

Agenda Item No:

Report No:

Report Title: Corporate Services Review

Report To: Cabinet

Date: 29th September 2014

Cabinet Member: Cllr. Andy Smith

Ward(s) Affected: All

Report By: Alan Osborne, Director of Corporate Services

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Purpose of Report:

To report the findings of a Corporate Services review carried out by iESE, and to recommend next steps. The purpose of the review was to develop a strategic vision for Corporate Services, in order to help them deliver cost-effective, high quality and resilient services that meet future customer requirements. Five areas of Corporate Services were covered:

- Human Resources
- Legal Services
- Financial Services
- IT Services and
- Property Services.

The review included detailed discussions with managers from Eastbourne Borough and Lewes District Councils to consider whether there is a business case for sharing services, or a roadmap of steps required to align them in preparation for future consideration of the value of sharing. The outcomes of the review are the five business cases and road maps attached as appendices to this report.

Officers Recommendation(s):

- 1 To endorse the recommendations of the iESE Review of Corporate Services and authorise their implementation. This will result in alignment of Finance, IT and Property services; a shared HR service for the two authorities provided by Eastbourne Borough Council and a shared Legal service provided by Lewes District Council.

- 2 To agree principles to govern the alignment and sharing of Corporate Services between Lewes District Council and Eastbourne Borough Council, as set out in paragraph 4 of this report.
 - 3 To note that the Chief Executives of Eastbourne and Lewes District Council will use their delegated powers, in consultation with their respective Council Leaders, to take advantage of opportunities as and when they arise to align systems or posts within the two authorities in order to generate benefits in terms of quality, savings or resilience.
 - 4 To note the aspiration of service managers to explore the potential to undertake work for a commercial purpose, in order to generate efficiencies and reduce the net cost of their service to tax payers.
 - 5 To recommend to Council the appointment of the Director of Corporate Services as Proper Officer with responsibility for the proper administration of the Council's financial affairs, under Section 151 of the Local Government Act 1972 (with effect from 27 February 2015) and consequential amendments to the Constitution's Scheme of Delegation.
 - 6 To note that both Eastbourne Borough Council and Lewes District Council have designated Monitoring Officers, as required by the Local Government and Housing Act 1989. The future arrangements for designation under the proposed new shared service will be reviewed and any proposals for changes will be subject to a future report to Council.
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Reasons for Recommendations

- 1 The review of Corporate Services has been undertaken under Lewes District Council's Nexus Transformation Programme and Eastbourne Borough Council's Future Model Phase 2.
- 2 The Nexus Transformation Programme is intended to make Lewes District Council a more flexible, customer focussed organisation, delivering local efficient services in a cost effective and sustainable way, against a backdrop of a challenging savings requirement of £2.9 million by 2020. It was in this context that Cabinet agreed on 7th June 2014 (Minute 7.2d refers) to commission iESE to report on the costs, benefits and challenges of working in partnership with Eastbourne Borough Council and/or other public sector partners with regard to the Corporate Services unit.

Information

3 Business Cases and Roadmaps

The outcomes of the iESE Corporate Services Review are set out in Appendices A to E of this report, and are summarised below:

3.1 HR Services Business Case (Appendix A)

- (a) This sets out the case for a merged service, with EBC as employing authority. Financial and non-financial benefits, in providing a resilient

service which can extend its strategic value to both authorities, are outlined.

3.2 Legal Services Business Case (Appendix B)

- (a)** This sets out the case for a merged service, with LDC as employing authority. Benefits of a shared service are in the establishment of a resilient body which can build and maintain specialist expertise to support both organisations.
- (b)** Once a shared service has been established, Legal Services are well-placed to move forward to realise an aspiration to develop trading activities. One option is the establishment of a company owned and controlled by Lewes and Eastbourne Councils (often referred to as a Teckal company). However, additional research is required into legal and insurance aspects, and any proposals will be the subject of a future report to Cabinet. There may also be opportunities to widen the partnership to include other local authorities in the future.

3.3 Financial Services Roadmap (Appendix C)

- (a)** This roadmap recognises the challenge presented by the use of different financial systems, but sets out a plan to align procedures and ways of working, and the sharing of specialist resources.

3.4 IT Services Roadmap (Appendix D)

- (a)** This roadmap identifies the key actions and decisions that will be needed to coordinate the gradual alignment of IT infrastructures and systems. The contractual nature of these functions means that this alignment will need to progress into the medium-term.

3.5 Property Services Roadmap (Appendix E)

- (a)** The Property, Contracts and Facilities (PCF) team provides Property Services at Lewes District Council. It is responsible for asset management; managing budgets for day-to-day maintenance; delivering capital investment and ensuring surveys for statutory compliance and undertaken and monitored.
- (b)** Initial views were that Property Services had a high potential for collaboration between the two authorities. This view is still valid, but significant decisions will need to be made first on opportunities for efficiency and the alignment of 'Corporate Landlord' models of working. This roadmap sets out the steps required.
- (c)** In the longer term, Property Services have an aspiration to develop trading activities as set out in paragraph 3.2(b) above, and this may be the subject of a further Cabinet report once the steps outlined in the roadmap have been implemented.

3.6 Ad hoc opportunities

- (a)** It is recognised that ad hoc opportunities may arise to align systems or posts between the two authorities. In these circumstances, the Chief Executives will use delegated powers where applicable to capture these opportunities to generate benefits in terms of quality, savings or resilience, in consultation with their respective Leaders.

4 Principles

There are a number of principles that can usefully be established to help govern the process of aligning and sharing Corporate Services at Lewes and Eastbourne Councils. These are:

- 4.1** Where a shared service will be provided by one authority to another under a service-level agreement; the designation of provider or receiver will be allocated on the principle of an even-handed split of services between the two authorities unless there is a clear business case that requires the arrangements to be otherwise;
- 4.2** An agreement on the apportionment between the two authorities of costs and savings arising from shared services is being developed. The overriding principle will be that neither council will pay more for the same service through the joint initiative than would have been the case under the status quo position;
- 4.3** Where shared services are introduced, there will be appropriate engagement with customers about how to optimise the new arrangements, where there is significant change affecting their experience of the service;
- 4.4** Following the introduction of a shared service arrangement, there may be a need over the course of time to review posts and structures. Any such restructuring proposals will be subject to a business case, with the expectation that they will be self-financing;
- 4.5** It is recognised that ways of working and culture will need to change and align in order for shared services to be introduced successfully.
- 4.6** It is recognised that aligning and sharing Corporate Services may require initial investment in order for benefits to be realised in the future;
- 4.7** A joint communications strategy for both internal and external communications will be agreed, which will align key messages and timing of communications by Members and officers.
- 4.8** Where a shared service is to be established, a common policy on recruitment to key posts will be applied by both Lewes District Council and Eastbourne Borough Council.
- 4.9** There will need to be a programme of consultation with staff, in accordance with existing practices.

5 Statutory Officers

5.1 Some powers exercised by officers arise from Acts of Parliament which require the Council to appoint holders of particular posts or named officers to carry out a particular function or work of the Council. Often the legislation will require the Council to appoint a “Proper Officer” to carry out a specified function.

5.2 The statutory posts are the Head of Paid Service, Monitoring Officer and Section 151 Officer (responsible for proper accounting and financial issues). This report considers whether changes are required at this stage to the arrangements for the Section 151 Officer (Lewes District Council only) and Monitoring Officer (for both authorities).

5.3 Lewes District Council Section 151 Officer (Chief Finance Officer)

- (a)** In March 2013 Cabinet was made aware that Lewes’ Chief Finance officer would be retiring at the end of March 2015. It also noted that a number of councils had embarked upon the engagement of a shared Chief Finance Officer position and that more were considering this possibility.
- (b)** Eastbourne Borough Council’s Chief Finance Officer is currently seconded on a part-time basis to the role of Director of Corporate Services. He has attended Corporate Management Team meetings and been part of the team working on major projects.
- (c)** Both Chief Finance officers have worked alongside each other and this valuable opportunity has demonstrated that the proposal to share a Chief Finance officer for both councils is workable and would benefit both councils.
- (d)** Part 11 section 6 of the Council’s Constitution covers the appointment procedure for the normal replacement of the Chief Finance Officer post. In this instance the proposal can be considered by Council at its next meeting on 15 October 2014.

5.4 Monitoring Officer – Lewes District Council and Eastbourne Borough Council

- (a)** Both Eastbourne Borough Council and Lewes District Council have designated Monitoring Officers, as required by the Local Government and Housing Act 1989. The future arrangements for designation under the proposed new shared service will be reviewed and any proposals for changes will be subject to a future report to Council.

6 Other Corporate Functions

6.1 There may be a future review exploring the business case for alignment or sharing of the remaining corporate services and leadership teams of both authorities. This could include consideration of:

- Procurement

- Audit and Fraud
- Governance and Democratic Services
- Other Strategy and Commissioning Functions

7 Financial Appraisal

By endorsing the recommendations of the iESE Review of Corporate Services, action will be taken to implement a shared HR service and a shared Legal service. The businesses cases prepared as part of the iESE review have indicated that potential savings of £135,000 can be generated from a shared HR service in total over its first 4 years of operation. A joint Legal Service is projected to generate savings of £183,000 over the same period.

As noted in the report, further work will take place to establish the baseline position for each authority prior to merging each of these services. An agreement on the apportionment between the two authorities of costs and savings arising from shared services will be developed. The overriding principle will be that neither council will pay more for the same service through the joint initiative than would have been the case under the status quo position.

8 Legal Implications

The Legal Services Department has made the following comments:

- 8.1** There are a number of legal structures which may be used as a basis for sharing services between local authorities.
- 8.2** Lewes and Eastbourne have already made use of secondments of individual staff members from one authority to another. This can work well for temporary arrangements involving one or more individuals but is less effective as a long term solution.
- (a)** A secondment involves an employee being temporarily assigned to work for another organisation, whilst remaining employed by his/her original employer. There is no change to the secondee's pay/conditions and he/she remains under the control of his/her original employing authority.
- (b)** Whilst it would be possible to second Lewes' HR staff to Eastbourne and Eastbourne's Legal staff to Lewes, the fact that individuals within each team would remain under the control of their original employing authority would constitute a bar to integration of the team as a single unit and would not permit the re-shaping of the teams in such a way as to maximise their efficiency.
- 8.3** This report proposes that Lewes' HR staff cease to be employed by Lewes and are instead employed by Eastbourne. Conversely, Eastbourne's legal staff will transfer to the employment of Lewes.

- (a) These transfer proposals will be caught by the “TUPE Regulations” (Transfer of Undertakings (Protection of Employment) Regulations 1981). The effect of these is that staff will transfer from one authority to the other one on their existing terms, conditions and pension rights.
- (b) There are statutory obligations on both local authorities to consult with the trade union in relation to those employees affected by the transfer.
- (c) Those staff transferring will do so on their existing terms and conditions which will mean that staff working within the new HR and Legal teams will be on different terms and conditions. This is a natural consequence of TUPE. However it is highly likely that both teams will need to be reconfigured following the transfer and this could lead to a harmonisation of terms and conditions as a result of the workforce changes.
- (d) Once the teams have merged then the appropriate employing authority will be responsible for any costs which may arise in the future as a result of any workforce changes within the team which it employs.

8.4 Once the new HR and Legal teams have been established it will be possible for each of those teams to provide HR and legal services on behalf of both local authorities.

- (a) There will be no need for either team (HR or Legal) to go through a procurement process in order to work for the other. This is because section 101(1) of the Local Government Act 1972 allows a local authority to delegate the delivery of a function to another local authority. The use of the word “function” is defined broadly in section 101. Section 101(12) states that references here to the discharge of any of the functions of a local authority “include references to the doing of anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of those functions.” The delegation from one authority to another can therefore include the provision of legal and HR advice which is necessary to support the two councils in carrying out their frontline service delivery. This power of delegation means that this exists in law as an “administrative” arrangement between the two authorities and no contract is entered into. An advantage is that this creates a more partnership style relationship than a formal contractual structure might be expected to create.

8.5 This report anticipates Legal Services and Property Services moving forward at some future date to realise an aspiration to develop trading activities.

- (a) In the event that either team wishes to trade then it will be entering into contractual arrangements which will be subject to the public procurement regime. Subject to this, a range of legislative powers exist which permit support services to sell their services externally. A key power, already in use for many years, is the Local Authorities (Goods & Services) Act 1970. This allows local authorities to provide administrative, professional or technical services to any other local authority or “public body” as

defined in the Act. The local authority may charge a fee and the scale of trading operations can be extensive.

- (b) More recently, provisions in the Local Government Act 2003 and Localism Act 2011 can be combined to enable trading to be extended beyond other local authorities and public bodies into the private and other sectors. However, to meet statutory requirements, the team wishing to trade will need to establish a company structure (which can be wholly owned and controlled by its local authority employer or by one or more participating local authorities) to do so.
- (c) Other local authorities are already going beyond this. Some legal teams (e.g. Harrow & Barnet, Buckinghamshire), driven by the fact that local authority services have been outsourced and there is a shrinking client base for which they can work, have already established “Alternative Business Structures” to deliver legal services. These are organisations which are regulated by the Solicitor’s Regulatory Authority and which provide legal services but have some form of non-lawyer involvement.

9 Sustainability Implications

I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations

10 Risk Management Implications

10.1 The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

- (a) There is a project management risk that the implementation of the roadmaps and business plans will adversely impact in the short term upon the quality, cost and resilience of the services involved, or that issues will arise that impact on the realisation of the intended benefits. This risk is mitigated by the programme management arrangements in place in each Council, which will direct and monitor the projects.

10.2 If the recommendations are not implemented, the residual risks that cannot be mitigated fully are:

- (a) If the recommendations of the iESE review of Corporate Services (set out in the appendices) are not implemented, there is a risk that
 - the current issues facing Legal Services in both authorities relating to resilience (caused by small teams and recruitment difficulties) will be unresolved and will continue to impact on levels of expenditure on specialist external advice; speed and responsiveness of service and risks due to reliance on a single officer to perform specialist areas of work. Steps have been taken to attempt to mitigate these risks in the past, but these have not been successful;
 - the implementation of Eastbourne Borough Council’s Future Model Phase 2 and Lewes District Council’s Nexus Transformation Programme

will be adversely affected because the Corporate services will be unable to respond optimally to the requirements of the remodelled customer services;

- the Corporate services' contribution to required budget savings at both Eastbourne Borough Council and Lewes District Council will not be realised.
- (b) If principles (see paragraph 4) are not agreed in relation to alignment and sharing of services between Lewes and Eastbourne Councils there is a risk that misunderstandings could arise that will adversely affect implementation of the iESE recommendations.
- (c) If recommendation 5, to appoint a new Section 151 officer, is not accepted there is a risk that Lewes District Council will not fulfil this statutory requirement and there would be a consequent risk to the proper financial administration of the Council.

11 Equality Screening

11.1 Equality analyses were undertaken on the road maps and business cases on Friday 15th August to screen them for equality impacts. The issues that they raised were:

- (a) Possible indirect impact on gender due to potential for longer travel to work times affecting caring responsibilities.
- (b) Possible impact on socioeconomic group due to changes in travel to work costs.
- (c) Possible impact on socioeconomic group if steps are taken to equalise differences in terms and conditions between authorities.
- (d) There is a risk of tension between groups when decisions are taken about working patterns (e.g. main place of work).

11.2 Actions recommended or noted to address these issues were:

- (a) Mobile technology is to be made available to enable agile working under the HR and Legal Services business cases. This technology will help to mitigate the risk of indirect gender discrimination and socioeconomic effects resulting from travel.
- (b) A fair and transparent process for allocating working arrangements amongst the team should be established in consultation with HR and recognised trade union(s).
- (c) The policy for addressing differences in terms and conditions between members of the merged teams should be considered by HR in consultation with recognised trade union(s).
- (d) Road maps – as these are progressed, there should be a quarterly review of equality implications.

12 Background Papers

Report to LDC Cabinet, 6 January 2014 “Proposals for Restructuring to Provide a Customer Focused Organisation” (Report 3/14)

Report to LDC Cabinet, 2 June 2014 “Change Management at Lewes District Council – Next Steps in Organisational Development” (Report 76/14)

13 Appendices

Appendix A – HR Business Case

Appendix B – Legal Services Business Case

Appendix C – Financial Services Roadmap

Appendix D – IT Services Roadmap

Appendix E – Property Services Roadmap

1. The Strategic Case for Integration

The alignment with Council strategies

1.1 The Lewes Change Management Programme (CMP) outlines the need to redesign the Council around an operating model which focuses Corporate Services on providing professional guidance and support. Eastbourne's Future Model Phase 3 may reshape professional support functions around a customer-centric operating model encouraging cross-skilled specialist, case management and transactional roles. Both strategic directions are supportive of appropriate partnering and sharing arrangements which provide best value for money and quality of service to residents. This business case seeks to align with the principles of both these strategic directions.

1.2 On a local level, the EBC HR Strategy 2013 references the need to integrate people management with business planning, and build organisational resilience and sustainability within a changing environment. It sets out the vision around matching resources to future need to ensure fit for purpose structures, policies and procedures, skills, values and culture to support the transformational journey.

1.3 The LDC Workforce Strategy 2010-15 recognises the pressure on public expenditure along with rising service expectations, and sets out priorities for the HR function to deal with these issues – Organisational Development; Leadership Development; Skills Development; Recruitment and Retention, Pay and Reward.

1.4 An integrated HR service would allow for increased focus on HR Strategy across the two organisations. The benefits of greater structural flexibility and the potential to free up the HR Advisers/Officers from the more day-to-day routine enquiries are important levers for embedding HR in the business, focusing on its strategic role in facilitating and supporting organisational change. An integrated HR function would also enable much required focus on organisational development (OD) in both councils. A coordinated OD strategy could have far reaching benefits, particularly in relation to significant issues such as:

- cultural change to support the transformation journey
- integrated competency framework
- improved performance management (appraisal process; action learning; training and development)
- Enhanced wellbeing offering

These OD functions would provide significant non-cashable benefits to both organisations.

How customer needs are better met

1.5 An integrated service would provide:

- Increased structural flexibility would allow for more efficient modelling of the key elements of HR service provision. Using the Ulrich model these elements are:
 - i. HR business partners (key HR professionals working closely with their departmental heads, embedded in the business, influencing and steering people management strategies)
 - ii. Centres of Excellence (small teams of HR experts with specialist knowledge of leading-edge HR solutions, which help to deliver competitive business advantages through innovative solutions for areas such as reward, learning, engagement and talent management).
 - iii. HR Administration (a single unit handling all routine transactional services e.g. recruitment and training administration, absence monitoring etc)
- The use of more efficient processes and procedures to deliver greater consistency and more timely and accurate information and advice to the business.
- Shared know-how - sharing best practice in business and HR processes, and pooling knowledge about what works across different parts of the organisations.

How integration supports budget restraint

1.6 Cost can be reduced via the benefits from increased economies of scale and elimination of duplicated effort which can streamline and simplify services. There is already a shared strategic HR role yielding financial benefits for both organisations. The HR teams are small so further reductions in the staff budgets will be similarly relatively small. However there would be savings from the greater capacity to support organisational change, for which resource otherwise needs to be sought externally.

1.7 There would likely be further 'hidden' benefits for the rest of the organisation in an integrated HR Strategy which enables competent, self-sufficient managers and highly skilled staff who support the Council's vision, priorities and values.

1.8 There is also the potential to exploit common buying power from shared services for example, training and development providers. Again, there is already some shared procurement taking place e.g. Sussex Training Consortium; occupational health contract etc. There will be some transition and procurement costs initially, which are shown in the economic case.

The overall benefits for the Councils

1.9 A shared HR service will allow:

- A common service provision for more routine HR administration tasks, with increased potential to use existing resources, systems, processes and procedures more efficiently
- Better deployment of specialist HR services to meet changing customer needs
- Potential to implement technology to enable increased manager and employee self-service.
- An enhanced organisational development function for sustained input to improving the organisations' performance, capability and ability to adapt to changing external and internal environments.

The key risks for the Councils and their mitigation

1.10 The following are the risks that would need to be considered in any integrated solution:

- Performance impact. There is a risk that performance of the HR teams will dip during the transition period. This will need to be managed through careful planning and communication with oversight of the Board.
- Failure to deliver expected efficiencies. The anticipated efficiencies are predicated on the managing of customer demand. If demand during a period of organisational change remains significantly high, securing of efficiencies will be delayed.
- Employment change. A more immediate risk associated with changes for staff. Existing HR employees may not wish to work in a different way taking into account issues such as travel, getting to know a new organisation, new managers etc. Mitigation for this would be a careful and planned transition to a new structure with open and meaningful dialogue with staff along the way to minimise surprise decisions and maximise the potential for ensuring the right staff are in place with the right skills to support the new way of working.
- Governance arrangements. With separate and distinct political leadership and Corporate Management Teams, there is a risk that EBC and LDC HR/OD/people strategies might be driven in different directions. Other organisations in a similar situation have mitigated by implementing arrangements such as Joint employment committees or Joint panels e.g. for appointments, dismissal appeals and this will be a future consideration for any shared service.

2.1 The Economic Case for Integration – Ambition

The overall measures of success

2.1.1 The key measures for the HR service will be:

- Resilience
 - Increased potential for sharing of specialisms
 - Greater cover arrangements to reduce impact of absence
 - Enhanced ability to deal with workload peaks
- Efficiencies
 - delivering savings through economies of scale
 - sharing key management roles
 - sharing systems & processes
- Quality
 - Provision of timely, reliable, accurate support to the business
 - Increased service flexibility
 - Greater consistency
- Culture
 - Creation of a service where the culture is proactive in supporting the needs of the business
 - Enhanced opportunities for staff to learn and develop

What options are open to the Councils?

2.1.2. Four options have been considered for the HR services.

Option A (as is)

The option involves:

- One 'shared' strategic manager
- HR teams remain employed by own organisations, with individual members of staff providing services to their own business units

Benefits – the model is already in place; no further change/turbulence; some limited scope for sharing knowledge and purchasing powers.

Disbenefits – no overall HR strategy alignment; no structural flexibility in sharing expertise; limited opportunity to realise efficiencies with transactional HR administration; reduced potential to invest in technology; reduced potential to ensure the HR function is truly embedded within and supporting the organisation.

Option B

This option involves:

- HR teams being merged, with all staff employed by either one organisation (LDC or EBC). There is no strong rationale in terms of provision of HR services for which authority should be the employer, and wider organisational contexts may dictate the best solution.
- One shared 'strategic' manager
- Team managed by a shared 'operational' manager

Benefits – HR strategy alignment; structural flexibility for sharing expertise and covering absence & workload peaks; increased service quality and consistency; enhanced development opportunities for staff; efficiency savings through economies of scale; increased potential for technology investment; consistent management of the day-to-day HR function; enhanced capacity for strategic HR support to transformational programme and organisational development activities in both organisations.

Disbenefits – there may be a dip in performance during the transition period as new arrangements bed in with customer departments.

Option C

This model involves:

- HR teams merged, with all staff being employed by either one organisation (LDC or EBC)
- One shared 'strategic' manager
- Team managed by an operational manager in each area

Benefits – HR strategy alignment; structural flexibility for sharing expertise and covering absence & workload peaks; increased service quality and consistency; enhanced development opportunities for staff; efficiency savings through economies of scale; increased potential for technology investment; enhanced capacity for strategic HR support to transformational programme and organisational development activities in both organisations.

Disbenefits – less consistency in the day-to-day management of the HR function (as compared to Option B)

Option D

This option involves the establishment of a 'Stand alone' business or social enterprise

Benefits – increased opportunity for further partnership working and income generation.

Disbenefits – it is too soon to be a serious consideration now, both operationally and culturally. It is potentially something for the future following the intense period of change requiring HR support in both Councils.

Which option(s) is preferred?

2.1.3 It is proposed that Option B (a fully merged HR function) would provide the greatest consistency and resilience to both Councils, and would generate the widest range of benefits to the Councils in terms of allowing greater strategic and organisational development support. It is also proposed that the employing authority would be Eastbourne Borough Council.

2.2 The Economic Case for Integration – current baseline

Current Costs and Workloads

2.2.1 A core HR service is provided across the Councils, comprising HR Business Partner support in areas such as recruitment, redundancy and exit situations and discipline and grievance cases, administrative support in recruitment, training and HR management information, and strategic advice around reward, learning and employee consultation. Delivery of corporate training and occupational health services are outsourced.

2.2.2 Current costs are shown in the report to put the activities into context, rather than as a fundamental part of the businesses cases. Looking forward, they will be important to determine a baseline against which future savings can be measured and shared between EBC and LDC. The net costs of the HR service for comparative purposes – using 2014/15 budgets - are:

- LDC £248,450
- EBC £270,300

(Neither of these adjusted totals include the cost of staff training courses, professional qualification training for service department staff).

Staffing levels (FTEs) are:

Lewes – Total 5.8 FTE

Head of OD	0.5	(seconded from EBC; EBC/LDC funded)	
HR Manager	1.00	HR Officer	1.00
HR Assistant	1.00	HR Officer	0.68
HR Assistant	1.00	HR Officer	0.62

Eastbourne – Total 4.9 FTE

Head of OD	0.5	HR Adviser	1.00
(EBC/LDC funded)		HR Adviser	1.00
HR Support Officer	1.00	HR Adviser	1.00
Training Officer	0.40		

(*) With effect from 1 September 2014, the HR function of Eastbourne Homes Limited (EHL) transfers into the EBC HR team; new staffing levels will be:

Eastbourne – Total 6.66 FTE

Head of OD	0.5	HR Adviser	1.00
(EBC/LDC funded)		HR Adviser	1.00
HR Support Officer	1.00	HR Adviser	1.00
Training Officer	0.40		
HR Manager	1.00	HR Assistant	0.76

2.2.3 Both Councils deal with considerable complexity in their core activities – for example the number of manual workers in direct services in LDC and the number of casual workers in EBC, and these factors have been influential in the level of resourcing required in both authorities.

Key Systems and Processes

2.2.4 The central difference regarding systems is Lewes running of iTRENT and Eastbourne's use of CHRIS for core HR information. Consideration of a single system to enable fully integrated working would be desirable in the medium-term.

2.2.5 Other processes are variously aligned:

- Recruitment for LDC is through JobsGoPublic and for EBC is through Access East Sussex jobs portal although processes are being reviewed and local web-based providers being considered.
- Occupational Health is jointly procured
- Corporate Training is outsourced in the main by both Councils to a major supplier
- Legal support is provided for EBC through a combination of in house support and use of a framework agreement with ESCC. LDC rely on in-house support.

Key issues affecting performance

2.2.6 The main concern relates to the size of the team, and their capacity to deliver what the Councils actually should require of them. The delivery of the 'core HR service' is considered good – previous satisfaction surveys in LDC support this contention, but the services are aware that their influence should be wider – in driving the Council's performance management cultures, increasing the capacity and capability of staff and organisations, and in redefining 'fit for purpose' job designs and structures.

2.2.7 The necessary reactivity of the LDC service – providing an on call 'drop in' service – may work against the focus on wider strategic issues. However, client departments are appreciative of such a model of operation.

2.3. The Economic Case for Integration – the New Model

Functions to be integrated

2.3.1 All HR functions are to be included in this model. Delivery of payroll remains in the finance function. The new model is based around:

- HR teams being merged, with all staff employed by either one organisation (LDC or EBC)
- One shared 'strategic' manager
- Team managed by a shared 'operational' manager

Performance targets

2.3.2 The new operating model will set targets for:

- Customer satisfaction for a 'whole HR' solution to managers
- Increased self-service provision for managers
- Streamlined procedures
- Economies of scale in staffing
- Career development of HR staff
- Reductions in costs of third party services and supplies
- More strategic contributions to leadership teams

Resourcing requirements

2.3.3 In the short-term, resourcing will remain at existing level with staff continuing to be based at each council building, but with the potential (particularly for the HR Advisers) to be flexible and work across both Councils.

2.3.4 In the medium-term (by 2016-17), it is envisaged that greater self-service provision, and streamlining of procedures will reduce the resource requirement from current establishment by 1 assistant and 0.5 adviser post. The anticipated demands from transformational work in LDC, and continuing of the future model work in EBC means it is not thought prudent to suggest a reduction in resourcing before 2016-17.

2.4. The Economic Case for Integration – Cost Benefit Analysis

NPV @ 3.5% p.a.						
	SERVICE: HR					
	OPTION: Option B – Merged Service					
YEAR :	Year 0	Year 1	Year 2	Year 3	Year 4	TOTAL
CAPITAL COSTS (£ 000s):						
Purchase of Agile Technology		15				15
Costs of Integrated HR System				30		30
A. Total Capital Costs (Annual)	0	15	0	30	0	45
B. Total Capital Costs (Cumulative)	0	15	15	45	45	
REVENUE COSTS (£ 000s):						
Increased travel expenditure		6	6	6	6	24
Training requirements		4	2			6
C. Total Revenue Costs (Annual)	0	10	8	6	6	30
D. Total Revenue Costs (Cumulative)	0	10	18	24	30	
E. Total Costs (Annual) (A+C)	0	25	8	36	6	75
F. Total Costs (Cumulative) (B+D)	0	25	33	69	75	
BENEFITS (£ 000s):						
Reduction of 1 HR Asst			15	25	25	65
Reduction of 0.5 HR Advisor			9	18	18	45
Reduction of external strategic advice		25	25	25	25	100
Improved 3rd party procurement			5	5	5	15
G. Total Benefits (Annual)	0	25	54	73	73	225
H. Total Benefits (Cumulative)	0	25	79	152	225	
NET UNDISCOUNTED COST* (E-G)	0	0	-46	-37	-67	-150
DISCOUNT FACTOR @ 3.5% p.a.	1.0000	0.9662	0.9335	0.9019	0.8714	
NET PRESENT COST* (Annual)	0	0	-43	-33	-58	-135
NET PRESENT COST* (Cumulative)	0	0	-43	-76	-135	
TOTAL NET PRESENT COST* =						-135

*A minus sign in these rows denotes a Net Present Value rather than a Net Present Cost.

2.4.1 The costs outlined in the analysis comprise:

- Additional travel expenses for HR advisors to cover both authorities.
- Training expenses to facilitate joint learning of new systems and processes – most will be done ‘on the job’.
- An estimate of implementing an integrated HR IT system, should this be considered desirable, and practical in terms of aligning payroll systems, to cover initial licensing, project management, training, cost of parallel running (2 systems would be operating for a period of time).

2.4.2 The benefits relate to:

- A reduction in one administrative post, reflecting a move to greater self-service and simplification of procedures. (There may be one-off redundancy costs, for which a provision is included in Year 2).
- A reduction in 0.5 HR adviser role, reflecting the greater resilience that a merged provides, and more targeted support to management.
- A reduction of strategic advice currently – or expected to be given to the Strategic Manager – to support change initiatives, notably in EBC.

- Greater economies of scale from external provision of recruitment and training services.

2.4.3 Taking quantifiable benefits alone, the net present value of this model is estimated at £135,000 over a four year period. Maintaining the status quo would not bring any of these costs, or benefits. However it is worth stressing the wider organisational benefits of greater structural flexibility and the potential to free up the HR from the more day-to-day routine enquiries to focusing on its strategic role in facilitating and supporting organisational change.

3. The Commercial Case for Integration

Procurement Approaches

3.1 There are no additional procurements required from the proposed new model. A third party provision of HR services is not seen as being desirable during a period of substantial organisational transformation in both authorities.

Charging Mechanisms

3.2 It is anticipated that recharges to service departments will use the same methodology as presently in existence for the two Councils, including to Lewes HRA.

Risk Transfer

3.3 Operational risks will be transferred to the employing Council although liability for employee welfare will still rest with each authority. These operational risks will be mitigated by way of a defined specification of service.

TUPE considerations

3.4 Staff will transfer to the employing Council on existing local authority terms and conditions.

4. The Financial Case for Integration

Affordability and Impact on Review Budgets

4.1 The costs and benefits projected in the Economic case will need to be signed off by respective Heads of Finance with regard to affordability, recharging and impact on budgets prior to implementation.

5. The Management Case for Integration

How Implementation will be managed

5.1 The proposed option will be implemented following Cabinet approval. **It is suggested that implementation will run from November 2014, with an envisaged 'go live' date in the first quarter of 2015-2016** (recognising the potential workloads which will accompany 'Future Model' phase 2 for EBC HR during the remainder of 2014-15). The implementation phase will involve stages of Designing, Building and Rolling Out the new service, which may include the following activities:

Design	Build	Roll-out
Organisational and job design	Process design and new documentation	Manage relationship with clients (through Service Specifications)
Confirm governance framework and service specification	In-house training and building of skills as required	'Go-live' (phased or at once) and manage service
Design technology needs	Implement technology	
Design out physical locations		
Communication with all clients		

Ensuring Deliverability

5.2 The management of the implementation will work alongside the LDC Transformation Strategy and the EBC continuing Future Model workstream. The Head of OD will be the lead officer for its delivery, reporting to the Director of Corporate Services LDC / Deputy Chief Executive EBC.

REVIEW OF CORPORATE SERVICES – APPENDIX B - LEGAL SERVICES

BUSINESS CASE

1. The Strategic Case for Integration

The alignment with Council strategies

1.1 As employers, service providers, regulators and landowners, both Councils have a substantial demand for legal advice and advocacy. To date that has been provided by two small in-house practices with elements, such as specialist advice and higher courts advocacy, being bought from the private sector.

1.2 However, both legal services are facing an increased demand for services, and an increased complexity in the issues they have to deal with, to support the changing nature of Council operation. For example, there is likely to be growing demand for legal support to enable the Councils to be more robust and creative in dealing with procurement, property and contracts matters to support new commissioning strategies. There may be a need for corporate governance and specialist advice on partnering arrangements with the public, private and other sectors, as the Councils explore more radical options for delivering services and possibly consider which functions they may no longer exercise.

1.3 Therefore while there is a need for improving efficiency in both Councils, **the key driver in this case is not to primarily reduce costs but to future proof the authorities by ensuring flexible, resilient and skilled legal services are in place which can support the Councils' future strategies.**

1.4 More generally, the Lewes Change Management Programme (CMP) outlines the need to redesign the Council around an operating model which focuses Corporate Services on providing professional guidance and support. Eastbourne's Future Model Phase 3 may reshape professional support functions around a customer-centric operating model encouraging cross-skilled specialist, case management and transactional roles. Both strategic directions are supportive of appropriate partnering and sharing arrangements which provide best value for money and quality of service to residents. This business case seeks to align with the principles of both these strategic directions.

How customer needs are better met

1.5. Experience from the various shared service initiatives suggests that creating a larger legal practice to support more than one authority could deliver the following benefits:

- A greater range and depth of legal expertise;
- More flexibility in response to Council demands;
- Managed costs in the face of increased demands;
- Improved career opportunities for staff;
- Improved ability to recruit and retain the best staff;
- Greater resilience to undertake day-to-day operations

- Improved and consistent service to client departments.

1.6 An integrated service will allow the services to:

- Build a critical mass of experience and improve flexibility to meet unforeseen customer demands;
- Develop a means of sharing legal expertise and providing a specialist knowledge base;
- Provide opportunities for training / professional development / development of special expertise;
- Provide opportunities in the longer term for income generation.

The issue of recruitment (and retention) of skilled staff is at the centre of the case for a shared service. Independently both Eastbourne and Lewes services have had significant problems in recruitment, examples of which are given below.

In 2009 in Eastbourne, due to staff leaving, all 3 senior lawyer posts (Contracts, Property and Regulatory & Litigation) were filled by locums or temporary staff. There was only one appointable candidate in relation to the Regulatory & Litigation Role. Since 2011 a locum has worked for the service, originally providing cover during maternity leave, staying on to provide much needed resilience to the team. He left in January 2013 but during 2013 the Regulatory & Litigation Lawyer left and the locum was required to return to cover his work, on a zero hours contract.

In Lewes, recruitment for a Senior Lawyer (Regeneration Projects) was undertaken in December 2013, with a salary of £42,700 - £45,700. There was only one appointable candidate, who declined the offer. The recruitment was rerun in April 2014. This time, there was only one application, and the applicant was unsuitable. Lewes is currently using a locum lawyer at a rate commensurate for the skills and experience of the particular locum, but a rate that would be, over the course of the year, considerably in excess of in-house legal staff.

How integration supports budget restraint

1.7 Expenditure can be reduced via the benefits from

- Reduction of expenditure on external advice,
- A streamlined case management approach to provision of services so that resources are applied at the correct level of expertise
- Reduction of expenditure on staff due to each authority having access to a wider range of legal skills (e.g. shared litigator) and improved ability to recruit and retain, leading to a reduction in the need for locums. (There is a measure of shared working between the two authorities already in that Lewes' litigation lawyer undertakes prosecution work for Eastbourne.)

1.8 Regarding expenditure on external advice, there may be some scope to reduce external spend, particularly in relation to the use of Housing Law Services by EBC. However, the need for some areas of external advice will not be eliminated e.g. employment law; commercial property transactions.

The overall benefits for the Councils

1.9 The cashable and non-cashable benefits to the organisations from a shared service model are suggested to include

- Greater resilience and stability for the service;
- Reductions in external legal spend through additional internal specialism;
- Provision of appropriate, high quality and timely advice and other aspects of high quality customer service;
- Provision of more attractive roles for legal services staff including significant staff development and career options;
- Legal services to be more involved in proactive problem solving;
- Solutions to succession planning issues;
- Legal services specialists to spend the maximum time on complex legal issues, delegating more routine tasks to more junior staff;
- Improvements to the flow of work through better case management

The key risks for the Councils

1.10 The risks that will require managing include:

- Implementation. The managerial capacity to deliver effective implementation is not given time and opportunity. The implementation may need to be delayed or the benefits may not be realised as anticipated.
- Conflicting demands. Key resources may be required by Councils simultaneously. If high levels of demands from the Councils occurs at the same time, which will need addressing through robust case management and allocation of work.
- Possibility of conflicts. Differences in the local service priorities between the two partners may emerge. A clear understanding of expectations will be needed and consolidated as part of service level agreements. Continued, regular client review meetings will need to highlight problems early on.

2.1 The Economic Case for Integration – Ambition

The overall measures of success

2.1.1 The critical measures to assess the success of a shared service for clients will be:

- Reduced external spending due to accessing a greater range of expertise, through wider, and more specialist, group of advisors;
- Greater customer satisfaction - a more responsive service involving closer involvement with clients, more rapid delivery of advice and case work through enhanced processes and monitoring
- Improved managerial control through clear service standards and mechanisms being put in place to monitor and respond to issues and Improved case management involving case progress and performance allowing for service risks to be better managed and planned. A case management system will free

up lawyer time, allowing for more involvement in strategic and proactive advice.

- Retention of key legal staff locally but with cover when not available, thereby providing more continuity and resilience;
- A case management system will free up lawyer time, allowing for more involvement in strategic and proactive advice.

2.1.2 For legal services staff the critical measures of success will be:

- Improved career progression and wider opportunities to progress through specialisation;
- Maximising the time spent on legal work with less on management or administration;
- Reduction in reactive work and increases in proactive work through improved practice management arrangements and client interactions;
- Effective introduction of a practice management role will improve the working arrangements with clients which will for example reduce time spent following up unclear instructions.

What options are open to the Councils?

Option 1. Joint Council owned company.

An ultimate ambition for a shared service may be the establishment of a 'Teckal' company to provide the services. Both Councils would have joint control over the new company similar to that which they exercise over their own departments, which would allow them the power to exert decisive influence over strategic objectives and significant decisions. The company would carry out the 'essential part' of its activities with the controlling contracting authorities, albeit with the ability to extend activities to the provision of legal services to other public sector bodies. Potential public sector clients could include town and parish councils, the Sussex Police Authority and local Higher Education institutions.

Extending services to other bodies might enable the company to expand its range of expertise with obvious benefits for Eastbourne and Lewes. An example is engaging an employment lawyer in the event that sufficient additional work could be generated to justify the new post. In principle the cost of such additional resources would be paid by generating fee income from new clients.

It is also felt that such a company would find it easier to hire and retain high-quality staff, attracted by the prospect of working in an innovative new company set-up. The viability of this option has yet to be explored in terms of whether Solicitors Regulation Authority approval would be forthcoming for the structure. There is also a potential barrier in terms of the insurance costs normally levied on law firms. Specialist legal advice has been sought and is pending.

Therefore, it is suggested that at this stage, the establishment of a 'third party' entity would be too great a step. Both Councils have a close relationship with their legal services which sees them use them as trusted advisers on both informal and formal bases. Moving straight to a more market-oriented service could introduce a degree of separation and distance from departments which would not be welcomed by clients.

Option 2. Joint management of separate teams.

Bringing the management of two existing teams would essentially build on the close relationship between the two teams currently in existence. It would allow greater sharing of knowledge, and with a single oversight possibly allow better allocation of work across the commercial and regulatory functions.

However, this option would not address the key issue of resilience. Legal staff would still first and foremost be working to their employing Council’s requirements, with little ability to support each other not least because of the maintenance of separate working systems and practices. A joint management would be able to see sharing potential, but not be able to implement it practically.

Option 3. Single shared service under a ‘lead provider’.

This model is for a fully collaborative partnership arrangement that allows for highly effective access to quality advice. This would be achieved by bringing together the range of available skills and expertise within Eastbourne and Lewes, managed through a single approach approaches to case management, client delivery standards and streamlined processes. A shared Practice Management would be introduced, in line with emerging best practice elsewhere, to allocate work across the partnership and undertake much of the overall management.

Since the staff are a fully shared resource, a new case management approach would be established to ensure priorities are managed equally. The best practice of both services would be adopted – the procedural discipline of LDC’s Lexcel accreditation and the Agile working of EBC’s team - which would ensure effective management of processes and the flow of work managed in line with the requirements specified by clients.

The complementary nature of respective skills and expertise across Eastbourne and Lewes service suggest that a real synergy exists and the ‘sum; of the two services can be greater than its parts – illustrated here:

	Property	Planning	Litigation	Corporate Projects
EBC	strength			strength
LDC		strength	strength	

Option 4. Maintain the status quo.

Given the increasing demand for legal services, this is likely to result in more work being put out to the private sector, at rates which are much higher than the costs of employing legal staff. Maintaining the current small size of separate legal practice also reduces their resilience, depth of expertise and overall efficiency. It does nothing to address the potential for losing existing staff over the next 12 to 24 months, and concerns as to whether suitable replacements can be recruited (see above analysis of recruitment & retention issues).

Which option is preferred?

2.1.3 In summary, the potential merits of the options can be appraised as follows:

LEGAL	Greater resilience	Staff retention / develop'nt	Reduced external spend	Better specialist service	Efficiency savings	Meeting client needs
Joint Council owned co.	high	high	high	high	medium	medium
Joint mgmt of separate teams	medium	low	medium	medium	low	high
Lead provider / TUPE over	high	medium	high	high	medium	high
Status quo	low	low	nil	low	nil	medium

2.1.4 **The proposed approach is to establish a shared service under a lead provider (option 3)**, with the aspiration and ambition being to move – once the shared service has ‘bedded in’ and capacity issues are addressed – to establishment of a joint Council owned company (option 1). The preferred lead provider would be Lewes, with EBC staff transferred over. There may also be potential in the future to extend the service to include other local authorities which are seeking to gain benefits from integration and sharing of legal services.

2.2. The Economic Case for Integration – current baseline

Current Costs and Resources

2.2.1 Current costs are shown in the report to put the activities into context, rather than as a fundamental part of the businesses cases. Looking forward, they will be important to determine a baseline against which future savings can be measured and shared between EBC and LDC. The net costs of the Legal service for comparative purposes – using 2014/15 budgets - are:

- EBC £251,100
- LDC £396,190

In Eastbourne, expenditure on external advice has been high. Without including Towner Art Gallery litigation work, expenditure has been on an upward trend:

09/10	10/11	11/12	12/13	13/14
£39,858	£34,851	£267,034	£122,175	£357,045

In Lewes, external spend has been less significant.

12/13	13/14
£7,670 (for Litigation, Housing, Planning)	£13,750 (for Planning, Litigation)
£12,295 (for Property, Planning)	£15,674 (for Property / 49 sites)
Total £19,965	Total £29,424

2.2.2 Staffing levels (FTEs) are:

Eastbourne

Lawyer to the Council	1.5 (0.5 to maintain service levels charged to non-legal service budgets)
Regen and Corporate Project Lawyer	1
Property Lawyer	1
Regulatory & Litigation Lawyer (vacant)	1
Paralegal	1

Lewes

Assistant Director	1
Head of Legal Services	1
Solicitors	2
Senior Lawyer (vacant)	1
Legal Assistant	0.4
Administration Officer	1

It is envisaged that the unfilled vacancy for a senior lawyer, currently being provided by a locum, could be replaced with a junior lawyer post.

Key Systems and Processes

2.2.3 Legal case management (LCM) is a common feature of the efficient legal practice in both the private and public sectors. LCM is designed to leverage knowledge and methodologies for managing the life of a case or matter more effectively. Generally, LCM involves case management software (a “case management system”) and associated workflow routines.

2.2.4 EBC currently use Civica Legal, LBC use Iken as the case management systems which are fundamental to how each stores their information and work. While integration will involve at least one of the two legal teams using a new system, it will be imperative that decisions are made which work for the medium term so that further system changes are not required in the short term, with all of the staff time and data access risks that would represent. Investigations are ongoing into the costs of the new service adopting a Lexis Nexis case management product which East Sussex and Brighton & Hove Councils are currently considering procuring on a joint basis. With an eye to the future it would seem sensible for EBC and LDC, if making a change to their existing case management systems, to consider advantages of joint procurement with these authorities. Further details will be provided once obtained.

2.2.5 In terms of processes, it is worth noting that LDC are Lexcel accredited and this standard would be maintained under a joint service. Lexcel is the Law Society's practice management standard designed for the legal sector. The benefits of Lexcel include the development of consistent operational efficiencies.

Key issues affecting performance

2.2.6 Currently performance measures such as end to end times for progressing cases, volume of work undertaken, chargeable hours or other measures are not available. The main concern relates to the size of the team, and their capacity to deliver what the Councils actually should require of them.

2.3. The Economic Case for Integration – the New Model

Functions to be integrated

2.3.1 The proposal which forms the basis of this business case would see all current legal functions to be integrated into a joint service, with the exception of the Information Officer role in Eastbourne, which is quasi legal and, while sitting within EBC's legal team, will be subject to consideration of corporate review. (An ambition is for this joint service to form a joint Council owned 'Teckel' company subsequently).

2.3.2 Employment law advice would not be within the expertise of the new service, and would still be procured from external providers.

2.3.3 ESCC currently provide a cost-effective and efficient service to Lewes on debt, which it is envisaged would continue. Housing Law Services are used by Eastbourne Homes, and it is envisaged that this service could be provided in-house. Leasehold issues currently dealt with by LDC Legal team could and should be transferred to the LDC housing team.

2.3.4 The Monitoring Officer role is a issue requiring consideration by both Councils.

- The Monitoring Officer is a statutory role that sits with a designated officer. Its primary functions are to oversee the corporate ethics, probity and standards; maintain sound constitutional governance; and intervene in matters of possible maladministration and unlawful activity. In both LDC and EBC the current position is that the designated monitoring officer is the person(s) holding the most senior qualified lawyer role. However, this is not a requirement of the legislation.
- The statutory responsibility of the Monitoring Officer means that it is essential for that officer to be fully aware of all projects and intended decisions at the local authority. For that reason it is thought preferable that the Monitoring Officer should have a substantial 'on site' presence.
- It will be for both authorities to determine whether they would wish the monitoring officer role to be designated to qualified lawyers within the merged team or whether the designation should be part of the remit of a chief officer on the management team with access to legal advice from the merged team

as required depending on the matter in hand. It is not crucial to this business case that both authorities have the same approach in this matter.

2.3.5 At Lewes the Local Land Charges Team (2 FTEs) report to the Head of Legal Services. In the event of a merger of any sort of the Councils' legal teams, it is recommended that the responsibility for Local Land Charges should transfer to Lewes' Head of Democratic Services, and the team work flexibly alongside the Electoral Services Team. This would assist in increasing election work capacity at peak times, and would mirror the structure at Eastbourne.

2.3.6 Procurement arrangements – for example in EBC where the Contracts Lawyer and staff from other teams work together – will be the subject of further review.

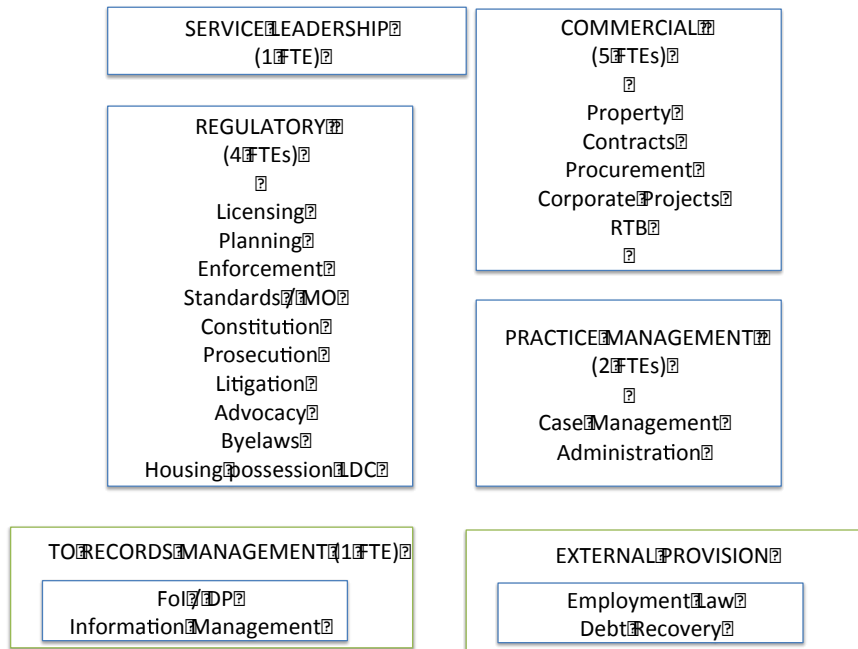
Performance Targets

2.3.7 The range of targets which the merged service would use to monitor its performance to client departments would be drawn from the following:

Clear roles and accountabilities	Customers and Service clear about responsibilities for delivery of agreed outcomes
Economies of scale	Reduced costs through joint procurement
Reduced staff attrition	Reduced costs of recruitment
Increased capacity to meet variations in demand	Service reduces or eliminates spend on additional staff to meet peaks in demand
Capability	Service trains own staff or recruits new skills to meet wider range of needs across partners
Strong specifications focused on performance	Customers agree that Service is delivering clear agreed outcomes
Processes designed around customers	Customer needs clearly identified and recognised as met by customers following process redesign
Increased levels of customer satisfaction	Customers agree Service is responsive and meets their needs
Appropriate accessibility	Customers agree access to Service meets their needs
Built in continuous process improvement	Customers acknowledge continuous improvement in services provided that meet their needs
Process simplification	Streamlined, simplified processes leading to increased customer satisfaction and/or increased capacity

Resourcing requirements

2.3.8 In the short-term, resourcing will remain at existing levels, although a new role in practice management would be developed from existing administrative staff. The provisional structure for the service would be as follows:



2.4. The Economic Case for Integration – Cost Benefit Analysis

NPV @ 3.5% p.a.

SERVICE: Legal		OPTION: Option 3 - Merged Service					
YEAR :	Year 0	Year 1	Year 2	Year 3	Year 4	TOTAL	
CAPITAL COSTS (£ 000s):							
Purchase of Integrated IT System		10				10	
Purchase of Agile Technology		15				15	
A. Total Capital Costs (Annual)	0	25	0	0	0	25	
B. Total Capital Costs (Cumulative)	0	25	25	25	25		
REVENUE COSTS (£ 000s):							
Ongoing Increase IT System			7	7	7	21	
Training of Excel requirements		5	5			10	
Practice manager salary adjustment		7	7	7	7	28	
Restructuring adjustments			25	25	25	75	
C. Total Revenue Costs (Annual)	0	12	44	39	39	134	
D. Total Revenue Costs (Cumulative)	0	12	56	95	134		
E. Total Costs (Annual) (A+C)	0	37	44	39	39	159	
F. Total Costs (Cumulative) (B+D)	0	37	81	120	159		
BENEFITS (£ 000s):							
Freeing up of specialist time			20	20	20	60	
Reduction of external strategic advice		15	50	75	125	265	
Reduction in agency staff		10	10	10	10	40	
						0	
G. Total Benefits (Annual)	0	25	80	105	155	365	
H. Total Benefits (Cumulative)	0	25	105	210	365		
NET UNDISCOUNTED COST* (F-E-G)	0	12	-36	-66	-116	-206	
DISCOUNT FACTOR @ 3.5% p.a.	1.0000	0.9662	0.9335	0.9019	0.8714		
NET PRESENT COST* (Annual)	0	12	-34	-60	-101	-183	
NET PRESENT COST* (Cumulative)	0	12	-22	-82	-183		
TOTAL NET PRESENT COST* =	-183						

2.4.1 The overall net present value of a shared service option is therefore estimated at £183,000 over a four year period. A move to the ambition of a 'Teckel' company would bring additional cost at point of establishment in regard to company set up, insurance and indemnities.

2.4.2 Costs involve:

- A single case management system for the shared service. The figure of £10,000 given in 2.4 above assumes the need to purchase additional licenses for the LDC Iken system, for use by Eastbourne staff. In addition, there may be data migration costs incurred Eastbourne Borough Council. In the future, there may be a business case to move to an entirely new case management system for the shared service.
- Training costs for new joint processes and where necessary, Lexcel requirements
- Purchase of equipment to enable Agile working
- Pay adjustments to reflect the new practice management roles, and any necessary reconfiguration following transfer.

2.4.3 Key cashable benefits involve:

- The freeing up of senior legal staff to undertake more 'fee earning' work
- The reduction of expenditure on third party external legal advice, which is needed to enable volume of workload to be delivered, plus the associated clienting costs to the internal services. Cases which involve issues of complexity which cannot be met from existing internal expertise will still require external support.

3. The Commercial Case for Integration

Procurement Approaches

3.1 There are no additional procurements required from the proposed new model.

Charging Mechanisms

3.2 Existing charging mechanism to both Councils will remain.

Risk Transfer

3.3 Operational risks will be transferred to the employing Council although these operational risks will be mitigated by way of a defined specification of service.

TUPE considerations

3.4 It is acknowledged that any merging will initially require operational staff to TUPE across on existing terms and conditions. The design phase for a new service will consider the staffing needs of shared services. FTE and skill-sets should be compared with existing staff structure, and where there is a case for employing additional personnel this will be considered. Conversely where there is surplus capacity / skills, there will be a need to restructure after merger.

3.5 However, conscious of the need for defined leadership of the merged team to be in place from the outset and clarity around the monitoring officer issue, it will be necessary to recruit to and define the senior roles of the merged team as part of the pre-implementation work. It is considered that the lead roles can be defined and ring fenced to the existing senior posts across the two current teams.

4. The Financial Case for Integration

Affordability and Impact on Review Budgets

4.1 The costs and benefits projected in the Economic case will need to be signed off by respective Heads of Finance with regard to affordability, recharging and impact on budgets prior to implementation.

5. The Management Case for Integration

How Implementation will be managed

5.1 The proposed option will be implemented following Cabinet approval. **It is suggested that implementation will run from October 2014, with an envisaged ‘go live’ date for April 2015.** The implementation phase will involve stages of Designing, Building and Rolling Out the new service, which may include the following activities:

Design	Build	Roll-out
Organisational and job design	Process design and new documentation	Manage relationship with clients (through Service Specifications)
Confirm governance framework and service specification	In-house training and building of skills as required	‘Go-live’ (phased or at once) and manage service
Design technology needs	Implement technology	
Design any physical location issues		
Communication with all clients		

Ensuring Deliverability

The management of the implementation will work alongside the LDC Transformation Strategy and the EBC continuing Future Model workstream. The Assistant Director, LDC will be the lead officer for its delivery, reporting to the Director of Corporate Services LDC / Deputy Chief Executive EBC.

REVIEW OF CORPORATE SERVICES APPENDIX C – FINANCIAL SERVICES ROADMAP

1. A full alignment of finance functions is made challenging by the use of different financial management systems (Civica and Frontier (for payroll) in EBC, and Agresso, iTrent (for payroll) and Civica (cash receipting) in LDC. LDC hosts the Agresso system which is shared with Rother and Hastings.
2. A fundamental change in financial management system for one or other authority would demand a full business case taking into account of wider organisational costs of change. The cost of changing a financial management system will be significant, comprising the procurement of user licences, developing interfaces to feeder systems (eg council tax, housing management, bank), training users in both the Finance department and across services, etc. Any change would require around 18 months' of implementation work, and would require input from existing staff, which would affect delivery capability. However, decisions on wider transformational change in the organisations in the next year, for example the replacement of current feeder systems, may alter this equation.
3. Therefore, a series of more targeted steps are proposed to begin alignment of operations in EBC and LDC in the short to medium term.

Decision on future options for s.151 officer in LDC to be considered by Cabinet on 29 September and Council on 15 October 2014.	September/October 2014
Assessment of options for strengthening resilience, capacity and technical knowledge in 'non-system dependent' specialist activities for example Insurance, VAT, and Treasury Management (and so potentially reducing third party spend on expert advice)	October 2014
Alignment of operating models in regard to business partnering / customer department liaison, with an aim of greater delegation of day-to-day customer department support activity to more junior Finance staff in LDC.	October 2014
Review of the potential for aligning key reporting processes, timetables and documentation, e.g. budget reports to CMTs and Cabinets, annual published accounts, strategic financial plans and risk reporting.	October 2014
Consideration of growth areas such as land and property transactions; Teckal accounts and opportunities to share project accountancy.	October 2014
Consideration of a joint management structure – under the new senior structure – with potential for Heads to lead on defined functions eg Treasury Management, budget monitoring. Proposal to Cabinet on 20 November 2014.	November 2014

Development of a joint approach to appropriate 'up-skilling' or development of managers with a view to improving resilience	March 2015
Collaboration on specific management tasks eg identifying examples of 'good financial management', modernising financial regulations, understanding and responding to Government consultation papers and changes in accounting practice.	March 2015
Assess decisions on technical change under the LDC transformation programme (New Service Delivery Model Project) with a view of considering options for core systems integration.	May 2015

Other Key Issues

- In a 2013 consultation exercise (<http://localaudit.readandcomment.com/>), the Government explored the possibility of requiring councils to publish their accounts one month earlier – by the end of May. If implemented, this would significantly affect the capacity of both teams. Both will be similarly pressured, with less time to deliver similar workloads, potentially reducing the potential for sharing.
- There may be merit in moving to a single integrated HR/payroll system, which could bring efficiencies and greater resilience (and potential for outsourcing). The ambitions of the HR collaboration (with a migration to both Councils using the iTrent HR system) will need to consider the consequences and costs for EBC payroll (Frontier). However it is noted that Hastings BC use iTrent for payroll, which may open up a further option for future collaboration). The employment of significant number of casuals by EBC (e.g. in Tourism) was noted as a workload demand which would need to be adequately addressed in any merged payroll.

REVIEW OF CORPORATE SERVICES – APPENDIX D – IT SERVICES ROADMAP

1. Information Technology is a pivotal function supporting the totality of operational services across the whole of both Councils. Any change to the operation of IT has to consider the impact on the services reliant on the IT infrastructure and systems, and therefore must be managed in a structured and coordinated fashion. To that end alignment of IT services must be mindful of contractual obligations of both parties and service requirements, and therefore the pace of such alignment is likely to extend into the medium-term.

2. There are two elements of the IT service which could be aligned and so bring about a sharable service – IT Infrastructure and IT Systems. It is useful to outline the IT environments in both authorities.

3. Over the last five years EBC have undertaken a comprehensive rationalisation of its business systems, reducing the number of suppliers from fourteen to five. A long term partnership with an technology support provider has also been in place since 2007, and has brought significant improvement and efficiency in the management of the infrastructure platform. This change has been accompanied by the establishment of a new operating model or 'Future Model' across operational functions which utilises technology to deliver innovative, 'agile' services.

4. LDC is seeking to undertake a similar journey, having undertaken much groundwork to deliver quality in-house support services. Options exist for a similar 'transformational' approach to technology provision, and these are now being taken forward. At this stage, LDC runs a wide number of business systems across its operational services, which have been commissioned in response to historic business requirements. Exploring a consolidation of the number of these systems forms an important part of this 'roadmap'.

5. Therefore a proposed journey of alignment for the Councils' IT services is outlined below.

(a) Infrastructure

Compare infrastructure estate and future ambitions, and identify natural review points for infrastructure provision.	October 2014
Consideration of business case for achieving a critical mass of convergence that would enable shared services. (Decision point – whether to proceed further)	March 2015

<p>Agree procurement strategy for LDC and EBC. Options include:</p> <p>a. Joint procurement of systems when applicable and piecemeal convergence of systems;</p> <p>b. LDC adopts programme to move to single supplier of infrastructure systems, similar to EBC model.</p> <p>This will involve a Best Value assessment of insourcing and outsourcing options including a market engagement exercise and independent (iESE) appraisal.</p>	May 2015
Procurement strategy implemented.	2015-20

(b) Systems

LDC / EBC undertake comparison of alignment of systems and contract lapse / renewal dates.	October 2014
LDC bring together 'Systems admin' / support into a central pool of multi-skilled systems support; Eastbourne review existing arrangements and potential for cross-skilling within team.	December 2014
Consider implications of wider Transformation Programme (including projects on new service delivery model and shared corporate services) for IT services.	December 2014
<p>(Decision point – further steps partly depend on infrastructure strategy)</p> <p>Agree systems support strategy reflecting infrastructure procurement strategy and business process remodelling or alignment. Options include closer integration of EBC and LDC systems support through contractual arrangements (see issue below).</p>	May 2015
Systems support strategy implemented.	2015-20

Other Key Issues

- The drivers for change will be cost reduction in both authorities, but also to adopt new, or refresh existing, partnership arrangements in Infrastructure.

- Competitive Dialogue may be an approach to bring the greatest innovation to a potential partnership, and encourage aggregation and collaboration.
- A key premise in any wholesale convergence of systems is that the same workflow will be used by both parties.
- In any event, a reduction in suppliers in LDC would be thought desirable (akin to the reduction from 14 to 5 in EBC).
- There will also be a need to join up with the other streams in the Review as service convergence may bring around system convergence – both technically and contractually.

REVIEW OF CORPORATE SERVICES – APPENDIX E - PROPERTY SERVICES ROADMAP

1. Any alignment of Property services needs to be informed by the organisational context of functions in the two authorities. In summary:

2. In LDC the remit of Facilities has developed organically over recent years. However the current Property, Contracts & Facilities (PCF) team is responsible for asset management, managing budgets for day-to-day maintenance, delivering capital investment and ensuring surveys for statutory compliance and undertaken and monitored. (Although buildings managed by Parks and Waste & Recycling are currently outside the remit of PCF). The major service departments have small property teams which provide the “client” function on property issues and day-to-day repairs and maintenance. LDC has a service level agreement with ESCC for the provision of property management services and additional specialist advice is sought as required where expertise does not exist in-house.

3. Following CIPFA and iESE reviews of property and estate requirements, EBC have decided to establish a Corporate Landlord model which enables the centralisation of staff, reduction of duplication and improved savings (e.g. through corporate procurement of services). The ‘journey’ to implementation (potentially April 2015), has involved comprehensive building of information on asset condition of the estate and service activity. Six components of service are delivered by the full Corporate Landlord model:

- i. Strategic Asset Management
- ii. Estate Management
- iii. Repairs and Maintenance
- iv. Facilities Management
- v. Statutory Compliance
- vi. Project Management

4. Both Councils foresee benefits from greater integration, in providing greater resilience and capacity in strategic asset management (and in improving yield and reducing costs through an ‘asset challenge’ approach), and in creating significant savings in operation through possible joint procurement arrangements of operational services.

5. To begin to align and potentially realise these benefits, three areas of action and decision need to be taken forward.

(a) Alignment regarding Corporate Landlord model

Assessment of LDC property information, and comparison with EBC. This information is likely to include: <ul style="list-style-type: none">• Expenditure on asset management• Contract registers• Planned maintenance work• Condition surveys	October 2014
Detailed examination and comparison of contracts in place, considering possible opportunities for change and transition plans.	December 2014
Decisions to proceed with Corporate Landlord model in LDC, and subsequent action on budget centralisation in both authorities, involving financial management of service spending and assessment of staff resources potentially impacted through centralisation.	December 2014

(b) Alignment regarding Procurement

Joint assessment of strategic considerations and 'appetites' (see indicative questions at the appendix).	October 2014
Review of current organisational needs and activities across authorities and the areas that could be in scope for consideration of delivery models.	December 2014
Review of the market, best practice and consideration of joint options for procurement.	January 2015
<i>Activities will be supported by iESE under Eastbourne and Lewes Shared Procurement Service arrangements.</i>	

(c) Alignment regarding Staffing

In the short-term it is recognised that the team in Lewes is at capacity and there are gaps in knowledge and resilience challenges. Greater sharing of EBC expertise especially around strategic asset management would be beneficial on an informal basis.
In the short- to medium-term, following implementation of the Corporate Landlord model in both authorities there would be reconsideration of staffing resource previously involved in property functions across both authorities. This could bring efficiencies and opportunities for redesign of in-house property functions. Future

options (for example a joint-owned 'Teckal' company) might then also be considered. Furthermore over time, any new recruitment or job redeployment should consider staff from both authorities in terms of potential for sharing resources.

APPENDIX TO PROPERTY SERVICES ROADMAP - STRATEGIC CONSIDERATIONS

1. Strategic Asset Management

- Is there a shared vision i.e. commitment to a sustainable asset base, Corporate Landlord?
- Is there an appetite for 'asset challenge' in both organisations for both operational and non-operational assets? i.e. willingness to adopt a challenge model that requires the capture and analysis of key data (survey, financial, business case etc.) in order to make informed decisions about assets
- Is there a potential to create/share a joint Governance structure to achieve a sustainable asset base?
- Should a joint asset management plan be considered?

2. Repair and Maintenance

- To what standard do both organisations wish to maintain their assets, post asset challenge?
- How do both organisations wish to deliver their R&M function i.e. procurement options?

3. Facilities Management

- To what standard do both organisations wish to provide the service?
- Do either existing FM providers meet this standard?

4. Project Management and Delivery

- How will capital projects be priorities and delivered by the Corporate Landlord?
- What are both organisations' views of how these are currently delivered and what is the appetite for these being delivered by dedicated resources/alternative providers?

5. Estate Management

- Is there a joint capital and revenue strategy for the asset base?
- Do both organisations expect lease management/valuation to be undertaken to best practice, e.g. RICS guidance for all assets?

6. Statutory Obligations

- How are both organisations expecting these to be centrally delivered and reported?
- Does this require role re-evaluation for existing personnel?