localism are implemented, there are also changes under consideration among partner authorities and internally within ARP that will have an impact.

2.19 ARP's customer service to the public is currently provided through a range of mechanisms and there are differences in the way in which ARP's service to the public interfaces with partners' own customer service functions. For example, Breckland's customer service team acts as the first point of contact for ARP's service users, whereas ARP provides that first point of contact for revenues and benefits enquiries for the other partners. This arrangement is currently subject to review and may result in some partners wishing to adopt a model similar to Breckland's.

2.20 The two Suffolk authorities (ie Forest Heath and St Edmundsbury) are currently exploring new approaches to customer service with Suffolk County Council which might result in the county devolving some customer contact activities to 'Local Contact Centres'[ii]. This may have particular implications for ARP's role in "crisis or complex case management"[iii]. This, associated with its role in providing transitional support to Universal Credit claimants, could involve ARP staff in providing more sophisticated support to service users, eg providing debt counselling in support of multi-agency interventions.

2.21 The partners' strategies for channel migration are supported by ARP's own approach to using technology to drive further efficiencies. There are plans for further automation in the assessment process. These will present opportunities for savings. However, the design of partners' new customer service arrangements and integration with channel migration plans will need careful planning and challenge before finalisation.

2.22 Another Government 'localist' initiative, the Localisation of Business Rates (which allows authorities to retain a share in business rate growth) provides an additional incentive for authorities to maximise their business rate income. This initiative will have little impact on ARP's operation for business rate collection. However, this will result in demands for the ready availability of information from ARP to assist in estimating the impact of economic development initiatives.

2.23 Potential changes to ARP's scope may follow from providing more integrated, shared services for partners, building on existing capabilities, such as fraud and debt recovering. Although these are currently under consideration, there are no other plans for expanding ARP's main functions, in part because so many functions are integral to partners' other shared service arrangements.

2.24 Support services are currently provided through a range of mechanisms. Most support services are currently provided by Breckland, although IT support is being transferred to St Edmundsbury and Forest Heath and HR support is provided by each of the employing authorities. There are currently no Service Level Agreements covering the specific provision of support services to ARP and so it is difficult to determine the value for money offered by the current arrangements.

2.25 Through the continued process of generating cost reductions, there have been reductions in the management costs of ARP. It is recognised that the current management capacity of ARP is stretched; succession planning needs strengthening; and there are areas for development within the capabilities of the overall management structure. There are particular concerns about ARP's ability to generate information (eg to support the partners' new policy-making responsibilities for council tax support) and over the effectiveness of ARP's reporting framework.

Conclusions

2.26 The partners who have helped to create and expand ARP have enjoyed good standards of performance at a steadily reducing cost. The Government's welfare reform and localist policies have fundamentally changed the range of services provided by ARP, without much reduction in the workload or reassurance that increased costs will be met. Changes in partners' own operating models will have some impact on ARP. Together, these drivers introduce a degree of uncertainty that will be resolved over the year ahead and ARP's core strengths would provide some opportunities to improve and grow, provided that ARP's management capacity and capabilities are further strengthened. The individual conclusions are summarised in the table below.

Table 2.2: Conclusions on Future Prospects for ARP

Conclusions on Future Prospects for ARP
Impact of legislation:
• The introduction of Universal Credit and the localisation of council tax support will have some impact on the allocation of resources between activities but will not significantly reduce the workload of revenues and benefits services in the long term.
• The nature of the support provided to service users will change as a result of the process of transition to Universal Credit and could lead to a longer-term role for ARP in providing support and debt advice to service users.
• There is a strong risk that authorities will not be fully compensated by the Government for these changes and that the loss of economies of scope will put pressure on the budgets and performance of revenues and benefits services.
Prospects for growth:
• The market for large-scale outsourcing and shared service partnerships for revenues and benefits services has an excess of capacity and is currently being adversely affected by uncertainty.
• Although the number of new outsourced contracts and shared service partnerships has slowed, the reported take-up of Capacity Grid suggests there is strong demand for additional capacity and resilience. There is likely to be greater demand once authorities address the loss of economies of scope.
• ARP is well-placed to take advantage of future opportunities for growth if it can provide evidence of the competitiveness of its performance and costs.
• The potential for extending the partnership to include Waveney and Suffolk Coastal would create one of the largest revenues and benefits services in the country, further strengthening ARP's credibility in the marketplace.
Changes to the Operating Model
• Changes being planned to partners' customer service models are likely to reduce the demand for ARP to act as the first point of contact for service users but create demands for new types of support to service users.
• Partners' channel shift strategies and ARP's plans for further automation will enable additional reductions in processing capacity.
• The scope of the services provided by ARP to existing partners has the potential for some further growth, building on ARP's existing strengths and in response to demand for more data to support policy-making.
• Arrangements for support services lack the degree of specification and transparency needed to provide reassurance that they offer value-for-money.
• ARP's management capacity is recognised to be stretched and its capabilities require strengthening in a number of areas.

3. ARP: Strategic Assessment

Introduction

3.1 As part of the process of identifying the options for the future, an assessment has been made of the extent to which ARP satisfies the 'ingredients for success' set out in section 1, ie the key foundations, conditions for sustained success and business development capabilities.

Review of the Key Foundations

Table 3.1: Assessment of Key Foundations

Key Foundations	Comments
Culture of collaboration	The partners express great pride in ARP's achievements and in the spirit of partnership working that has made them possible. New partners have joined and been able to share in its leadership. For most partners, ARP is just one of a rich mix of shared services, shared management and other partnership arrangements.
Clear business case	For each of the partners, there have been sustained performance and financial improvements since they joined the partnership. The benefits of the service are recognised and no partner has felt it necessary to review their membership of the partnership. While ARP has delivered improvements and reduced costs, there is less evidence available on ARP's performance in comparison with other authorities and partnerships.
Shared objectives	The partners approve ARP's business plan each year and our interviews demonstrated a good degree of alignment in thinking among the partners at both political and managerial level. However, there were diverging opinions about ARP's future role, its governance and whether it is realistic to pursue growth further.
Sound business model	The core operations of ARP have served the partners well since its launch. However, legislative changes resulting in the loss of a substantial element of ARP's business (and some income) through the replacement of housing benefit administration by Universal Credit will have a substantial impact on ARP's operating model. The current employment model with staff on different terms and conditions introduces a level of complexity that is difficult to manage in such a comparatively small service. Support service arrangements are the subject of some criticism and have not been reviewed as a whole. Breckland has been

	the principal source of support services, but St Edmundsbury and Forest Heath are taking over responsibility for ICT support.
Sound management	The joint committee's governance arrangements ensure that ARP's management can be held to account for performance and is able to liaise with the partners collectively and individually. The operation of a trading company owned by two of the partners provides additional complexity. The current operating arrangements result in a degree of 'over-governance' and over-bureaucratic approval processes. General confidence has been expressed in the operational management of ARP and a recent staff survey is generally positive. Concerns have been raised about the quality of information and reports provided.

3.2   On the whole, ARP has the key foundations in place and its successes pay testimony to the leadership, hard work and commitment of its partners and its management and staff. There are a number of areas that must be addressed in order to respond to externally imposed change and new challenges:

Table 3.2: Key Foundations: Strengths and Issues

Key Strengths
• There is a pride in and strong commitment to ARP and its continuing success on the part of all partners.
• ARP has delivered demonstrable improvements in performance and costs for each partner.
• ARP's partners have considerable experience of working in shared service and shared management arrangements.
• On most aspects of policy, the partners' views are aligned.
Issues to Address
• Significant changes to the business base for ARP will demand a new role and operating model.
• The complexities caused by staff's different terms and conditions should be overhauled in order to create a streamlined employment model.
• The decision-making structures for ARP and ARPT would benefit from simplification in order to create a new governance framework that is fit for purpose.
• Key aspects of the partners' objectives for ARP require review and, ideally, agreement on a new policy framework.
• A more fundamental review of support services would help to confirm ARP's requirements and the most effective source of that support.
• ARP's management capacity and capability need to be adjusted to take account of the new role and operating models for APR and ARPT.

Conditions for sustained success

Table 3.3: Assessment of Conditions for sustained success

Key Foundations	Comments
Focus on outcomes	The governance framework for ARP is well-established, with an Operational Improvement Board which is attended by a director for each authority. The board meets monthly to review operational performance and operational arrangements. The OIB supports the Joint Committee which tends to consider the same issues previously considered by OIB. The performance reports are limited to more traditional BVPI indicators with no explicit link to strategic outcomes for ARP. There are plans to revise this reporting framework. ARP's management team reviews overall performance on a weekly basis and key indicators are tracked on a daily basis.
Commitment to innovation	ARP has sought to adopt new and more efficient ways of working, including the extension of automation and home working. There are, however, a range of operating procedures where there are differences in basic processes between the authorities which have not yet been addressed.
Adaptability	The existing joint committee arrangements are capable of variation (and have been changed in the past to accommodate new partners). The partners have identified the need to review current arrangements in order to respond to changes in legislation and the opportunities for new partners to join.
Strategic leadership	Each year, the JC approves ARP's annual service plan which sets the current year's plans. The plan is not yet supported by a coherent vision for ARP and strategy for achieving it. High-level improvement objectives are set in the plan, but do not include targets and progress is not routinely reported on to the Joint Committee during the course of the year. The partners and ARP's management agree that the future strategic direction of ARP is not clear.

3.3   ARP's focus on operational performance and cost reduction provides a strong base for a more sophisticated approach to strategic planning. There has been a culture of continuous improvement, but a more clearly articulated set of ambitions and developmental plans would provide greater momentum and confidence in ARP's future development.

Table 3.4: Conditions for Sustained Success: Strengths and Issues

Key Strengths
• There is a strong culture of focusing on operational performance and results throughout ARP's management and governance.
• ARP has continued to develop and plan for new ways of working to enhance efficiency and productivity.
• The partners are able to anticipate and respond to change and adapt to the needs of new partners.
• ARP's service plan sets out service aims and improvement objectives each year.

Issues to Address
• Performance reporting is limited to collection rates and process efficiencies. A balanced scorecard of outcome-focused performance indicators (informed by benchmarked comparators) would provide a more holistic picture of ARP's success and progress.
• The focus on improvement should be accompanied by the development and monitoring of an outcome-focused service improvement programme.
• Opportunities for standardisation in operational processes and service design that could enable ARP to operate more efficiently should be systematically explored.
• Agreement is required on a vision for ARP that the partners can support with confidence.

Business Development Capabilities

Table 3.5: Assessment of Business Development Capabilities

Key Foundations	Comments
Compelling proposition	ARP has a reputation as a successful and long-established shared service. A service that offers a track record of good performance with a low cost base will prove attractive in the marketplace. However, the terms and the process under which new partners might join are unclear.
Commercial competence	ARPT has, in the past, employed business development resources but no longer has the capacity and capabilities to actively seek and win new customers on prices and terms that do not present excessive risks. The company's sub-contracting to other providers was not sustained. Trading through ARPT may be impacted by its loss in 2012.
Senior	ARP has benefited from senior political and managerial

sponsorship	engagement and support from the four partners. Consensus over the future direction of ARP would be needed before the partners could act as persuasive advocates when seeking new business.

3.4   ARP has an established reputation as a shared service that could prove attractive to other authorities if presented effectively. If the partners wish to pursue opportunities for income generation through trading and for new partners to join in order to help reduce costs further, ARP's business development capacity and capabilities would need to be strengthened.

Table 3.6: Business Development Capabilities: Strengths and Issues

Key Strengths
• ARP continues to benefit from a well-established external reputation which could prove attractive in competition with more recently created partnerships.   • ARPT has an extensive former customer base that may be willing to take more services from the partnership.   • There is senior level political and managerial engagement in the governance of ARP.
Issues to Address
• The partners will need to decide whether it is realistic to pursue new business and determine their attitude to growth and their level of ambition.   • There is a need to provide ready evidence of ARP's comparative performance, supported by benchmarking data.   • An investment is required in some level of business development capacity in order to take advantage of the opportunities available now and in the future.

Summary of Strategic Assessment

3.5   ARP possesses a considerable range of strengths and advantages that provide a base for further improvement. A number of issues have been identified above that need to be addressed if a sound plan is to be put in place for ARP's future development. These issues are addressed in turn and policy proposals and recommendations are put forward in Section 4.

4. Determining the Future Direction of ARP

Introduction

4.1 In this section, we investigate the issues identified in section 3 and set out a series of recommendations for further investigation and action. In addition, we have presented a series of **policy statements** that have been developed in discussion with key stakeholders at a workshop on 9 January 2013. These policies help to inform in section 5 an assessment of the service delivery model best able to meet those recommendations and policies.

Future Direction of ARP

4.2 The Government's welfare reform programme presents a significant challenge to ARP's existing operations. Indeed, there is a strong risk that ARP will be required to provide broadly similar functions without full compensation for the loss of funding provided by housing benefit administration grant.

4.3 Faced with this loss of income and severe financial pressures on the partner authorities' budgets, there could be a temptation to reduce standards. However, the key stakeholders recognise the importance of providing a good service to claimants who depend on the service. Also, the need to maximise business rate and council tax income requires high levels of efficiency in generating income.

4.4 Although there is some requirement for ARP to support the new policy-making role of its partners following the localisation of business rates (including the ability to retain a portion of business rate growth), the partners are keen to ensure that ARP remains focused on being an efficient provider of transactional services.

4.5 This will require a continued openness to new ideas for improving services (this is addressed further below). The precise nature of policy-making support required by the partners should be considered in detail to identify the tasks and activities that would be best provided.

4.6 **Recommendation**

> 1. That a review is undertaken to determine the precise allocation of responsibilities to support policy-making between the partners' in-house teams and ARP.

4.7 The search for ways of reducing costs also suggests that the partners should remain open to opportunities to expand the scope of services offered and the number of partners and customers. However, in clarifying their **attitude to growth** the partners are agreed that growth should not be pursued as an end in itself and ARP would seek to expand only if there are clear benefits.

4.8 **Proposed Policy Statements for ARP**

> a. We will deliver high quality, innovative services at the lowest realistic cost.
>
> b. We want ARP to be an effective provider of transactional services and to assist with policy-making across the partnership.
>
> c. We are open to ARP expanding if there is a sound business case.

New Operating Model

4.9 These policies and recommendations set out above will require changes to ARP's 'target operating model', ie the way in which the service is organised and its processes, budgets and its customer service.

4.10 The two models of customer service currently in operation could be reviewed in order to address the need for resilience and identify any operational benefits that might emerge from standardising on a single customer service model. This would best be undertaken alongside the discussions two of the partners are holding with Suffolk County Council referred to above. While a standard model would probably be cheaper and more effective, some flexibility may be beneficial so that ARP is able to continue to offer two principal options to potential new partners.

4.11 **Recommendation**:

> 2. That the design of the relationship between ARP's and partners' customer service provision be reviewed in order to identify the potential benefits and disbenefits of standardising ARP's interface with partners' customer service operations.

4.12 While it might appear that it would be more efficient to deliver all services from a single location, this can result in inconvenience for service users and a loss in local knowledge within the service. As a result, the partners are keen that a local presence by ARP remains available in each authority, while consolidating back office services and those services that can be managed remotely.

4.13 ARP's use of support services will need to be adjusted to take account of the likely changes in the size of the operation. This would also provide an opportunity to redefine the support services that are required (through service statements or 'service level agreements') and consider which would be the most effective way of sourcing that support.

4.14 While ARP may consider bringing some of that support in-house, it is questionable whether this would often result in sufficient resilience and depth of expertise. In the first instance, it would be advisable to develop a more explicit set of requirements for support services and then select the most suitable provider of those services. This could include other providers outside the partnership, although the overall impact on partners' overheads will need to be taken into account.

4.15   **Recommendation:**

> 3. That ARP's requirements for support services are defined and the most suitable provider sourced in order to improve confidence and aid transparency.

4.16   **Proposed Policy Statements for ARP**

> d. We will provide local access to services while maximising back office efficiency.
>
> e. We will ensure that ARP can adapt, while aiming to adopt similar service designs across the partnership where possible.
>
> f. We are happy for any of the partners to be the principal source of support services to ARP.

Improvement and Efficiency

4.17   ARP's management team has demonstrated a sustained commitment to driving up efficiency through new technology, new processes and new ways of working. Each year's plans are set out in the annual service plan. However, the plan could benefit from greater detail, with more information on the extent of resources required and the expected benefits, including targets and milestones. More formal progress reports (generally on a quarterly basis) would help provide reassurance to the partners about the rate of progress and issues that require the partners' attention.

4.18   **Recommendation**

> 4. That a medium term service improvement programme be established, supported by estimates of resource requirements, milestones and benefits in order to assist in prioritising and in monitoring progress.

4.19   There is recognition by the partners that there are benefits in standardising the business processes in each authority with which ARP's services must interface and there are opportunities for generating further efficiencies. Differences in the levels of delegation between authorities can also make the process of seeking approvals more complicated. There may be potential for agreeing specific delegations across the partnership for decisions relating to ARP. This is unlikely to be a simple task as it may require changes to an authority's scheme of delegations.

4.20   **Recommendation**

> 5. That the differences between the partners in business processes and delegations be identified and reviewed with a view to standardisation.

4.21 **Proposed Policy Statements for ARP**

> g. We will apply the same, best practice business processes across the partnership.

Accountability and Performance

4.22 The current governance framework has allowed active oversight by the Operations Board, Operational Improvement Board and the Joint Committee. However, the duplication of activities suggests the need to introduce a more explicit hierarchy of operational and strategic business. There are also opportunities to simplify and speed the decision-making process by increasing levels of delegation to the Joint Committee and, in turn, to the OIB and ARP management in order to allow the Joint Committee to focus on strategy.

4.23 **Recommendation**

> 6. That the governance framework for ARP is reviewed in order to reduce duplication of activities and to speed decision-making and improve the ability to focus on ARP's strategic direction and management.

4.24 The strength of the performance management culture can be built upon by developing a more sophisticated and holistic approach. First, a set of long-term outcomes specific to ARP should be introduced that reflect the partners' organisational objectives. These would drive the annual performance objectives and service improvement programme. Second, a more broadly based performance management framework, a 'balanced scorecard', should be introduced. The current performance targets include traditional key indicators such as income generation and speed of processing claims. These should be expanded to include measures of customer satisfaction and staff management so that management and the Joint Committee are able to track and address the general progress of the organisation.

4.25 **Recommendation**

> 7. That ARP's performance management framework is enhanced by defining the long-term outcomes that ARP is seeking to achieve, supported by a balanced scorecard of indicators measuring the organisation's overall success and health.

4.26 While performance has been maintained and savings made over recent years, ARP does not have access to reliable data to compare their performance and unit costs with those of other authorities. The use of **benchmarking data** serves to highlight areas for investigation and further improvement. It is particularly helpful in demonstrating ARP's effectiveness to potential partners and in pricing any work it may provide to other authorities.

4.27   **Recommendation**

> 8. That ARP commences participation in benchmarking its performance and costs in order to provide information on comparative performance and costs, drive improvement and demonstrate its success to potential partners.

Management and Employment

4.28   Over recent years, ARP has gradually streamlined its management structure which has contributed to the cost reductions achieved overall. It is recognised that this has resulted in management becoming stretched. A review is required of the overall strength of the management structure that takes account of potential changes to the operating model, the reduction in workload and grant income resulting from the introduction of Universal Credit.

4.29   A more far-reaching review is required of ARP's management practices, structures, succession planning and competency requirements in order to ensure overall business continuity and meet the new demands for:

- Contributing to strategic policy development for the partner authorities.
- Supplying more sophisticated information to support revenue generation.
- Improving the management and quality of reports.
- Supporting business development activities.

4.30   In the current financial environment, it may not be realistic to increase overall resources, but a realignment of roles; review of delegation within the organisation; investment in management development; and a re-prioritisation of effort may help release the capacity required. The precise requirements for the management structure will depend on the delivery model chosen and so are not addressed in this review.

4.31   **Recommendation**

> 9. That ARP conducts a fundamental review of its management practices, competencies and structures in order to release the capacity required to meet its new vision and corporate structure and respond to the Government's welfare reform programme.

4.32   The complexities of the current employment model are being addressed through the introduction of a common pay framework for staff. However, this will not remove the difference in employer and these complexities would be replicated for any future partners. The key stakeholders accept that continued direct employment by three different employers is not a policy requirement for them and in the event of a move to a single integrated organisational structure, they would be content to TUPE transfer their staff.

4.33 **Proposed Policy Statements for ARP**

> h.   We will transfer ARP's staff to the most appropriate employing body.

Additional Observations

4.34 The policy statements set above have been developed in consultation with key stakeholders. They help to refine the partners' future vision for the service and the way that it operates, but there are other areas of organisational policy where it would prove useful to codify the partners' intentions for the future. This would aid decision-making processes and provide a clear framework of guidance to the managers and staff of ARP.

5. Potential Service Delivery Models for ARP

Introduction

5.1   ARP has been established as a joint committee since 2003 and ARPT has operated as a trading company since 2006. These are just two of a wide variety of service delivery models available (see table 5.1 below). The choice of the most suitable service delivery model will depend on a range of factors, including political policies, service type, ambition, market maturity and experience.

Table 5.1: Summary of Service Delivery Models[iv]

Make	Buy	Share	Divest
• In-house transformation • Continuous improvement • 'Arms-length' company	• Outsourcing to private sector • Outsource to third sector • Private-sector joint ventures	• Shared services • Shared management • Public sector joint ventures	• Transfer to community • Mutualisation • Devolve to district or parish • Closure

5.2   To help partners determine the most effective model (or models) for ARP, the parameters set by partners' policies and preferences have been identified together with evaluation criteria developed jointly with key stakeholders. A shortlist of preferred models has been identified and the evaluation criteria used to help identify the service delivery models most likely to meet partners' ambitions.

Evaluation Criteria

5.3   In exploring which service delivery model is most appropriate, the starting point is to identify what the partners want ARP to deliver and achieve. To support this process, working with key stakeholders, a set of four **strategic outcomes** have been identified for ARP supported by a more detailed set of **objectives**. These outcomes and objectives have formed the evaluation criteria set out in table 5.2 below.

Table 5.2: Outcomes and Objectives for ARP and Evaluation Criteria

Outcome	This means (objectives)
Reduced net cost	• Positive return on investment. • Flexibility to deliver savings. • Ability and expertise to generate income or reduce costs. • New opportunities can be developed easily if there is clear business case.
Resilience and stability	• More standardised processes and practices. • Clear sense of purpose and identity. • Greater operational capacity and succession planning. • Sound and transparent governance and support services.
Flexibility	• Being able to identify risks and opportunities and respond effectively. • Always be open to new ways of working. • Can provide new service opportunities to existing and new partners (if a business case exists). • Can adapt easily to political and organisational changes among partners.
High quality service	• Maintain market-leading service in a changing environment. • Provide sensitive and accessible support to customers and claimants and stakeholders. • Ensure revenues are maximised.

Option Appraisal Process

5.4 At the meeting of the Joint Committee on 13 December 2012, the range of service delivery models was discussed and it was agreed to discount three of the four main categories shown in table 5.1. The reasons for discounting these categories include:

- **Make**: there was no appetite on the part of any partner to bring the service back in-house as it was recognised that the efficiencies achieved by ARP could not be replicated within a single authority.

- **Buy**: it was recognised that the outsourcing of such a service during the process of the Government's welfare reform programme would not be practical as it would be difficult to specify and contract for a service during this period of change.

- **Divest**: the revenues and benefits service cannot be ceased and its dependence on technology and its strategic importance to authorities' funding militate against divesting it to the community or a newly formed mutual.

5.5 As a result, the appraisal process has focused on shared service models, although it would be advisable to remain open to other models. Three principal variations of shared services have been examined in greater depth:

- **Option A**: Joint Committee established under s102 of the Local Government Act 1972.

- **Option B:** Delegation to a single authority under s101 of the Local Government Act 1972.

- **Option C**: Public sector joint venture: company structure

5.6   The options and their implications are summarised in table 5.3 below. These main options have been evaluated.

Table 5.3: Overview of Main Shared Service Options[v]

Option	Option A: Joint Committee	Option B: Delegation to Lead Authority	Option C: Public sector joint venture
Model	Joint Committee operates service on behalf of authorities.	Delegation of service to a lead authority.	Company or partnership
Particular strengths	• Joint oversight and commitment • Pooling of control and risk	• Simpler management • Simpler accountability	• Some risk transfer • Business focus • Shared ownership • Trading and ease of joining (Teckal)
Particular weaknesses	• Blurring of interests • Cannot trade	• Parity of partners • Can become 'contractual' • Cannot trade	• Governance overhead • May struggle to compete
Issues	• Growth can strain governance	• Risk appetite of lead authority • Partners' responsibilities	• Degree of freedom • Contract management • Directors' duties
Implementation	• Simple with some legal costs.	• Simple with some legal costs.	• Straightforward, some legal costs.
Examples	• ARP	• GO Shared Services	• Ubico • Norse

5.7   Although there are numerous models for company structures, it has been assumed that the standard model of a company limited by shares (which would be owned by the partners) would be used. Two variations have been evaluated for the joint committee model:

- **Option A1**: 'As is' the current joint committee arrangements.

- **Option A2**: a joint committee arrangement with the management of the service delegated to a 'managing authority'.

Evaluation of main options

5.8 An evaluation of the main options has been conducted by applying the evaluation criteria to the shortlisted options. The details of the evaluation are shown in Appendix 3 and the summary is set out below. It should be noted that, given the constraints on this short review, it was not practical to conduct a more detailed cost/benefit analysis and so simple High/Medium/Low (H/M/L) ratings have been applied and no weightings placed on each rating.

Table 5.4: Summary of Option Appraisal

Outcome	Option A1: Joint Committee (JC)	Option A2 JC & Managing Authority	Option B: Delegation to Lead Authority	Option C: Public sector joint venture
Reduced net cost	M/L	M/L	M/L	M
Resilience and stability	M	M/H	M/H	M/H
Flexibility	M	M	M	M/H
High quality service	H	H	H	H

5.9 Given the outcomes and objectives sought for ARP, each of the models would allow ARP to continue to progress. Indeed, most of the recommendations and policies set out in section 4 could be implemented in all four models, although the operational complexity and weaknesses of the current model (A1) suggest that it should not be retained.

5.10 Our evaluation suggests, on balance, that the replacement of the Joint Committee and ARPT by a single Public Sector Joint Venture company would offer the best fit. It offers a single corporate governance structure (rather than two) and greater flexibility. This finding has been influenced by the two key assumptions which the partners may wish to review and test:

- **Trading**: given the partners' proposed policy of being open to expansion (subject to a sound business case) and the objective of having an "ability … to generate income or reduce costs", it is assumed that the ability to trade for commercial purposes would be desirable and so the creation of a trading company would be necessary. Option C requires a single corporate governance body.

- **Employment policies**: it is assumed that the partners may wish to explore taking advantage of the additional freedom that a local authority company could provide to introduce different terms and conditions (and pensions) for new starters, for example. This would be more feasible with option C.

5.11   There are a number of other issues and assumptions which the committee may wish to review and test and which may influence its choice of preferred model:

- **Spirit of partnership**: in discussion, a lead authority model (Option B) was felt by some stakeholders to run counter to the spirit of partnership that has been strength of ARP. It should be noted that it may be possible to replicate some aspects of the joint committee arrangements, although ultimate decision-making responsibility would remain with the lead authority.

- **Contract governance**: in the event that option C was selected, it would be necessary to put in place contracts and contract governance arrangements. There would be some ongoing costs, including the creation of a client side. As the company would be under the control of its owners, the contract and contract governance arrangements can be more streamlined with an outcome-focused contract and a minimal, shared client side resource. This introduces a degree of complexity, but does provide the opportunity to introduce greater clarity and transparency into the specification of the service required and its accountability.

- **Time commitment**: It has been assumed that the overall commitment of time by the partners' members and officers to governance in any of the models would remain broadly the same compared with the current demands of ARP and ARPT. It is assumed that the ARP's management effort required in supporting the governance of the models would be similar, but in managing the operations would be reduced for options A2, B and C and the resources manageable within the existing resource envelope.

- **Cost of change**: for options A2, B and C it has been assumed that some external technical and legal support will be required. It has been assumed that the costs of external support can be contained within £100k, although for all models it should be possible to achieve this more cheaply with the necessary in-house capacity and skills and with a pragmatic and business-like approach to resolving issues and reaching agreements. No allowance has been made for transition costs and any redundancy costs – these would depend on decisions on the extent of organisational change required.

5.12   It is recommended that the Joint Committee chooses one or two service delivery models that it wishes to investigate further and proceeds to develop an Outline Business Case to provide a more detailed, costed assessment of their preferred option or options before finalising its recommendations to the partner authorities on whether and how to proceed. The business case would need to pay particular attention to the expected benefits (both financial and non-financial) compared to the current, base position; the cost of change; the expected risks and mitigation (both for ARP and for each partner); and a realistic implementation plan that takes account of partners' broader programme of change which may impact on management capacity.

5.13 **Recommendation**

> 10. That the Joint Committee selects the service delivery model or models that it would like to explore further and develop outline business cases before recommending to partner authorities whether to proceed to make preparations for a new model.

Implementation

5.14 In the event that option A1 ('as is') is not retained, an indicative timetable is shown in table 5.5 below. For options A2, B and C, it should be possible to proceed to implementation by April 2014. With careful project management, it should be possible for the timetable to be achieved.

Table 5.5: Timetable for Implementation of New Model

Phase	Priority Activities
1: Planning January to June 2013	• Consider recommendations and proposed policy statements and prioritise. • Select preferred models for further examination and develop outline business case to confirm proposed model. • Confirm preferred future customer service model. • Review business case for expanding the partnership to include Waveney and Suffolk Coastal.
2: Decision Summer 2013	• Joint committee confirms its preferred service delivery model and makes recommendations on implementation to partner authorities.
3: Implementation Summer 2013 to March 2014	• Select managing or lead authority (for options A2 or B) • Confirmation of preferred employment model and consultation over TUPE and proposed TUPE measures. • Undertake assessment of the implications for pensions including the financial impact on partner authorities. • Finalise target operating model for new entity and business case for final agreement by partner authorities. • Prepare outcome-based contract and specification (for option C) and proposed governance arrangements. • Prepare legal agreements. • Develop transition and business continuity plans.
4: Go-live April 2014	• Transfer staff and operations to new entity.

Appendix 1

Summary of Draft Policy Statements and Recommendations

Draft Policy Statements

The proposed policy statements set out below were developed in discussion with key stakeholders at a workshop on Wednesday 9 January 2013:

a. We will deliver high quality, innovative services at the lowest realistic cost.

b. We want ARP to be an effective provider of transactional services and to assist with policy-making across the partnership.

c. We are open to ARP expanding if there is a sound business case.

d. We will provide local access to services while maximising back office efficiency.

e. We will ensure that ARP can adapt, while aiming to adopt similar service designs across the partnership where possible.

f. We are happy for any of the partners to be the principal source of support services to ARP.

g. We will apply the same, best practice business processes across the partnership.

h. We will transfer ARP's staff to the most appropriate employing body.

Recommendations

1. That a review is undertaken to determine the precise allocation of responsibilities to support policy-making between the partners' in-house teams and ARP.

2. That the design of the relationship between ARP's and partners' customer service provision be reviewed in order to identify the potential benefits and disbenefits of standardising ARP's interface with partners' customer service operations.

3. That ARP's requirements for support services are defined and the most suitable provider sourced in order to improve confidence and aid transparency.

4. That the differences between the partners in business processes and delegations be identified and reviewed with a view to standardisation.

5. That a medium term service improvement programme be established, supported by estimates of resource requirements, milestones and benefits in order to assist in prioritising and in monitoring progress.

6. That the governance framework for ARP is reviewed in order to reduce duplication of activities; to speed decision-making; and improve the ability to focus on ARP's strategic direction and management.

7. That ARP's performance management framework is enhanced by defining the long-term outcomes that ARP is seeking to achieve, supported by a balanced scorecard of indicators measuring the organisation's overall success and health.

8. That ARP commences participation in benchmarking its performance and costs in order to provide information on comparative performance and costs, drive improvement and demonstrate its success to potential partners

9. That ARP conducts a fundamental review of its management practices, competencies and structures in order to release the capacity required to meet its new vision and corporate structure and respond to the Government's welfare reform programme.

10. That the Joint Committee selects the service delivery model or models that it would like to explore further and develop outline business cases before recommending to partner authorities whether to proceed to make preparations for a new model.

Appendix 2

Background Notes
Ingredients of Success for Shared Services

Shared Services and the Ingredients of Success

1   Local government has, over the decades, collaborated to secure its policy objectives, including regional planning, infrastructure investment or operational services. From a comparatively low base, the sharing of services has accelerated rapidly over recent years as a result of efficiency initiatives, such as those supportive of Regional Improvement and Efficiency Partnerships. The greatest spur to the growth of shared services has been the global financial crisis of recent years which has resulted in dramatic reductions in local authority funding. Numerous benefits are claimed for shared services, including:

- **Cost savings**: by creating economies of scale, management costs and other overheads can be shared. One-off costs can be shared, such as investments in new technology and other periodic demands on resources (such as the interpretation of new regulations, updating guidance and training staff).

- **Capacity to improve**: the shared investment of ideas, energy and resources and the broader resource pool available allow a stronger focus on improvement, facilitated by the ability to share the cost of transformational change.

- **Resilience**: smaller authorities and smaller functions within services can be exposed to business continuity risks if staff leave or as a result of unexpected absences. Shared services are able to create a larger staff pool to help reduce those risks.

- **Wider skills**: the larger functional units within a shared service make it possible to share a wider talent pool or employ specialist resources that would not be affordable for individual authorities.

2   While many shared services have been successfully created, there have been numerous failed attempts and a number of shared services that have faltered and failed. The experience suggests that there a number of **key foundations** for shared services that need to be set in place if the shared service is to be successfully initiated and implemented:

- **Culture of collaboration**: each individual partner in a shared service needs to be capable of working in partnership (including with authorities with different political policies or complexions) and of accepting that the pooling of sovereignty in a shared service will result in some loss of direct control.

- **Clear business case**: there must be demonstrable benefits for each partner to justify their initial (and continued) participation in a shared service even if some partners benefit more than others. This is easier to demonstrate if there is transparency of the shared service's comparative performance and costs.

- **Sound business model**: the partners need to settle on the design of a target operating model that is fit-for-purpose and sustainable; that maximises opportunities for standardization; but where, unavoidable, clearly identifies the extent and degree of variation in service design and service levels provided to each partner.

- **Shared objectives**: the partners will need to have collectively agreed on a clearly expressed set of objectives for the service that, overall, aligns with their individual authorities' interests and objectives.

- **Sound management**: the shared service depends on the attention oversight of elected members and senior managers with the capacity and skills to be given authority to take decisions on behalf of the partners and steer and manage the launch of a service with multiple stakeholders and often complex and varied operational frameworks.

3   These foundations also depend on effective programme and change management to ensure that the transition is successful and that there are no service interruptions. However, a successful launch is no guarantee of continuing success. If the expected benefits are to be realised and the full potential extracted from the partnership, a number of **conditions for sustained success** are required:

- **Focus on outcomes**: a governance framework is required that focuses on results - driving performance and securing demonstrable value for money as well as holding the service (and each partner authority) to account for maximising the benefits of the partnership.

- **Commitment to innovation**: the ability of the shared service to continue to develop depends on the willingness of the partners to encourage continuous improvement within the service and to be ready to accept any consequential changes on their own authority's operations.

- **Adaptability**: the structure and culture of the shared service will need to be capable of anticipating and responding to external change and new opportunities.

- **Strategic leadership**: the political and managerial leadership of the shared service need to invest in developing and have confidence in a shared vision for the future development of the service and have the ability to broker and facilitate change in order to deliver that vision.

4   For many authorities, the creation of a shared service is the first step towards expansion, possibly to generate local employment; or to deliver savings either through further economies of scale; or profits from commercial trading. This requires an investment in **business development capabilities**. These will be required in some form even if the partners have modest ambitions or want to pursue organic growth:

- Compelling proposition: to compete effectively in a crowded marketplace, the shared service needs service offerings, clear pricing and 'terms of engagement' that are distinctive and attractive to potential new partners and customers.

- Commercial competence: if new work is to be secured and the risks managed effectively, well-grounded business and forward planning; sufficient business development capacity; and commercial 'nous' are essential. The service must also be able to manage the straightforward 'onboarding' of new partners and customers.

- Senior sponsorship: the shared service will depend on the active support and encouragement of each authority's political and managerial leadership. Prospective

partners and customers will need reassurance that the current partners support expansion and are 'good people to do business with'.

Appendix 3

Option Appraisal of Shared Service Models

Option Appraisal of Shared Service Models

Option A1: Joint Committee ('as is')

Outcome	This means (objectives)	Rating	Comments
Reduced net cost	- Positive return on investment - Flexibility to deliver savings - Ability and expertise to generate income or reduce costs - New opportunities can be developed easily if there is clear business case	M	- No initial set-up costs - existing agreements can be amended as required. - Would not impose additional ongoing costs. - More active income generation would require additional capacity. - Current governance arrangements slow some decision-making, but responsiveness could be improved through greater delegation. - Flexibility in employment practices would be constrained by local authority terms and conditions. - A separate trading company would be required to support trading for a commercial purpose.
Resilient and stable	- More standardised processes and practices - Clear sense of purpose and identity - Greater operational capacity and succession planning - Sound and transparent governance and support services	M	- Standardisation of processes would require agreement between the partners which may take time to secure. - While not providing a single organisational entity, a clear purpose and identity can be achieved through effective leadership and branding. - Would not readily secure standardised employment practices. - Capacity issues can be addressed through discussion between the partners; succession planning can be delivered within ARP (and might include partner authorities' staff). - Current governance processes can be streamlined and support arrangements overhauled.
Flexibility	- Being able to identify risks and opportunities and respond effectively - Always be open to new ways of working - Can provide new service opportunities to existing and	M	- Joint committee arrangements allow for the control necessary to respond rapidly to risk and opportunities. - Change can be effected through agreement, although the authorities' different internal governance arrangements may complicate decision-making. - New partners could join the joint committee arrangements, but a separate company would be required to support trading for commercial purposes. - In the event of political and organisational changes among the partners, decision-

	new partners (if a business case exists) • Can adapt easily to political and organisational changes among partners		making and operational arrangements could prove problematic. While there are 'voluntary exit' arrangements, 'compulsory exit' arrangements should be written into the agreement.
High quality service	• Maintain market-leading service in a changing environment • Provide sensitive and accessible support to customers and claimants and stakeholders • Ensure revenues are maximised	H	• The existing arrangements allow for effective direction and scrutiny of performance and costs. • The existing arrangements allow for effective direction and scrutiny of service delivery. • Joint committee arrangements do not allow for revenue generation (unless a trading company is in place).

Option A1 Joint Committee (with delegation to a 'managing authority')

Outcome	This means (objectives)	Rating	Comments
Reduced net cost	• Positive return on investment • Flexibility to deliver savings • Ability and expertise to generate income or reduce costs • New opportunities can be developed easily if there is clear business case	M/L	• Would incur cost of revisions to legal agreement (while not as extensive as delegation under s101). Resources would be required to implement a TUPE transfer. In the event that harmonisation of terms and conditions were to be sought on ETO grounds, the consultation process would be more resource intensive. • More active income generation would require additional capacity. • Flexibility in employment practices would be constrained by the managing authority's terms and conditions. • Current governance arrangements slow some decision-making, but the managing authority's scheme of delegations would determine the speed of operational decision-making unless specific provisions were made for ARP. • A separate trading company would be required to support trading (as at present) for a commercial purpose.
Resilient and stable	• More standardised processes and practices • Clear sense of purpose and identity • Greater operational capacity and succession planning • Sound and transparent governance and support services	M/H	• Standardisation of processes would require agreement between the partners which may take time to secure. • Standardising employment practices would be possible. As part of the TUPE process, ETO grounds for any early change to terms and conditions would need to be carefully clarified and consulted upon. • This would create a single organisational entity; a clear purpose and identity can be achieved through effective leadership and branding. • Capacity issues can be addressed through discussion between the partners; succession planning can be delivered within ARP (and might include partner authorities' staff). • Current governance processes can be streamlined and support arrangements overhauled.
Flexibility	• Being able to identify risks	M	• Joint committee arrangements allow for the control necessary to respond rapidly

	and opportunities and respond effectively • Always be open to new ways of working • Can provide new service opportunities to existing and new partners (if a business case exists) • Can adapt easily to political and organisational changes among partners		to risk and opportunities. • The managing authority would be able to effect new ways of working (within the constraints set by the authority's scheme of delegation). Where changes impact on the partner authorities' own operations, change can be effected through agreement. • The managing authority would take on employment risks and so legal agreements would need to protect that authority from risks outside its control. • New partners could join the joint committee arrangements, but a separate company would be required to support trading for commercial purposes. • In the event of political and organisational changes among the partners, decision-making and operational arrangements could prove problematic, particularly if the managing authority's political commitment to ARP changes or its management of ARP is compromised. While there are 'voluntary exit' arrangements, 'compulsory exit' arrangements should be written into the agreement, including the termination of managing authority arrangements.
High quality service	• Maintain market-leading service in a changing environment • Provide sensitive and accessible support to customers and claimants and stakeholders • Ensure revenues are maximised	H	• Joint committee arrangements allow for effective direction and scrutiny of performance and costs. • Joint committee arrangements allow for effective direction and scrutiny of service delivery. • Joint committee arrangements do not allow for revenue generation (unless a trading company is in place).

Option B – Delegation to a Lead Authority

Outcome	This means (objectives)	Rating	Comments
Reduced net cost	• Positive return on investment • Flexibility to deliver savings • Ability and expertise to generate income or reduce costs • New opportunities can be developed easily if there is clear business case	M/L	• Would incur cost of extensive revisions to legal agreement. Resources would be required to implement a TUPE transfer. In the event that harmonisation of terms and conditions were to be sought on ETO grounds, the consultation process would be more resource intensive. • More active income generation would require additional capacity. • Flexibility in employment practices would be constrained by the lead authority's terms and conditions. • The lead authority's scheme of delegations would determine the speed of operational decision-making unless specific provisions were made for ARP. • A separate trading company would be required to support trading for a commercial purpose.
Resilient and stable	• More standardised processes and practices • Clear sense of purpose and identity • Greater operational capacity and succession planning • Sound and transparent governance and support services	M/H	• Standardisation of processes would require agreement between the partners which may take time to secure. • Standardising employment practices would be possible. As part of the TUPE process, ETO grounds for any early change to terms and conditions would need to be carefully clarified and consulted upon. • This would create a single organisational entity; a clear purpose and identity can be achieved through effective leadership and branding. • Capacity issues can be addressed through discussion between the partners; succession planning can be delivered within ARP (and might include partner authorities' staff). • It is possible to create Current governance processes can be streamlined and support arrangements overhauled.
Flexibility	• Being able to identify risks and opportunities and	M	• The lead authority would be able to effect new ways of working (within the constraints set by the authority's scheme of delegation). Where changes impact

	respond effectively • Always be open to new ways of working • Can provide new service opportunities to existing and new partners (if a business case exists) • Can adapt easily to political and organisational changes among partners		on the partner authorities' own operations, change can be effected through agreement. • The lead authority would take on employment risks and so legal agreements would need to protect that authority from risks outside its control. • New partners could delegate their service to the lead authority, but a separate company would be required to support trading for commercial purposes. • In the event of political and organisational changes among the partners, decision-making and operational arrangements could prove problematic, particularly if the lead authority's political commitment to ARP changes or its management of ARP is compromised. While there are 'voluntary exit' arrangements in the current agreement, 'compulsory exit' arrangements should be written into the agreement, including the termination of lead authority arrangements.
High quality service	• Maintain market-leading service in a changing environment • Provide sensitive and accessible support to customers and claimants and stakeholders • Ensure revenues are maximised	H	• Aspects of the current joint committee arrangements could be replicated under a lead authority arrangement, through the creation by the lead authority of a committee to manage the service with co-opted members from the partner authorities. Agreeing on decision-making arrangements would be critical and could prove problematic. • The lead authority's resources would be applied to maximising the performance of the service in accordance with its standard operating arrangements. Its effectiveness would be constrained by the lead authority's overall organisational competence and its willingness to apply sustained commitment to the interests of a service that supported other organisations as well.

Option C – Public Joint Venture

Outcome	This means (objectives)	Rating	Comments
Reduced net cost	• Positive return on investment • Flexibility to deliver savings • Ability and expertise to generate income or reduce costs • New opportunities can be developed easily if there is clear business case	M	• Would incur one-off costs of establishing a new company (or amending ARPT) and establishing contracts between ARP and partner authorities. Resources would be required to implement a TUPE transfer. In the event that harmonisation of terms and conditions were to be sought on ETO grounds, the consultation process would be more resource intensive. • There would be ongoing costs of creating a 'light-touch' client, but support service costs are generally lower (subject to any cost of change for current support service providers). The costs of operating a company are currently incurred, but some additional costs would result from the operation of a larger company (eg insurance). • More active income generation would require additional capacity. • Flexibility in employment practices would be possible (subject to TUPE provisions), eg changes to terms and conditions (including pensions) could be considered for new starters. • Subject to the terms of the scheme of delegations and 'reserved matters', ie those that were reserved to the shareholders (who would be the partner authorities), company decision-making could be more responsive. • Teckal compliance would obviate the need for procurement but would constrain trading revenues to 20% of total turnover. • Would provide a single governance arrangement (in contrast with current separate joint committee and trading company arrangements).
Resilient and stable	• More standardised processes and practices • Clear sense of purpose and identity • Greater operational	M/H	• Standardisation of processes would require agreement between the partners which may take time to secure. • Standardising employment practices would be possible. As part of the TUPE process, ETO grounds for any early change to terms and conditions would need to be carefully clarified and consulted upon.

	capacity and succession planning • Sound and transparent governance and support services		• This would create a single organisational entity; a clear purpose and identity can be achieved through effective leadership and branding. • Capacity issues can be addressed through discussion between the partners; succession planning can be delivered within ARP but with less flexibility to include partner authorities' staff within succession plans. • The company would need to determine the most effective support service arrangements; efficiencies may also be possible by sharing with other trading companies for company-specific support. • The establishment of a contractual basis for service delivery would assist in defining service standards and requirements.
Flexibility	• Being able to identify risks and opportunities and respond effectively • Always be open to new ways of working • Can provide new service opportunities to existing and new partners (if a business case exists) • Can adapt easily to political and organisational changes among partners	M/H	• The company would be able to respond readily (within the constraints set by the company's objects, internal rules and decision-making processes). • The company would be able to effect new ways of working (within the constraints set by the company's internal rules and decision-making processes). Where changes impact on the partner authorities' own operations, change can be effected through agreement. • The contractual basis of the relationship with the company could reduce flexibility, but the contract should be more flexible and readily amended given that the company is owned by its shareholders, ie the partner authorities. • New partners could either take shareholdings in the company (obviating the need for procurement) or act as customers (subject to Teckal constraints on trading turnover). • The company would be better insulated from political and organisational changes; the contracts would require robust notice and termination provisions.
High quality service	• Maintain market-leading service in a changing environment • Provide sensitive and accessible support to customers and claimants and stakeholders • Ensure revenues are maximised	H	• The company's focus and governance arrangements would allow for effective direction and scrutiny of performance and costs, subject to the limitations imposed by the capacity of the company.

Notes

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[i] Based on 2001 census statistics published by Manchester City Council and ARP's business case for expanding to include Waveney and Suffolk Coastal.
[ii] From paper entitled "Suffolk County Council's Public Access: Post 2014 Delivery Model", 16 November 2012
[iii] From Forest Heath and St Edmundsbury's "Customer Access Strategy", draft version 1, last updated on 16 April 2002
[iv] Bohl, E. (2012) "When the Salami's Gone", the SOLACE Guide to Commissioning and Sourcing. London, SOLACE.
[v] Adapted from Bohl, E. (2012) "When the Salami's Gone", the SOLACE Guide to Commissioning and Sourcing. London, SOLACE.