

Public Document Pack



Democratic Services
White Cliffs Business Park
Dover
Kent CT16 3PJ

Telephone: (01304) 821199
Fax: (01304) 872453
DX: 6312
Minicom: (01304) 820115
Website: www.dover.gov.uk
e-mail: democraticservices@dover.gov.uk

2 October 2017

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **SCRUTINY (POLICY AND PERFORMANCE) COMMITTEE** will be held in the HMS Brave Room at these Offices on Tuesday 10 October 2017 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Rebecca Brough on (01304) 872304 or by e-mail at rebeccabrough@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nicky", written over a white background.

Chief Executive

Scrutiny (Policy and Performance) Committee Membership:

K Mills (Chairman)
M I Cosin (Vice-Chairman)
T A Bond
R J Frost
B J Glayzer
J M Heron
M J Holloway
S C Manion
M Rose
D A Sargent

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST** (Page 5)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **MINUTES**

To confirm the Minutes of the meeting of the Committee held on 11 July 2017, 3 August 2017 and 12 September 2017 (to follow).

5 **PUBLIC SPEAKING**

Please note that in accordance with the agreed Protocol for Public Speaking at Overview and Scrutiny, the right to speak only applies to agenda items 11, 12, 13 and 15.

The right of the public to speak does not apply to the following agenda items: Apologies, Appointment of Substitute Members, Declarations of Interest, Minutes, the Forward Plan, the Scrutiny Work Programme, any agenda item that is not accompanied by a written report and items that are exempt business.

Members of the public wishing to speak must register to do so by no later than 2.00 pm on the second working day before the meeting.

6 **DECISIONS OF THE CABINET RELATING TO RECOMMENDATIONS FROM THE SCRUTINY (POLICY AND PERFORMANCE) COMMITTEE**

The following decisions were taken by the Cabinet at its meeting held on 2 October 2017 in respect of recommendations from the Scrutiny (Policy and Performance) Committee (to follow):

- Performance Report - First Quarter 2017/18
- EK Services' Face-to-Face Service Provision at Deal Area Office
- Car Park Resurfacing Works
- Dover Leisure Centre
- Petition - Future of Dover Town Centre

7 **ISSUES REFERRED TO THE COMMITTEE BY COUNCIL, CABINET, SCRUTINY (COMMUNITY AND REGENERATION) COMMITTEE OR ANOTHER COMMITTEE**

There are no items for consideration.

8 **ITEMS CALLED-IN FOR SCRUTINY OR PLACED ON THE AGENDA BY A MEMBER OF THE COMMITTEE, ANY INDIVIDUAL NON-EXECUTIVE MEMBERS OR PUBLIC PETITION**

- (a) Items placed on the agenda by a Member of the Committee or any individual Non-Executive Member

Any individual Councillor may request that a matter is placed on the agenda of one of the Council's Overview and Scrutiny Committees by providing Democratic Support with notice of the matter prior to the agenda being published.

There are no items for consideration.

(b) Items the subject of Call-In

Executive Decisions may be called-in by the Chairman or Spokesperson of the Scrutiny (Policy and Performance) Committee or any three non-executive members.

There are no items for consideration.

(c) Public Petition

There are no items for consideration.

9 **NOTICE OF FORTHCOMING KEY DECISIONS** (Pages 6 - 9)

It is intended that Members should use the Notice of Forthcoming Key Decisions to identify topics within the remit of the Committee for future scrutiny.

10 **SCRUTINY WORK PROGRAMME** (Pages 10 - 15)

It is intended that the Committee monitor and prioritise its rolling work programme.

11 **PETITION FOR ADDITIONAL PARKING AT AYCLIFFE**

To consider the report of the Director of Environment and Corporate Assets (to follow).

12 **PETITION SEEKING ADDITIONAL SPEED CONTROLS IN BEACONSFIELD AVENUE & SURROUNDING AREA**

To consider the report of the Director of Environment and Corporate Assets (to follow).

13 **UNIVERSAL CREDIT UPDATE - EAST KENT HOUSING** (Pages 16 - 19)

To consider the attached report of the Director of Customer Services (East Kent Housing).

14 **EK SERVICES STRATEGIC SERVICE DELIVERY OPTIONS AND POTENTIAL FOR CONTRACTING OUT OF CERTAIN FUNCTIONS** (Pages 20 - 53)

To consider the attached report of the Director of Shared Services (East Kent Services).

Please note that Annexes B, B1 and D contain exempt information and are contained elsewhere within the agenda.

15 **ACCESS TO INFORMATION PROCEDURE RULES**

To receive a verbal briefing from the Director of Governance on the Access to Information Procedure Rules.

16 **EXCLUSION OF THE PRESS AND PUBLIC** (Page 54)

The recommendation is attached.

MATTERS WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION

17 **EXEMPT APPENDICES (EK SERVICES STRATEGIC SERVICE DELIVERY OPTIONS AND POTENTIAL FOR CONTRACTING OUT OF CERTAIN FUNCTIONS)** (Pages 55 - 70)

To consider the attached Annexes B, B1 and D relating to the report on EK Services Strategic Service Delivery Options and Potential for Contracting Out of Certain Functions.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Rebecca Brough, Team Leader - Democratic Support, telephone: (01304) 872304 or email: rebeccabrough@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.



Notice of Forthcoming Key Decisions

[This updated version of the Notice supersedes all other versions issued in previous months]

Publication Date: 1 September 2017

Notice of Forthcoming Key Decisions which will be made on behalf of the Council

Key Decisions 2017/18	Item	Date of meeting at which decision will be taken by Cabinet (unless specified otherwise)
1	Neighbourhood Plans	June 2013 and ongoing (see entry)
2	Dover Town Centre Regeneration: To consider progress on the Compulsory Purchase Order and any issues arising which may go beyond the scope of the resolutions incorporated in Minute CAB 87	8 September 2014/24 April 2015/7 March 2016 and as necessary
3	Approval to develop detailed plans for replacement of Dover Leisure Centre	25 July/20 September and 15 December 2016 (special Cabinet meetings) and 11 September 2017 (special Cabinet meeting)
4	Statutory Brownfield Register	Decision to be taken by the Head of Regeneration and Development – December 2017
5	Review of Tenancy Strategy and Tenancy Policy	2 October/6 November 2017
6	Review of Local Plan	1 March 2017 and dates to be confirmed
7	Property Acquisitions	Ongoing (decisions to be taken by Portfolio Holder for Corporate Resources and Performance)
8	Approval for public consultation on draft South Barracks Conservation Area Appraisal	3 July 2017 and 6 November 2017
9	To consider the results of public consultation on the Waterloo Crescent Conservation Area Appraisal and approve public consultation on proposed boundary extensions	8 May 2017
10	To consider the results of public consultation on the extension of the Nelson Street Conservation Area boundary and the introduction of an Article 4 Direction	8 May and 6 November 2017
11	Approval to cease providing a face-to-face customer service function at Aylesham, Deal and Sandwich area offices	3 July and 4 September 2017
12	Approval of revisions to the 2012 Housing Assistance Policy	3 July 2017
13	Approval of amended Dover District Council Events Policy and Land Hire Agreement	4 September 2017

Key Decisions 2017/18	Item	Date of meeting at which decision will be taken by Cabinet (unless specified otherwise)
14	Approval to release funding and carry out regular beach maintenance works between Oldstairs Bay and Sandwich Bay	12 June 2017
15	Local Plan Review – Engagement Strategy	8 May 2017
16	Appointment of contractor to carry out building extension and repair works at Kearsney Abbey and Russell Gardens as part of the Heritage Lottery Funded ‘Parks for People’ project	Decision to be taken by the Portfolio Holder for Property Management and Public Protection – July/August 2017
17	Appointment of contractor to carry out landscape and watercourse restoration works at Kearsney Abbey and Russell Gardens as part of DDC’s Heritage Lottery Funded ‘Parks for People’ project	Decision to be taken by the Portfolio Holder for Property Management and Public Protection – July/August 2017
18	To approve the policy on civil penalties and rent repayment orders for private landlords	2 October 2017
19	To seek approval for wet and dryside improvements to Tides Leisure and Indoor Tennis Centre, Deal	4 December 2017
20	Dover Waterfront Masterplan Area Action Plan	4 December 2017/15 January 2018 and dates to be confirmed
21	Planning Enforcement Plan	6 November 2017 and dates to be confirmed
22	Representations on the Thanet District Council Local Plan	5 March 2018
23	Fit-out of Aylesham retail units and related funding	3 July 2017
24	Project approval for development of land at Foxborough Close, Woodnesborough to provide affordable housing	3 July 2017
25	Approval of project to deliver new modular homes to provide temporary housing for homeless households	2 October 2017
26	To consider a revised East Kent Growth Framework	4 September 2017
27	The Open Golf Championship 2020	4 September 2017
28	Local Development Scheme	4 September 2017
29	To seek approval for public consultation on the draft Sandwich Walled Town Conservation Area Appraisal	5 March 2018 and date to be confirmed
30	Approval of contracts for works to Middle Street Car Park, Union Road Car Park and general maintenance work to remaining car parks.	4 September 2017

Key Decisions 2017/18	Item	Date of meeting at which decision will be taken by Cabinet (unless specified otherwise)
31	Approval to carry out works to area adjacent to River Dour and garages to the rear of Dolphin House, Dover	2 October 2017
32	Approval to carry out urgent repairs to Deal Pier	2 October 2017
33	Award of replacement pitched roofing contract 2017-2020	2 October/6 November 2017
34	Future and funding of Inspire Fund	15 January 2018

- Note: (1) Key Decisions which are shaded have already been taken and do not appear in this updated version of the Notice of Forthcoming Key Decisions.
- (2) The Council's Corporate Management Team reserves the right to vary the dates set for consultation deadline(s) and for the submission of reports to Cabinet and Council in respect of Key Decisions included within this version of the notice. Members of the public can find out whether any alterations have been made by looking at the Council's website (www.dover.gov.uk).

OVERVIEW AND SCRUTINY WORK PROGRAMME 2017/18

SCRUTINY (POLICY AND PERFORMANCE) COMMITTEE

Month	Scrutiny (Policy and Performance) Committee	Resource Implications for Scrutiny				Action
		Members	Officers (Corporate Expenditure unless otherwise stated)	Scrutiny Budget Expenditure		
				Projected	Actual	
May 2017	Waterloo Crescent Conservation Area Appraisal	Single Meeting	Head of Regeneration and Development	£0	£0	To consider the results of public consultation on the Waterloo Crescent Conservation Area Appraisal and approve public consultation on proposed boundary extensions
	Nelson Street Conservation Area	Single Meeting	Head of Regeneration and Delivery	£0	£0	To consider the results of public consultation on the extension of the Nelson Street Conservation Area boundary and the introduction of an Article 4 Direction.
	Performance Report Q4	Single Meeting	Director of Governance	£0	£0	To consider the report.
	Appropriation of Land for Play Areas	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To consider the report.
	St Radigund's Play Area Project	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To consider the report.
	Petition – Aycliffe Parking	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To receive the petition.

Month	Scrutiny (Policy and Performance) Committee	Resource Implications for Scrutiny				Action
		Members	Officers (Corporate Expenditure unless otherwise stated)	Scrutiny Budget Expenditure		
				Projected	Actual	
June 2017	Regent Cinema	Special Meeting (on-going)	Director of Environment and Corporate Assets / Head of Regeneration & Delivery	£tbc	£0	To be held in Deal at a date to be determined (June/July).
	Oldstairs Bay to Sandwich Bay Beach Management Plan	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To consider the report.
	Accommodation Charter for Dover District	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To consider the report.
July 2017	Approval to cease providing a face-to-face customer service function at Aylesham, Deal and Sandwich Area Offices	Single Meeting	Corporate Management Team	£0	£0	To consider the report.
	Outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions (Revision of Delegations to the East Kent Services Committee)	Single Meeting	Corporate Management Team	£0	£0	To consider the report.
August 2017	Regent Cinema	On-going	Corporate Management Team	£venue+ microphones	£724.80	This will be held in Deal at the Astor Theatre. Date: 3 August 2017
September 2017	Closure of Area Offices	On-going	Director of Shared Services	£0	£0	To consider the further report. [Pre-decision scrutiny had been requested]

Month	Scrutiny (Policy and Performance) Committee	Resource Implications for Scrutiny				Action
		Members	Officers (Corporate Expenditure unless otherwise stated)	Scrutiny Budget Expenditure		
				Projected	Actual	
	St James's Development Update	On-going	Head of Inward Investment	£0	£0	A further site visit to the St James's site to view progress. Exact date to be confirmed.
	Dover Leisure Centre	On-going	Director of Environment and Corporate Assets	£0	£0	To consider reports at each relevant stage in the process.[Could be a separate meeting – tbc on date]
	Lorry Parking in Dover	On-going	Director of Environment and Corporate Assets	£0	£0	To continue to monitor the progress in resolving illegal and anti-social lorry parking in Dover.
	Petition – Future of Dover Town	Single Meeting	Corporate Management Team	£0	£0	To receive the petition.
	Petition – Speed Restrictions on Beaconsfield Avenue	Single Meeting	Corporate Management Team	£0	£0	To receive the petition.
	Car Park Resurfacing	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To consider the report.
	Performance Report Q1	Single Meeting	Director of Governance	£0	£0	To consider the report.
	Parks and Open Spaces	Single Meeting	Director of Environment and Corporate Assets	£0	£0	To receive an update on the progress of the service since bringing in-house. [Provided as focus of Performance Report]
October 2017	Report on Petition – Aycliffe Parking	Single Meeting	Director of Environment and Corporate Assets	£0		To receive a report in respect of the petition. [Moved from September due to other petitions received]

Month	Scrutiny (Policy and Performance) Committee	Resource Implications for Scrutiny				Action
		Members	Officers (Corporate Expenditure unless otherwise stated)	Scrutiny Budget Expenditure		
				Projected	Actual	
	EK Services Strategic Service Delivery Options and Potential for Contracting out of Certain Functions	On-going	Corporate Management Team	£0	£0	To consider the report on the business case.
	Report on Petition – Beaconsfield Avenue and surrounding area	Single Meeting	Director of Environment and Corporate Assets	£0		To consider a report in respect of the petition.
	Universal Credit Update	Single Meeting	East Kent Housing	£0		At the 12 September 2017 meeting, members requested an update on Universal Credit from EKH.
	EK Services' Face-to-Face Service Provision at Deal Area Office	Single Meeting	Corporate Management Team EKS	£venue+ microphones		Special meeting to be held at the Astor Theatre on 25 October 2017
	Access to Information Procedure Rules	Single Meeting	Director of Governance	£0		To receive a briefing from the Director of Governance.
November 2017	Planning Enforcement Plan	Single Meeting	Chief Executive	£		To consider the report.
	Regent Cinema Update	On-going	Director of Environment & Corporate Assets	£0		To receive an update.
	Performance Report Q2	Single Meeting	Director of Governance	£0		To consider the report.
December 2017	Accommodation Charter Update	Single Meeting (Follow-up)	Director of Environment & Corporate Assets	£		To receive an update.

Month	Scrutiny (Policy and Performance) Committee	Resource Implications for Scrutiny				Action
		Members	Officers (Corporate Expenditure unless otherwise stated)	Scrutiny Budget Expenditure		
				Projected	Actual	
	To seek approval for wet and dryside improvements to Tides Leisure and Indoor Tennis Centre, Deal	Single Meeting	Director of Environment & Corporate Assets	£		To consider the report.
January 2018	Deal Pier	Single Meeting	Director of Governance & Director of Environment and Corporate Assets	£		To receive an update
February 2018	Performance Report Q3	Single Meeting	Director of Governance	£0	£0	To consider the report.
	Scrutiny of the Council's budget	Single Meeting	Corporate Management Team	£0		To scrutinise the Council's budget for 2018/19.
March 2018						
April 2018	Performance Report Targets 2018-19	Single Meeting	Director of Governance	£0		To consider the report
May 2018	Performance Report Q4	Single Meeting	Director of Governance	£0	£0	To consider the report.

Please note items beyond the current month are subject to change depending on Forward Plan, etc.

Municipal Year 2017/18

Agreed for Inclusion?	Subject	Resource Implications				Action
Yes	Property Investment Strategy	Single Meeting	Director of Finance, Housing and Community	£		To receive an update
Yes	Dover Town Centre Regeneration	Meeting of both scrutiny committees	Corporate Management Team	£		To hold a meeting of both scrutiny committees to consider the proposals for the regeneration of the wider town centre.
Yes	Update on scaffolding at Tower Hamlets	Single Meeting – Follow up	Director of Environment & Corporate Assets	£		To receive an update.
Yes	Dover Leisure Centre	On-going	Director of Environment and Corporate Assets	£0		To consider reports at each relevant stage in the process.
Yes	Digital Strategy	Single Meeting	Head of Community Services	£		To receive an update on the Council's digital strategy.
Yes	Lorry Parking in the Dover District	On-going	Various	£		To consider issues of illegal and anti-social lorry parking in the wider District.
Yes	Open Championship Golf	On-going	Corporate Management Team	£		To receive updates at appropriate milestones.
Yes	Dover Town Investment Zone	On-going	Various	£		To maintain a watching brief, scheduling scrutiny meetings as appropriate.

Subject:	UNIVERSAL CREDIT UPDATE - EAST KENT HOUSING
Meeting and Date:	Scrutiny (Policy & Performance) Committee - 10 October 2017
Report of:	Matthew Gough, Director of Customer Services, East Kent Housing
Portfolio Holder:	Councillor Pauline Beresford, Portfolio Holder for Housing, Health and Wellbeing
Decision Type:	Non-Key
Classification:	UNRESTRICTED

Purpose of the report: *To advise Members of the impact of the introduction of Universal Credit on tenants in properties managed by East Kent Housing on behalf of Dover District Council.*

Recommendation: Members are asked to note:

- (a) The ongoing roll out of Universal Credit in the Dover area as set out in the report below;
- (b) Details of the number of households effected;
- (c) The impact of Universal Credit for tenants;
- (d) The impact for East Kent Housing

1. Summary

Following discussions at the Scrutiny (Policy & Performance) Committee on the 12 September 2017, it was agreed that East Kent Housing would present a report on the roll out of Universal Credit (UC) for those tenants of Dover District Council who live in properties managed by East Kent Housing.

The report provides a brief explanation of UC, details of the planned roll out, the number of households in receipt of the new benefit, the status of the claims and the impact of its implementation.

Key points addressed in the report are:

- The number of households affected by the introduction of UC so far.
- The work undertaken to manage the impact of the introduction of the new system.
- The need to continue to monitor the impact of UC as implementation continues and to keep under review measures for managing its impact on tenants, East Kent Housing and the Council.

2. Background

UC is a monthly payment to help eligible households who may be on a low income or out of work with living costs, and replaces the following benefits:

- Child Tax Credit
- Housing Benefit

- Income Support
- income-based Jobseeker's Allowance (JSA)
- income-related Employment and Support Allowance (ESA)
- Working Tax Credit

It is being introduced in phases across the UK, both in relation to types of cases and areas.

Implementation in Dover district started in February 2016 (the 'Live Service') and this first phase was generally limited to new claims by single people on a low income or unemployed. The next phase ('Full Service') started in May 2017 and included the continuation of claims made by single person households and some new claims made by couples, families and those whose claim was subject to revision because of a change in their circumstances.

UC is paid on a monthly basis and is made up of a standard allowance and extra amounts that apply to the household if they have:-

- Children
- A disability or health condition or
- Need help paying for rent

The amount of payment is assessed every month and the amount paid will vary according to any change in the level of any earnings. The payment is usually made directly into the claimant's bank or building society account and may include an amount for housing where the household is eligible. Claimants are then responsible for paying their rent to their landlord.

Currently, it is typically taking 5 to 6 weeks for a new claim to be assessed and for the first payment to be made. Alternative Payment Arrangements may be possible in respect of claimants who genuinely can't manage a monthly payment arrangement. All claims are made and managed either by telephone or online.

It is currently expected that the implementation roll out will continue for current claimants from 2019 onwards.

East Kent Housing is responsible for the collection of rent for Dover District Council owned properties.

3. Housing Rent and Service Charges

Currently around 52.5% of housing rent income received by the Council comes in the form of directly paid Housing Benefit. In 2016/17 the Council's total rent roll was £19.9m and of this £10.7m was paid by Housing Benefit. The remaining £9m was paid by tenants. As UC is rolled out most of the £10.7m received directly from Housing Benefit will disappear with the expectation that it will be replaced by the rent payments made by tenants from the UC payments they receive.

4. Live Service (Simple Singles)

For the period April 2016 to March 2017 when the Live Service was introduced there were a total of 37 cases that had claims dealt with through the Live Service. The majority of these were existing tenants who had already been claiming Housing Benefit

but due to changes in their circumstances, had their claims moved to UC. The total amount of rent arrears relating to these cases prior to them moving on to Universal Credit was £5,828. By the end of the year, following their move on to UC, the arrears total for this group had risen to £11,208 with 28 of the total of 37 cases remaining in arrears. The arrears had accrued for a number of reasons which included the delay in the initial UC payment, a failure of tenants to engage, late claims and a limited ability to back date claims.

5. Full Service

This phase began in May 2017 in the Dover area, with 215 households receiving Universal Credit as of the 3 September 2017. Again, in most cases these were tenants who had previously received Housing Benefit but due to changes in their circumstances their claims moved over to Universal Credit. Prior to moving their claims to Universal Credit the total level of arrears for these cases was £42,940, but by 3 September 2017 these cases had accrued arrears totalling £72,605.

6. Impact for Tenants

UC is intended to introduce a simplified benefits system that allows people to keep more of their earnings from work, and to encourage households back into work, with the potential to streamline the process with increased online access.

Whilst UC seeks to deliver improved outcomes overall, it does mean that for many tenants the system of claiming assistance is changing very significantly and raises a number of areas of concern regarding tenants including:

- Their ability to cope with monthly budgeting
- Their ability to effectively access DWP services online
- That they will build up arrears on their rent accounts
- Increased concern and anxiety
- There is a single payment which now covers all of the assistance with living expenses rather than various elements

These concerns are common across social housing providers and represent a significant challenge given the increasing number of vulnerable households being housed. East Kent Housing has worked closely to support tenants through the transition, but there are cases where it has been very difficult to engage with tenants and they haven't taken the necessary action to address their situation and progress their claims.

Where tenants won't engage to either progress their claims or make other arrangements we may have to take legal action which could result in tenants being evicted. This is always a last resort and to help avoid this and reduce the possibility of a household being made homeless we have reviewed our arrangements for providing support and assistance. We work closely with a number of other agencies to give comprehensive support and help resolve issues. This approach has meant that whilst the number of arrears cases has increased, the total number of evictions for rent arrears has in fact decreased from 6 cases between April and August 2016 to 1 for the same period in 2017.

7. Impact for East Kent Housing

In preparation for the wider changes to the welfare benefit system East Kent Housing has developed a Welfare Reform Strategy, which was intended to help the transition not

only for tenants but also for the organisation. This Strategy has recently been reviewed and updated to take account of the ongoing changes and to incorporate lessons learned from our experience of welfare reforms to date.

The focus of our approach has been to manage the impact of Universal Credit which we have done through a range of initiatives, projects and changes to our operating model.

Specific issues that we are dealing with include:-

- The administration required for Universal Credit accounts is greater than for Housing Benefit claims, and includes an increased need for case revision and amendment to payments, along with additional support and advice for tenants for these arrangements.
- Increased need for budgeting advice and assistance particularly for the increasing number of vulnerable tenants.
- We have relaxed our formal rent collection regime triggers where arrears are due solely to the delay in first UC payment.
- Increased customer contact from those seeking advice, clarification and assistance.

Our performance in managing rent arrears has improved year on year and is amongst the strongest performing in the sector, with year-end performance in the upper quartile of social housing landlords.

Currently the management of UC related arrears cases is being undertaken within our existing resource base, and performance remains strong. However, we anticipate that as the transition to full service continues, this will become more of a challenge and consequently there may be a need to review the resources that will be required to manage the expected increase in case as well as performance targets for arrears and the level of bad debt provision.

Contact Officers: Matt Gough, Director Customer Services, East Kent Housing

Canterbury City Council

Policy and Resources Committee 4 October 2017
Council 19 October 2017

Dover District Council

Cabinet 2 October 2017

Thanet District Council

Cabinet 3 October 2017

East Kent Services Committee To be advised (but following the last of the above meetings.

Subject: EK Services Strategic Service Delivery Options and Potential for Contracting out of certain functions

Director/Head of Service: Director of Shared Services

Decision Issues: These matters are within the authority of the executive of each of the authorities of, Dover District and Thanet District and are within the authority of the Canterbury City Council.

Once agreed by the above authorities this matter falls within the authority of the East Kent Services Committee.

Decision type: Non-Key Decision

Classification: This report is open to the public with the exception of Annexes B and D of the attached Business Case which are confidential under Paragraph 3 of Schedule 12A of the Local Government Act 1972 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Summary:

This report outlines the current challenges to maintaining EK Services (EKS) viability; presents options for the future of EKS delivery of functions and gives a business case for the potential contracting out of certain functions.

This is based upon a case for change that would require Councils to either:

- increase current management fees (£2m growth over the next seven years) to ensure viability of the current operation to the detriment of other council services;
- reduce cost by a similar amount within EKS which would now require significant staff reduction (circa 67 posts over the same period) introducing major risk to service and requiring significant redundancies;
- consider the likelihood of delivering income of similar quantity through expansion or exploitation of shared services;
- Consider entering into a strategic partnership with a commercial provider for the delivery of Revenues, Benefits and Customer Services in order to significantly reduce operating costs, avoid redundancies (and in fact provide new jobs in the Canterbury, Dover and Thanet area through the establishment of a trading “hub” operating from the Councils’ existing premises) whilst also providing a revenue stream through a combination of profit share from the hub and rental of desk space within Council buildings.

It proposes amendments to the delegations made to the East Kent Services Committee, by the three authorities, in establishing revised governance arrangements for EKS and EK Human Resources (EKHR) in 2015, in order to give effect to the recommendations within the business case, if agreed.

Recommendations:

That the Cabinets of Dover District Council and Thanet District Council agree and approve:

- (1) The councils are requested to accept the recommendation contained within the report of the Director of Shared Services to approve the business case for entering into a strategic partnership and contract for the delivery of the Revenues, Benefits and Customer Services functions and to request the East Kent Services Committee to give effect to the recommendation.

That the Policy and Resources Committee of Canterbury City Council recommends to Full Council:

- (2) To the extent that they are not already authorised to do so, the East Kent Services Committee be authorised to discharge the following functions and delegations on behalf of the Council:-

That the Canterbury City Council agree and approve:

- (a) Acting in consultation with the chief legal officer of the Council*, to authorise entry into contracts with third parties in relation to the discharge of all or any of the Revenues, Benefits and Customer Services Functions, including the granting of interests in land.

(b) To exercise the powers and functions of the Council in relation to any contract entered into by the Council pursuant to (2)(a) above, (to include but not be limited to) making decisions on behalf of the Council in relation to:-

- (i) Contract management
- (ii) Renegotiation of the contract (acting in consultation with the chief legal officer of the Council)*
- (iii) Variation of the contract (acting in consultation with the chief legal officer of the Council)*
- (iv) Assignment of the contract (acting in consultation with the chief legal officer of the Council)*
- (v) Novation of the contract (acting in consultation with the chief legal officer of the Council)*
- (vi) Termination of the contract (acting in consultation with the chief legal officer of the Council)
- (vii) Renewal of the contract (acting in consultation with the chief legal officer of the Council)*
- (viii) Enforcement of the contract including the making and settling of any claims arising under it (whether or not legal proceedings are actual or contemplated)

*the contracts shall be entered into in accordance with each local authority's respective Contract Standing Orders.

(c) To authorise the doing of anything in relation to the exercise of the powers and functions of the Council under Part II of the Deregulation and Contracting Out Act 1994 and the orders and regulations made under it.

(d) Acting in consultation with the chief legal officer of the Council to authorise entry into contracts* with third parties in relation to any functions of the Council which are not the Revenues, Benefits and Customer Service Functions but which can usefully be entered into in connection with or in order to facilitate contracts entered into, or to be entered into with regard to the Revenues, Benefits and Customer Service Functions.

*the contracts shall be entered into in accordance with each local authority's respective Contract Standing Orders.

- (e) To authorise the doing of anything incidental to, conducive to or otherwise expedient in connection with (a) to (d) above.

Next stage in process

The East Kent Services Committee (EKSC) to consider the existing delegations to each of the Director of Collaborative Services and the Director of Shared Services and amend, as felt appropriate, to enable the effective discharge of the authorities detailed above. Following any contract negotiations, a supplementary report will come back to EKSC for their consideration and approval of final contract terms and seek authority to enter into the contract and associated documentation.

Thanet District Council will be required to make determinations in relation to staff including any pension admission agreement.

SUPPORTING INFORMATION

1. Background

As part of EK Services' ongoing operation, the Director of Shared Services and his Management Team have been examining options to reduce the cost of service delivery whilst maintaining the high quality of services that have been delivered since its inception. This options appraisal and supporting detailed research included visits to other Local Authorities and informal supplier engagement.

This work has now developed an alternative that ensures services can be maintained without loss of staff and provides savings. It also offers a new income stream for the partner Councils and new employment opportunities within the three East Kent districts. The proposed arrangement is based on a "core and hub" model contract with a commercial provider. The core comprises a contract for the continued provision of Revenues, Benefits and Customer Services to the three partners at a reduced cost. The trading hub would be located in CCC, TDC and DDC locations and service new commercial contracts with any profit being shared with CCC, DDC and TDC. This trading hub is expected to grow and increase staff, delivering jobs growth in the District(s).

The proposed strategic partnership will provide:

- Immediate savings via reduction in costs of EKS operation on day 1
- Safeguards existing jobs and prevents redundancy costs
- High likelihood of additional "one-off" savings in Year 1
- An income stream from a profit share arrangement with a "trading centre of excellence" providing services to the public sector from current District Council locations (SE hub)
- Jobs growth in East Kent as the South East hub expands (as proven elsewhere)
- Development of business cases for future savings / service improvement opportunities

2. Current Situation and the need for change

EK Services (EKS) was formed in 2011 as a Shared Service governed by a Joint Committee to provide a range of services including ICT managed services, Revenues & Benefits and Customer Services. It has been a success, delivering £6m savings back to the three Councils whilst improving performance and increasing resilience, without significant investment.

EKS is funded by a combination of Management Fees from its partner Councils as well as income from other, non-partner organisations. The Councils require EKS to operate within its own fixed budget which is agreed with the three Councils each year and EKS also has to absorb any inflationary pressure (including pay and contract inflation). This means that year-on-year savings between £300K and £500K are needed to maintain the status quo but historically the Councils have also expected EKS to deliver further savings on top of the absorbing of growth items.

In 2017/18, EKS has to achieve £832k of savings to ensure the 2017/18 budget is balanced at end of year. This is a challenging task as the economy of scale and benefits of Shared Services which have delivered major savings over the past six years mean that the delivery of further savings will now have greater service impact. In recent years, most savings have been delivered either via deletion of posts using natural staff churn to avoid redundancies or through reduction in operating costs from technology system rationalisation. However, further reduction in operating costs is no longer achievable to any great degree and, as the number of Full Time Equivalent posts has reduced (to 258 in Aug 2017, from 270 in Aug 2016), the potential for reducing posts without staff redundancies is now limited.

Further savings will require a significant staff reduction (an estimated 15 redundancies are required to deliver the anticipated budget savings for 2018/19¹) which introduces a high degree of service risk as well as high exit costs and the economic impact of job losses in the local area and this staff reduction would then rise up to approximately 70 posts by 2024.

EKS is now at the point where cutting services in line with its partner Councils' affordability constraints will start to have a direct impact on service quality, raising the risk of service failure and performance degradation on Benefits (error bonus and payment time) and collection levels as well as Customer Services.

This reduction in staffing would be required in addition to any other losses that would be required as a consequence of external impacts, for example the reduction in DWP and DCLG grants for the administration of Housing Benefit and Council Tax Support as well as the likelihood of the introduction of Universal Credit creating further job losses.

A number of options have been explored, ranging from continuing the current direction of travel, through to a more fundamental reshaping of EK Services, including expansion through the on-boarding of additional services and the development of EK Services into a form that could provide services to the wider public-sector market.

¹ This assumes that EKS continue to contain inflationary costs such as salary growth but does not include any further reduction in management fees, which would increase this loss of staff posts significantly.

All of these options have their strengths and weaknesses but fundamentally none can deliver the financial impacts required to adequately address the scenario outlined above.

Informal discussions with a private sector company (and due diligence with a number of other councils who have entered into contracts with them) have indicated that a strategic commercial venture with a private partner has the potential to protect and grow jobs and develop services whilst delivering significant savings, and this option appears to offer the most attractive service delivery model for this service. In outline, this provides:

- Financial savings from contract go-live date;
- Guaranteed performance levels and quality;
- Guaranteeing jobs for the duration of the contract;
- Avoidance of redundancy for transferring staff;
- Staff terms and conditions (including LGPS) protected;
- Ongoing investment in the service;
- Creation of an East Kent based business process trading hub to be operated on a profit sharing basis plus rent per desk space;
- Local new job creation.

Attached to this Report is a business case outlining the options that have been considered and recommending that entering to a commercial contract with a private sector company provides the three Councils with the best opportunity to achieve significant financial savings against current costs whilst guaranteeing jobs. It is also expected to generate new jobs in East Kent and provide additional income to Councils through the establishment and operation of a trading hub (based in current locations) delivering transactional, business process services to new customers.

In order for contract negotiation and final due diligence to proceed and to allow the East Kent Services Committee to:

- (a) consider the final business case position, post any contract negotiations;
- (b) to give final approval for any contract if agreed;
- (c) and to potentially enter into a contract for services, if applicable;

the changes to existing delegations detailed above are required.

Arising from the fact that EK Services are not a legal identity the recommendations still require each Council to be involved in the renegotiation, variation, assignment, novation, termination and renewal of the contract. This shall be in accordance with the provisions of each Council's Contract Standing Orders.

The recommendations as drafted will allow Thanet District Council, Dover District Council and Canterbury City Council to leave day to day matters to EK Services and provide the supplier with a single point of contact.

3. **Relevant Council Documents**

Report to Canterbury City Council, Dover District Council and Thanet District Council, July 2017, "Outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions (Revision of Delegations to the East Kent Services Committee)."

4. **Consultation planned or undertaken**

If the recommendations are agreed, a Transfer of Undertakings and Protection of Employment (TUPE) consultation will be required between Thanet District Council (EKS staff employer) and their representative trade union, plus impacted staff, as part of any pre - contracting activity.

5. **Options available with reasons for suitability**

- (i) To approve the findings of the attached business case that recommends the entering into a commercial contract for the provision of revenues, benefits and customer service functions and request the EKSC to give effect to the recommendations contained therein. (**Recommended option**)
- (ii) Maintain EKS operations as currently provided. This option will require Councils to increase management fees at detriment to other council service funding or to deliver major staff reductions within EKS resulting in significant degradation of service and performance inducing risk to council income collection and benefits payments. It will also mean the opportunity for jobs growth and new income will be lost.
- (iii) Maintain EKS operations as currently provided whilst attempting to 'exploit or expand' existing services to generate new income from areas such as payroll, ICT service provision and providing resilience to other Local Authorities and potentially expand to onboard other services into EKS. This option will require significant investment into EKS to create capacity and capability to undertake such activity and will require a commercial risk approach. However, even if this was achievable the level of profit that can reasonably be expected will mean that either major staff reductions will still be required (reducing services and weakening performance and most likely weakening the commercial offer) or Councils will need to increase management fees to the detriment of other council service funding. This option is most unlikely to create sufficient new work to create jobs growth or significant income.

6. **Reasons for supporting option recommended, with risk assessment**

Option (i) is recommended, as it allows the East Kent Services Committee to agree the provision of Revenue, Benefits and Customer Services function via a commercial contract in order to deliver the benefits outlined in the Business Case. It allows the three Councils to rapidly deliver significant base budget revenue savings commencing in 2018/19 whilst protecting existing jobs and maintaining service standards. It will enable the development of a trading hub and centre of excellence located in the three Districts areas, that is expected to create new jobs and deliver new income to the Councils via profit share, rent and royalties.

The risk assessment is contained within the attached business case at Appendix 1 to Annex B.

7. Implications

(a) Financial Implications

Agreeing the recommendation will result in a significant reduction in the operating cost of EK Services and consequently reductions in Council management fees providing direct cashable savings to each Council. It also provides a high likelihood of income generation over the lifetime of the contract through a combination of profit share and rental income.

In addition, agreeing the recommendation would avoid an estimated £1.2m of redundancy costs over the next 7 years and/or the need to increase fees paid to EK Services of circa £2m over the same period.

It mitigates against the potential loss of DWP grant by maintaining the current levels of service quality.

It also indirectly provides a financial benefit to the three partner Councils through the generation of a large number of new jobs over the same contract period as well as helping to support the wider East Kent economy.

(b) Legal Implications

The proposed amendments to the delegations to the East Kent Services Committee are in accordance with legislation and are considered to be lawful. All contracts and related documentation will continue to be executed on behalf of the relevant local authority. As the employing authority for the EK Services staff, Thanet District Council will need to enter into appropriate agreements with Kent County Council and the contractor in regard to the Local Government Pension Scheme.

8. Conclusions

Entering into a contract with a commercial private company, using the available framework contract, allows the three Councils to maintain service provision, quality and performance standards whilst rapidly delivering significant base budget revenue savings commencing in 2018/19 whilst protecting existing jobs. It will enable the development of a trading hub and centre of excellence in East Kent that is expected to create new jobs and deliver new income to the Councils via profit share, rent and royalties.

The alternative is to maintain EKS current operations, whilst attempting to 'exploit' existing services to generate new income from areas such as payroll, ICT service provision and providing resilience to other Local Authorities and potentially expand to onboard other services into EKS. However, even if this was achievable, it will require investment, time, commercial risk appetite and the level of profit that can reasonably be expected will mean that either major staff reductions will be required (reducing services and weakening performance) or Councils will need to increase management fees to the detriment of other council service funding. It will also mean the opportunity for jobs growth and new income will be lost.

Contact Officer: Dominic Whelan (EK Services), 01227 862073



EK Services
Alternative Delivery Options

Business Case



Version Control

Version	Description	Date
0.1	Initial draft	
0.2-0.5	Internal drafts	
0.6	Updated with additional comments from DW	27 Aug 17
0.7	Additions to Recommended Option from RN	30 Aug 17
0.8	Incorporating feedback from S.151 officers	31 Aug 17
0.9	Savings rebased from 2018-	5 Sep 17
0.10-0.11	Updated following comments from EKSB	6 Sep 17
0.12	Updated following CMT meetings	14 Sep 17
0.13	Updated Risk log and budget base	15 Sep 17
1.0	Final version for release	21 Sep 17

Distribution List

To	Role	Contact details

Contact

Name	Email	Telephone
Dominic Whelan	Dominic.whelan@ekservices.org	01227 862073

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Executive Summary

It is no longer possible for EK Services to operate within its own fixed budget whilst maintaining the quality of services delivered.

The partner Councils could choose to either increase the funding available to EKS by approximately £400,000 in 2018/19 (£2m over the next seven years) or choose to reduce costs by cutting staff by at least 67 posts over the same period.

Expanding the existing shared service, selling services to other public sector bodies or a traditional outsourcing contract will not generate the combination of savings and income required.

One of the options offers an alternative that ensures services can be maintained without loss of staff and provides savings. It also offers a new income stream for the partner Councils and new employment opportunities within the three East Kent districts. The proposed arrangement is based on a “core and hub” model contract with a commercial provider. The core comprises a contract for the continued provision of Revenues, Benefits and Customer Services to the three partners at a reduced cost. The trading hub would be located in CCC, TDC and DDC locations and service new commercial contracts with any profit being shared with CCC, DDC and TDC. This trading hub is expected to grow and increase staff, delivering jobs growth in the District(s).

The proposed strategic partnership will provide:

- Immediate savings via reduction in costs of EKS operation on day 1
- Safeguards existing jobs and prevents redundancy costs
- High likelihood of additional “one-off” savings in Year 1
- An income stream from a profit share arrangement with a “trading centre of excellence” providing services to the public sector from current East Kent locations (South-East hub)
- Jobs growth in East Kent as the South-East hub expands (as proven elsewhere)
- Development of business cases for future savings / service improvement opportunities

Background

EK Services (EKS) was formed in 2011 to provide a range of services including ICT managed services, Revenues & Benefits and Customer Services. It has been a success, delivering approximately £6m savings back to its three partner Councils whilst improving performance and increasing resilience – without significant investment.

EKS is governed under a Joint Committee arrangement and is funded by its three partner Councils via management fees as well receiving a smaller amount of income from other, non-partner organisations. The Councils require EKS to operate within its own fixed budget which is agreed with the three Councils each year and EKS also has to absorb any inflationary pressure (including pay and contract inflation). This means that year-on-year savings between £300K and £500K are needed to maintain the status quo but historically the Councils have also expected EKS to deliver further savings on top of the absorbing of growth items.

In 2017/18, EKS has to achieve £832k of savings to ensure the 2017/18 budget is balanced at end of year. This is a challenging task as the economy of scale and benefits of Shared Services which have delivered major savings over the past six years mean that the delivery of further savings will now have greater service impact. In recent years, most savings have been delivered either via deletion of posts using natural staff churn to avoid redundancies or through reduction in operating costs from technology system rationalisation. However, further reduction in operating costs is no longer achievable to any great degree and, as the number of Full Time Equivalent posts has reduced¹, the potential for post reduction without staff redundancies is now limited. Because employee costs form the bulk of EKS' cost base (81%), maintaining the current approach is no longer sustainable in the longer term without a significant impact on staffing and consequential impact on services. Even for this current financial year, it is expected that further deletion of posts will be required, possibly with some staff reduction, to achieve a balanced budget in 2017/18.

Beyond this current year, further savings will require a significant staff reduction (an estimated 15 redundancies are required to deliver the anticipated budget savings for 2018/19) which introduces a high degree of service risk as well as high exit costs and the economic impact of job losses in the local area. In addition, the redundancy costs themselves will create further budget pressures.

EKS is now at the point where cutting services in line with its partner Councils' affordability constraints will start to have a direct impact on service quality, raising the risk of service failure and performance degradation in Benefits where the time to make payments and accuracy levels are likely to fall and Council Tax and Business Rates collection levels as well as Customer Services performance.

This reduction in staffing would be required in addition to any other losses that would be required as a consequence of external impacts, for example the reduction in DWP and DCLG grants for the administration of Housing Benefit and Council Tax Support as well as the likelihood of the introduction of Universal Credit creating further job losses.

¹ Current EKS FTE as at Aug 2017 = 258.85; equivalent as at Aug 2016 was 270.25.

A number of options have been explored, ranging from continuing the current direction of travel, through to more fundamental reshaping of EK Services. These can be broadly categorised as:

- “maintain” – either increase funding year on year or continue to make savings in order to keep EK Services running “as is”. This equates to an additional funding requirement of £400,000² for 2018/19 (meaning that by Year 7, EKS would require an additional £2m per annum over current costs) or a reduction in staffing of 67 posts over the same period.
- “exploit” – continue to manage savings required and generate income through offering services. This would require staff reductions in the current areas of activity but also investment in business development, certification and the like, for a relatively small (and uncertain) return and take time to build a potential pipeline of work.
- “enhance” – leverage the EK Services brand and governance to share additional services between the three councils. However, as costs have already been taken out of the partner councils, it is highly likely that this would only generate resiliency and other, non-cashable benefits.
- “expand” – bring another partner into EK Services to gain further economies of scale. Again, as likely partners would already have undertaken their own cost-reduction measures, the return is not likely to be large enough to avoid further large-scale staff reductions. It is more likely that non-cashable benefits, such as improved resilience, will accrue.
- “partner” – enter into a contract with a commercial operator for the provision of services and the generation of income. This has the potential to safeguard employment (with the accompanying economic benefits) as well as deliver immediate cashable savings to the council plus generate income.

These options are explored in more detail in the Options Appraisal, shown at Annex A to this business case.

² For 2018/19, 2019/20 and 2020/21. After this, increased funding is still required year on year, but at a slightly lower level of up to £200,000 per annum

Current Situation

EK Services and EK Human Resources (EKHR) total operating costs for 2016/17 were £12.36m. For 2017/18 a further reduction in funding has seen the operating costs fall to £11.7m. This reflects a substantial reduction in the costs that were born by the three partner councils before the shared services were brought into being.

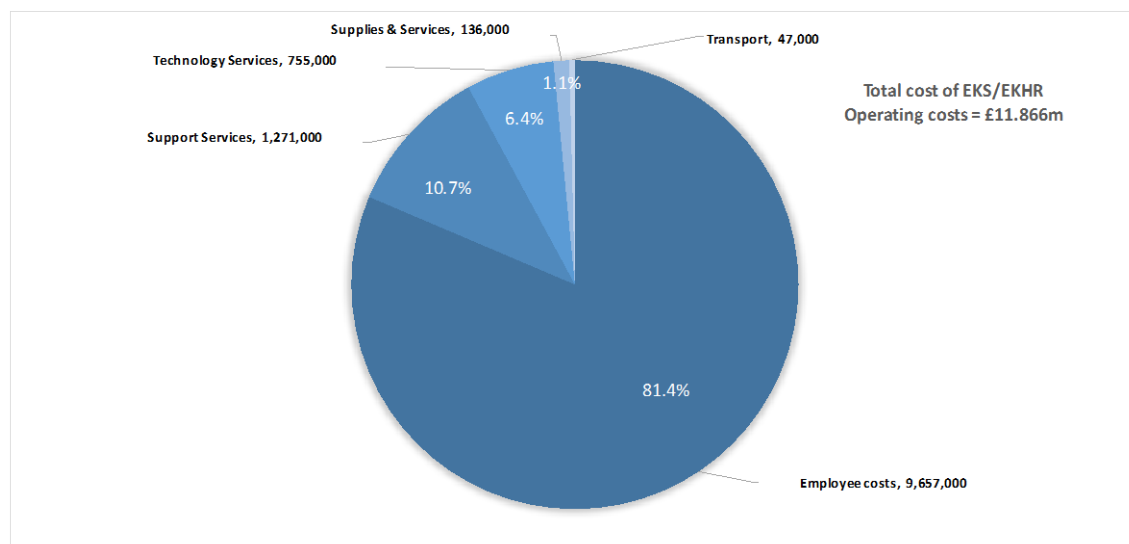


Figure 1 - EKS Operating Costs

Figure 1 outlines the current breakdown of EK Services operating costs. As would be expected, the majority of costs are staff related, with approximately £755,000 of technology and other 3rd party contract costs and £1.27m of support charges (which flow back to the councils providing those services).

In 2017/18, EKS has to achieve £832k of savings to ensure the 2017/18 budget is balanced at end of year.

On the whole, the scope for reductions in contract costs is negligible, meaning that the majority of the savings required to “stand still” need to be met from within the EKS staff budget. Whilst a move towards more “digital” delivery of services can help to compensate for staff reductions by encouraging “self-help” amongst that part of the customer base that is able, willing and using a service that lends itself to this type of delivery, this is not a universal solution and staff reductions of the scale required to deliver this amount of annual savings will inevitably start to adversely impact service quality.

Although there is some limited scope to make EK Services more resilient to such pressures (for example, by on-boarding additional services or selling services to third parties) the likely savings or income from such activities would not, on its own, be sufficient to bridge this affordability gap and maintain the current levels of service quality.

Annex A to this report gives a detailed appraisal of options available to enable EKS to continue delivering the current range of services.

Recommended Option

Maintaining the status quo with EKS containing all inflationary cost pressure and continuing to deliver savings back to their clients is not sustainable in the longer term. There is also unlikely to be an appetite for the partner councils to increase funding to EKS by the amount required to maintain a level of staffing required to deliver existing services to the current standards. Therefore, EKS in its current form, is not sustainable in the medium to long term.

Expanding the EKS offer (either by introducing additional 3-way shared services, adding an additional partner or by selling transactional services into the public sector market) are also highly unlikely to deliver the savings that are required. There would be some benefits in terms of heightened resilience, and some limited management cost reductions, but not sufficient to address the underlying affordability issues.

Unlike a traditional outsourcing arrangement, where a third-party supplier delivers services under contract for a defined price, usually extracting costs through staff reduction and redundancy, it is felt that a strategic commercial venture with a private partner has the potential to protect and grow jobs and develop services whilst delivering savings and generate additional income, and considering the pros and cons of the options detailed above, appears to be the most attractive delivery model for this service moving forward.

This preferred option offers an alternative that ensures services can be maintained without loss of staff and provides savings. It also offers a new income stream for Councils and new employment opportunities within Canterbury District, as well as across East Kent. The proposed arrangement is based on a “core and hub” model contract with a commercial provider. The core comprises a contract for the continued provision of Revenues, Benefits and Customer Services to the three partners. The trading hub would be located in CCC, TDC and DDC locations and service new commercial contracts with any profit being shared with the CCC, DDC and TDC. This trading hub is expected to grow and increase staff, delivering jobs growth in the District(s).

It is therefore recommended that EK Services enters into a strategic partnership contract with a commercial provider for the delivery of Revenues, Benefits, Debt Recovery and Customer Services. The residual services provided by EK Services should continue as part of a slimmed-down “EKS-lite” in order to provide continuity of governance and contract management capacity, with an intention to review this after 12-18 months of the strategic partnership coming into effect.

Financial case

This proposal has the potential to deliver significant reductions in annual operating expenditure when compared with existing spend. It also provides a way of avoiding the necessity for the councils to either commit to an increase in funding for EK Services (with compensatory savings needing to be delivered elsewhere in the organisations) or implement a large scale reduction in headcount and accept the associated impact in terms of reduced services and additional exit costs. Details are given in Annexes A and B to this report.

This option also provides a high likelihood of additional income for the councils as a result of business flowing into the proposed trading hub. This income is delivered as both a profit share from the hub operations and also desk rental as the headcount in the hub increases to service new business. There is also the option to generate additional income from EKS offering to undertake the client function to customers of the trading hub. This has proven itself elsewhere and would provide both an additional income stream plus the opportunity to build resilience and capability into the client function retained on behalf of the three Councils.

Economic case

Future funding of local government will be increasingly dependent on economic performance, with a reliance on local taxation (council tax, business rates) and New Homes Bonus or similar to support operating expenditure. This option assists by supporting and protecting the existing workforce as well as aiding the location of a growing and profitable business in the East Kent area. Specifically, the commercial venture outlined in the options appraisal gives a high likelihood of jobs growth across the three council areas over the lifetime of the contract, as well as avoiding both the costs of redundancy and the consequential impacts of job losses on the local economies of Canterbury, Dover and Thanet.

The business growth for the trading hub, in the first couple of years of operation, is estimated to deliver between 40 – 100 additional jobs generated across the three Districts, dependent of course on the progression of commercial opportunities that would be pursued.

That fact that the three councils are willing to enter into an innovative service delivery and development partnership sends a strong message that the area is “open for business” and that the local authorities are serious about working together to improve the economic outlook for the entire area through a co-ordinated East Kent- wide approach rather than through competition between districts.

Operational case

The fact that this option does not require large scale reductions in staffing means that the quality of EKS’ services can be maintained. Whilst EKS has an outstanding track record of successfully introducing digital solutions to encourage self-service, driving down costly face-to-face or phone contact (and thereby enabling help to be targeted at those who need the most assistance), there is a practical limit on what can be achieved in the short term and the cost:benefit ratio for additional investment gradually starts to erode.

The commercial venture enables staffing to be maintained at levels that preserves the ability of EKS to effectively serve its customer base, whilst providing flexibility to better align capacity to peaks and troughs in demand. It also provides for the ongoing development of business cases to identify opportunities that may bring about further improvements in service delivery, reduced costs or both, which will provide for the continued development of services to meet the changing demands of EKS' (and the Councils') clients. It also recognises the "direction of travel" that the Councils have towards the modernisation and increasing digitisation of services and seeks to continue to develop this work, not constrain it.

A financial analysis of the likely savings that would accrue and other commercial information is at the confidential Annex B to this report.

Control and Governance

The proposed operating model and partnership approach with a commercial provider is well established in other parts of the country and feedback from other local authorities who have entered into similar arrangements is very positive.

The proposed contractual arrangement maintains similar governance to the existing EKS model with oversight via the East Kent Services Board (EKSB) and East Kent Services Committee (EKSC) being maintained and with the opportunity to design a robust joint 'client side' structure. The delivery of Income & Payments services in particular is mostly statutory (and very transactional) work that is delivered in line with central government direction, which will remain. Where Councils have the ability to set policy (e.g. determining levels of Council Tax, the details of Council Tax Support schemes, etc.) this will remain. Similarly, external audit and internal audit managed by East Kent Audit Partnership (EKAP) will remain in place to provide assurance.

Services will continue to be branded as Council services to the public and customer service advisors will also continue to answer calls or present themselves in accordance with council requirements. Support and specialist advice to Council officers will continue to be provided by the existing EKS subject matter experts, albeit as contracted personnel.

The current client arrangements for EKS include monthly and quarterly performance reports, written by EKS, presented to each Council client officer. This is supplemented by the Director of Shared Service providing regular contact on a one to one basis with each senior client officer (S151s) and reporting to chief officers at East Kent Services Board. Additional engagement and reporting takes place at various council committees as required. The expectation for any alternative service delivery will be to maintain similar reporting and contact via the residual EKS joint client structure, if this model is agreed. Any contract for services will include appropriate performance reporting requirements and support to client and council meetings as required. The vision, is to maintain the governance and reporting arrangements as close to the existing arrangements and to minimise impact on the three Councils as much as possible. There is scope to develop these client arrangements and offer these services to hub customers, providing an additional income stream.

A separate issue is the future of the “residual” parts of EKS, should the Revenues, Benefits, Customer Services and debt recovery functions be moved into this form of strategic partnership. A separate report will outline the options for the residual EKS, but this should be decoupled from the immediate decision about entering into a strategic partnership.

Procurement Route

Following the publication of an OJEU notice in September 2014, Hull City Council undertook a competitive dialogue process to tender a framework agreement for the provision of (inter alia) Revenue & Benefits and ancillary services. This Framework agreement is open for other local authorities to use and this is the recommended procurement route for reasons of both speed and cost. The alternative (of undertaking a full OJEU compliant procurement process), whilst an option, is not recommended because of the likely time frame to complete (in excess of 12 months) and subsequent delay in realising both savings and income, plus the associated staffing, legal and procurement team costs that this would incur.

Residual Services

If the decision is taken to enter into a strategic partnership contract, the future structure and operation of those EKS services not “in-scope” needs to be considered. There are four main options:

- Continue to share services between the three councils but move to a “lead authority” model for the residual services (ICT and HR), removing the EKS management overhead but establish a joint client to manage any third part contract
- Continue the operation of a slimmed-down EK Services (“EKS-lite”) in order to provide continuity of governance and contract management capacity
- Revert to individual stand-alone services for each Council (in house arrangements for ICT and HR) but establish a joint client to manage any third party contract
- Outsource the residual parts of EK Services and create a larger client structure for the management of the separate functions (ICT, HR and the partnership contract)

Details of these options are provided in a separate report, “EK Services – Residual Structure Options” which will be presented in due course following further work. In summary, the recommendation is to maintain an “EKS-lite” in order to provide transition and contract management capacity, along with an opportunity for each council to take stock and consider what appetite (if any) there is for the future development of an expanded shared services and / or exploit some of the residual services such as selling payroll or ICT consultancy. “EKS-Lite” should then be reviewed after 12-18 months by which time savings and income from the strategic partnership should be realised and the management arrangements running smoothly.

Benefits, risks and opportunities

This option delivers a number of quantifiable benefits and financial, economic and operational opportunities to the councils, for example:

- Financial savings from contract go-live date
- Guaranteed performance levels and quality (to be agreed as part of detailed contract negotiation)
- Avoidance of redundancy for transferring staff (and the cost for EKS)
- Staff job security for the contract duration
- Staff terms and conditions (including LGPS) protected
- Creation of a partnership style of operation where added value from service growth is shared
- New job creation across the 3 Council areas
- Provides flexibility for the Councils to consider additional development (or otherwise) of their shared services activity
- Risk of impacts from new burdens (for example, the introduction of apprenticeship levy, increased employee costs) is reduced

The risks associated with this proposal are considered manageable. A Risk Log is provided at Annex B to this report.

Some points that should be noted (and managed either as part of a formal risk management process, or through more informal engagement) are:

- Contract management capacity either within a residual EK Services or as a shared function on behalf of the client councils would need to be strengthened
- Potential complexity of aligning client-side functions in a 4-way contract unless this function remains with a residual EK Services
- Long term budget commitment (albeit at a reduced level) required from contracting Councils
- Impact of bringing staff back into the Councils at contract end is not quantifiable at present but should be reviewed in good time before end of contract or any other break-points
- Staff concerns around a transfer to a private sector employer
- Potential for inflation-linked contract price growth (can be mitigated through contract negotiation and expected contract review points to review pricing)
- Flexibility for EKS to be used to deliver further budget savings in the future is reduced, unless a decision is made to either maintain or build as required an appropriate management and governance structure

Options Appraisal

Option 1 – “Maintain”

Summary:

Refine and implement the new operating model for EK Services, exploit the existing digital ambitions as far as possible and seek further funding from councils or, alternatively, reduce costs through staff reduction

Strengths	Weaknesses
Currently very competitive costs	Risk to service, collection levels, error bonus
Mature, stable service offering	Realistic limitation on savings
Nationally recognised, award winning service with a high reputation across the sector	Costs of exit via redundancy
Track record of achieving more for less	Impact on local employment
Good relationship with the 3 councils with a high level of trust	Universal Credit looming so greater redundancies or redeployments ahead. Reducing Admin Grants likely to add further budget pressure
Highly responsive to council requirements	Large increase in charges to Councils if they desire to maintain the current levels of staffing and service quality. This would probably be to the detriment of other council services

Analysis:

As detailed above, the participating Councils have hitherto required EKS to operate within its own fixed budget and therefore inflationary pressure (including pay and contract inflation) means that year-on-year savings between £300K and £500K have historically been needed to maintain the status quo. This will remain and, with a potentially deteriorating fiscal climate, increasing inflationary pressure may add further budget pressure.

If the councils wished to maintain EKS in “steady state” with no further fundamental changes, and based on the assumptions for growth shown below), additional funding of c. £400,000 per year (leading to in an increased expenditure of £2.0m per annum by year 7) would be required, assuming

- employee related inflation of 2% per annum
- other operating cost inflation of 4%¹ per annum

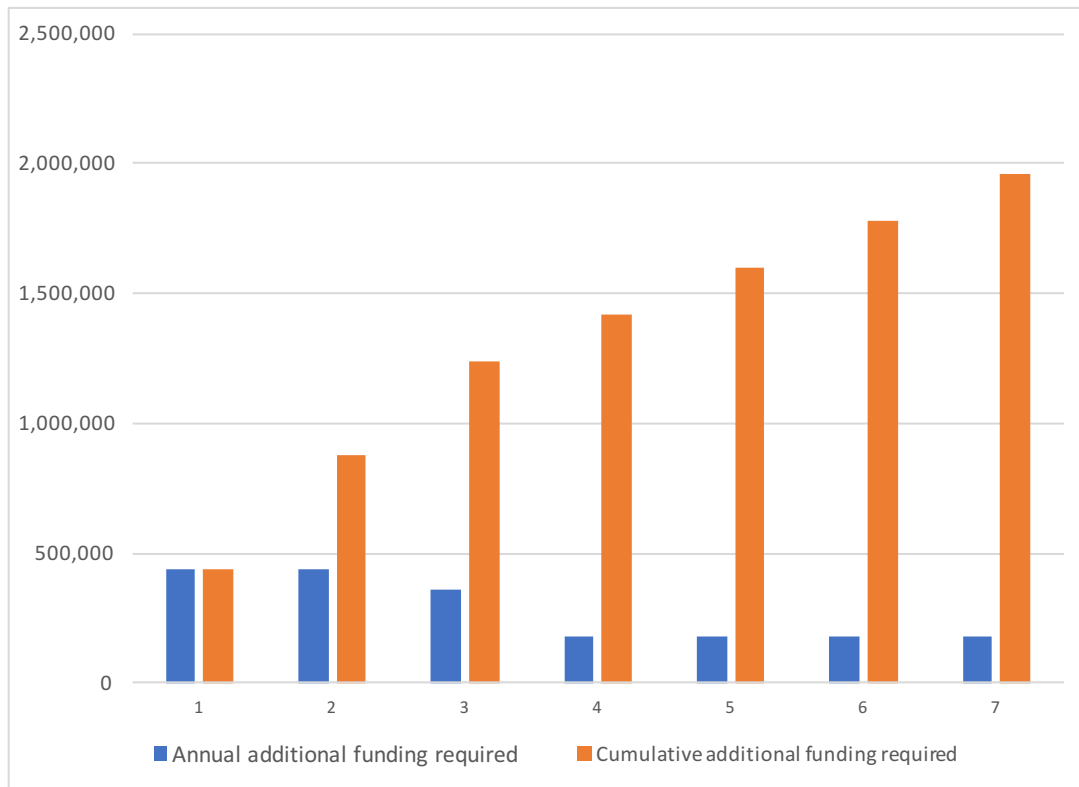


Figure 1 - Additional Council funding requirements to maintain status quo²

In reality, the programme of digital work in place within EK Services to move high volume transactional services online (for example the introduction of the IEG4 Digital Benefits product) will result in some modest staff reductions (as these form part of the business case for the adoption of IEG4) but these savings are largely used to offset the increased licensing, support and maintenance costs of the new product suite and should more accurately be viewed as a cost avoidance measure.

Should this increase in funding not be acceptable to the three Councils, EKS would be required to achieve ongoing savings of an equal amount.

¹ This figure is based on the assumption that support contracts will be indexed against RPI or UK IT industry salary inflation. It also assumes that a percentage of support contracts are priced in USD and therefore subject to exchange rate fluctuation

² The growth requirement reduces after years 2 & 3 due to an expectation of staff reductions as a result of normal efficiency activities and the anticipated changes to Universal Credit delivery

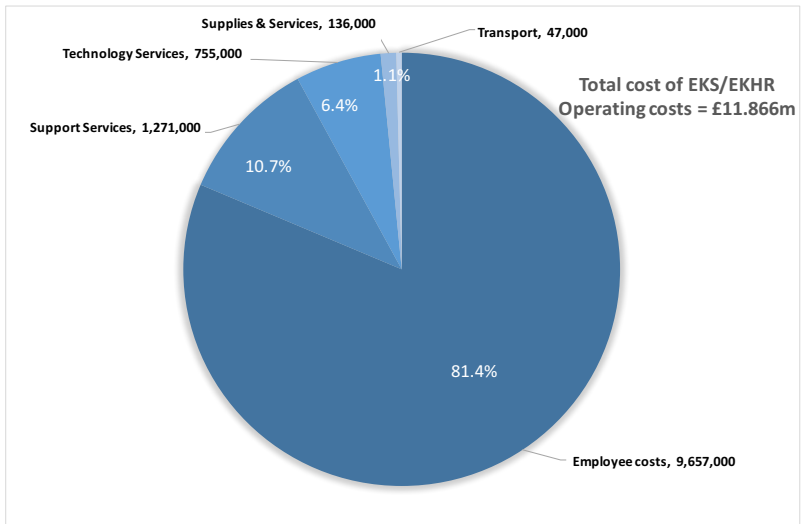


Figure 2 - EKS Operating Costs

Figure 2 outlines the current breakdown of EK Services operating costs. As would be expected, the majority of costs are staff related, with approximately £800,000 of technology and other 3rd party contract costs and £1.2m of support charges (which flow back to the councils providing those services).

On the whole, the scope for compensatory reductions in contract costs is negligible, meaning that the majority of the savings required to “stand still” need to be met from within the EKS staff budget. Assuming:

- the Councils are happy to maintain the current level of funding to EKS
- employee related inflation of 2% per annum
- overall contract inflation of 4% per annum

Savings of around 4% of budget are required year on year. Over a 7-year period, this equates to a 21% reduction in EKS staff - circa 67 posts by 2024/25 (Year 7), profiled as:

- 15 FTE in 2018/19
- A further 52 FTE posts removed over the remaining period to balance budget

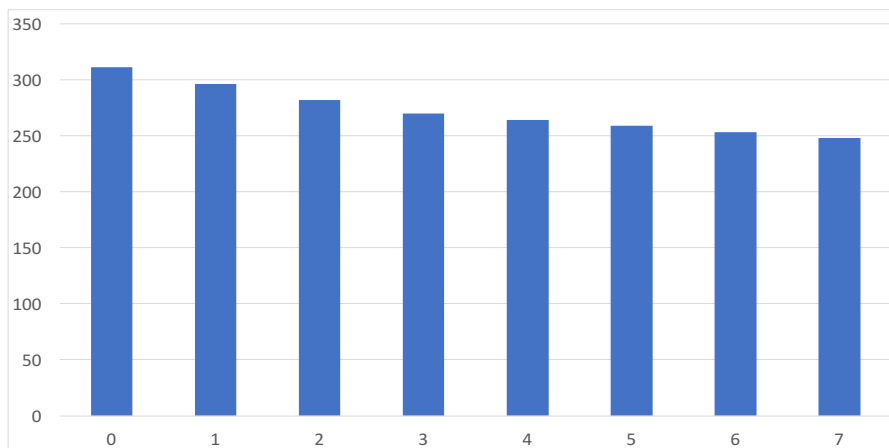


Figure 3-Headcount reduction required for "Maintain"

A reduction in staff of this scale has significant impacts, both on the organisation and the wider local economy. CIPD studies indicate the average cost of making a redundancy is £16,375 – before the cost to the treasury of paying benefits and lost tax revenues, the cost to the economy of lost spending, and the personal trauma. The impact on the residual organisation should not be underestimated – research undertaken by Bain revealed that nearly half of UK organizations have made redundancies and the move proved to be the most damaging kind of workplace change as it undermines morale, confidence, trust and comfort of staff.

Without having precise details of staff involved in any redundancy scenario, it is not possible to give totally accurate figures for the redundancy costs or actuarial strain costs to the pension scheme. However, assuming that:

- 40% of redundancies are Grade F staff, 50% Grade G and 10% Grade I
- Redundant posts are paid at the top of the grade
- The average length of service and age for each grade is:

Grade	Average age	Average length of service
F	43	10
G	46	17
I	46	17

then the costs of redundancy for 67 staff (excluding pension strain impact) could be in the region of £1,200,000.

If the Councils wish to reduce the charges (management fees) paid to operate EKS, as has been the norm over the past six years, further savings would be required above those listed above.

Assuming:

- a continued annual reduction in charges of £390,000 per year³
- employee related inflation of 2% per annum
- overall contract inflation of 4% per annum

a 48% reduction in headcount would be required over the same 7-year period to remain within budget (154 FTE members of staff) profiled as:

- 28 FTE in 2018/19
- 27 FTE in 2019/20
- Further 99 FTE posts removed over the remaining period to balance budget

³ Apportioned as: CCC: £133k DDC £102k TDC £148k, based on 2017/18 management fees

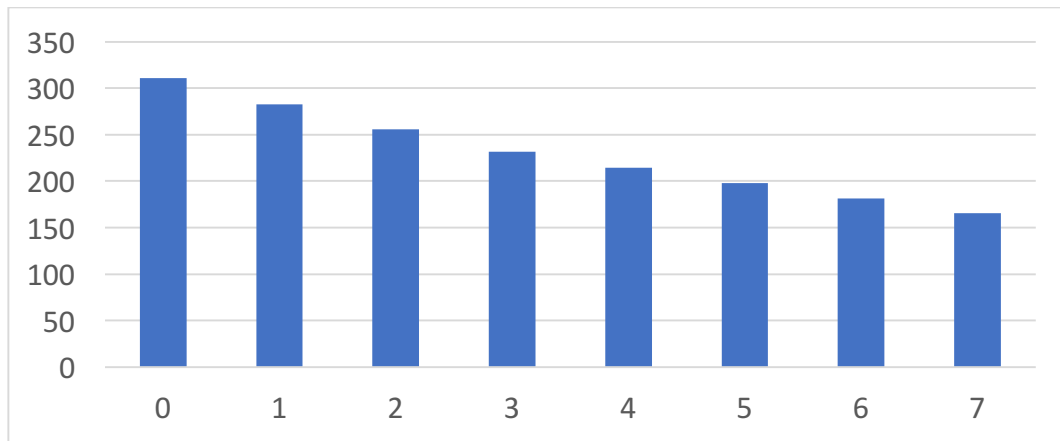


Figure 4 - EKS staff count over time including management charge reductions

With the same assumptions and caveats as per the previous scenario, the costs of redundancy on this scale could be in the region of £2,250,000.

Any downsizing of operations on this scale brings with it some difficult decisions – including which services to allow to degrade, which to maintain and which to cease entirely.

Inevitably, discretionary services would need to be reduced first, in order to safeguard as far as possible, the delivery of statutory services. These discretionary services (for example, welfare support, digital engagement, business rates analysis) are highly valued by EKS' clients but are exposed to the greatest risk of degradation or cessation.

Such an option is highly likely to be untenable, creating a situation which will result in a failure of service at a major scale.

Option 2 - “Exploit”

Summary:

As per the maintain option plus manage the need to contain inflation growth and deliver savings via income from new business.

Strengths	Weaknesses
Currently very competitive costs	Not structured so will require investment in areas such as business development, certification etc, starting from zero baseline
Mature, stable service offering	Need realism over quantity and speed of pipeline / delivery (4 & 5 figure sums more likely, not 6 figure)
Existing corporate layer and governance structures provide a sound foundation for expansion	Competing against other players offering solutions at scale and competitive pricing
Nationally recognised, award winning service with a high reputation across the sector	Will not prevent job losses from areas such as Benefits
Track record of achieving more for less	Lack of flexibility in the current workforce to deliver income generating services out of EK Services’ current geographical area
	To be effective would need to seek business beyond public bodies and therefore establishment of a Teckal compliant company (increasing set up costs and risk)

Analysis:

This option explores the potential for selling current services to third parties.

The opportunities this option presents are limited to the type of transactional services already provided to the partner councils by EK Services. Examples would include payroll, Revenues & Benefits resilience (offering overflow processing services), training and miscellaneous consultancy services. Informal market testing and spend analysis indicates that the profit from such activities is likely to be low, with typical profit margins of 5-10%. The development of a marketing and commercial strategy and the time required to develop a pipeline of potential opportunities means that any income is likely to be very low for the first few years and even beyond that, limited to “five figure” profits.

Councils would need to be prepared to take a commercial approach to risk and, in order to create the decision-making tempo required for a Company to operate successfully in a commercial environment, the establishment of a separate legal entity (a Teckal compliant company⁴) is likely.

This can be done but would require financial and resource investment to set up and growth in operating costs would be required.

The time required to establish such a model and the time needed to develop the commercial pipeline means that EKS would still require the initial few years of investment as outlined within Option 1 (Maintain) or reduce staffing levels by circa 40 staff. There is a risk that such staffing reduction would create service failure that in turn would impact on the ability for EKS to win any commercial contracts. A superficial survey of set-up costs for other, similar public sector based companies providing similar services suggests that initial investment of upwards of £200,000 would be required – mainly to set up a realistic business development function but also to gain the levels of professional, corporate and quality certifications that the market would reasonably expect from a supplier.

⁴ *The local authority must control all of the shares in the company and must also exercise effective day-to-day control over its affairs; in other words, the same as the relationship between the council and one of its internal directorates. This can be achieved through the governance structure. The company must be “inwardly and not outwardly focused”. The directive requires that at least 80% of the activity of the Teckal company – that is, over 80% of its turnover – must be for its public sector owners*

Option 3 – “Enhance”

Summary:

Look to bring other (transactional) council services into EK Services

Strengths	Weaknesses
Leverages the existing EKS corporate layer and governance	Streamline and improves value via process improvement through scale and resilience rather than deliver significant savings
Greater resilience and helps with specialist areas where recruitment / retaining is challenging	Job losses remain in areas such as Benefits through UC and Customer Services via Digital
Proven expertise in running shared services and sound governance reduces risk	Helps councils deliver savings but existing EKS staff (300+) still require inflationary pressure to be absorbed
Proven ability to both transform and deliver services	Main driver would be added resilience and not cost reduction as most clients would already have stripped out excess costs

Analysis:

Again, the services that could lend themselves to being offer by a shared service arrangement are those that are largely transactional and non-contentious. Examples could be procurement, legal services and transactional finance (with strategic finance, such as financial planning, treasury management etc.) being considered as more likely to be out of scope and maintained in house.

Experience of shared service implementation has demonstrated that some financial savings are possible. As a benchmark, staff cost reductions in the region of 13% will typically accrue along with approximately an 8% reduction on external spend as support, maintenance and other contracts are re-negotiated.

However, it is important to note that most, if not all local authority services have already removed significant operating costs over the last few years and in most cases any significant staff reductions would need to be balanced against the acceptability of declining service quality standards. It is therefore more likely that the benefits of on-boarding additional shared services into EKS would be improved resilience and the ability to maintain current levels of performance, rather than the delivery of worthwhile, cashable savings.

Option 4 - “Expand”

Summary:

Bring additional local authorities into the existing EK Services provision

Strengths	Weaknesses
Leverages the corporate layer and governance	Level of savings not likely to be as large as one may expect, other LAs already on a journey of staff reduction so economies limited
Greater resilience and helps with specialist areas where recruitment / retaining is challenging	Universal Credit looming so greater redundancies ahead
Complements any other work within East Kent that may seek to assess opportunities for closer working	Shared Service partnerships greater than four become very challenging; usually only achievable via a contractual style relationship rather than partner approach
Should generate further savings through sharing fixed costs, subject to specific individual service business cases	Extended time frame for delivery of savings and significant effort required
Proven expertise in running shared services and sound governance reduces risk	Need for investment for infrastructure alignment and potential systems migration
Proven ability to both transform and deliver services	Could face significant cultural and/or political differences
	Lack of flexibility in the current workforce to manage services out of EK Services' current geographical area

Analysis:

This option does offer scope for the delivery of savings and income from on-boarding services from other local authorities. The attractiveness of this option is however, diminishing over time as most councils are already undertaking aggressive programmes of cost reduction and service modernisation.

Taking as an example, the provision of Revenues & Benefits and Customer Services provision to another district council, savings are achievable (mainly through staff reduction) although significant up-front costs for systems migration are incurred. The table overleaf shows a possible indication of total costs and savings (to be split between all participating councils) for such an onboarding over four years. This includes growth for platform migration and increased running costs for EKS against the potential savings in software, ICT infrastructure and staffing:

Item	Year 1	Year 2	Year 3	Year 4
Software licencing & support		(42,300.00)	(42,300.00)	(42,300.00)
General ICT/Infrastructure costs		(10,000.00)	(10,000.00)	(10,000.00)
Staff reductions - management	(60,000.00)	(80,000.00)	(80,000.00)	(80,000.00)
Staff reductions - support staff	(30,000.00)	(60,000.00)	(60,000.00)	(60,000.00)
Staff reduction - processing staff		(60,000.00)	(90,000.00)	(90,000.00)
Additional capacity contract reduction		(30,000.00)	(30,000.00)	(30,000.00)
Platform migration costs	150,000.00	50,000.00		
Increased EKS costs estimate	30,000.00	30,000.00	30,000.00	30,000.00
Total Cost/(Saving) for four Councils combined	90,000.00	(202,300.00)	(282,300.00)	(282,300.00)

For simplicity, assuming an even distribution of savings, EKS could expect to achieve a saving in the region of £211,000 (75% of the anticipated savings) from the third year of operation.

Option 5 - “Strategic Partnership”

Summary:

Use the existing service as a basis for the development of a locally-based processing hub run by a commercial organisation but sharing growth opportunities through profit share arrangements.

Strengths	Weaknesses
Financial savings from contract go-live date	Contract management capacity either with a residual EK Services of the client councils would need to be strengthened
Guaranteed performance levels and quality	Potential complexity of aligning client-side functions in a 4-way contract unless this function remains with a residual EK Services
Avoidance of redundancy for transferring staff	Long term budget commitment (albeit at a reduced level) required from contracting Councils
Staff job security for the contract duration	Impact of bringing staff back into the Councils at contract end is not quantifiable at present
Staff terms and conditions (including LGPS) protected	Staff concerns around a transfer to a private sector employer
Indexation increases likely to be less than maintaining status quo	Potential for inflation-linked contract price growth
Creation of a partnership style of operation where added value from service growth is shared	Flexibility for EKS to be used to deliver further budget savings in the future is reduced
Local new job creation	
Provides flexibility for the Councils to consider parallel “maintain” or “enhance” options	
Risk of impacts from new burdens (eg introduction of apprenticeship levy, increased employee costs) is reduced	

Analysis:

Unlike a traditional outsourcing arrangement, where a third-party supplier delivers services under contract for a defined price, usually extracting costs through staff reduction and redundancy, the proposed strategic partnership model with a supplier offers more benefits over and above a simple reduction in operating costs. These typically include a mixture of: direct cost reductions, profit share from new business generation and economic development benefits from delivering jobs growth and accompanying spend into the local economy.

This is a relatively well-established business model, with several councils across the country having entered into similar arrangements over the past few years. At the same time, the market for business process outsourcing (BPO) activities in both public and private sector has increased as a result of organisations needing to deliver reductions in operating costs as well as providing some certainty around future expenditure and the “cost of doing business.”

As part of their expansion plans in the Business Process Outsourcing (BPO) market, Civica are proposing to establish a trading hub and centre of excellence (CoE) in the south east to complement their existing locations (Hull, South Worcester, Denbighshire and Gloucester). EK Services have been exploring the possibility of a commercial contract with a partnership approach, with Civica. This would seek to provide a core contract delivering existing Income, Payments and Customer Services functions to a defined level of performance and quality, along with a “Centre of Excellence” (termed “the Hub”), based within the Councils’ existing premises (and generating a rental income), providing additional capacity to Civica’s existing on-demand services that are marketed nationally and internationally as well as providing a platform to provide other transactional contracts to new business opportunities.

In practice, this means that staff would transfer (under TUPE regulation) to the chosen supplier and continue to deliver services for EKS as before, from the same locations, with no visible change to the councils or customers. As the new provider streamlines service delivery, staff can be moved from providing services to EKS under the “core contract” into a team within the Hub that provides services to third parties, reinforced with existing or newly recruited Civica staff. This results in income to the councils (as a result of a profit share arrangement for revenue generated by the Hub plus rental for any additional desk space that is required within the existing EKS locations as a result of staffing growth.)

This provides a number of expected benefits to EK Services and its partner Councils:

- Financial savings from day 1;
- Guaranteed performance levels and quality;
- Guaranteeing approx. 220 jobs for the duration of the contract (i.e. up to 7 to 10 years);
- Avoidance of imminent redundancy for up to 30 FTE;
- Staff terms and conditions (including LGPS) protected;
- Ongoing investment in the service;
- Creation of an East Kent based processing hub (“Centre of Excellence”) to be operated on a profit sharing basis plus rent per desk space generating new income to the Councils;
- Local new job creation;

The trading hub will have exclusivity for new work from new business across Kent, Sussex, Surrey, SE London and Essex. It is also used to provide resilience to the core contract if needed, which de-risks the chance of performance slide due to staff erosion as other contracts often find.

A financial analysis of the likely savings that would accrue is detailed in the confidential Annex B to this report, although it is anticipated that the formal contract negotiation process would result in additional savings being identified.

A summary of how this type of partnership has worked in parts of the country, along with an explanation of the business development activity proposed, is given in Annex D.

At contract end, the trading hub operation is expected to operate from their existing locations, providing a continued rental income to the councils. The “core contract” (delivery of the councils Revenues, Benefits and Customer Services functions) could be re-procured (aiming for the market to produce an equivalent or better commercial offer than the original contract) or alternatively choose to move this provision back in-house, whilst complying with the TUPE regulations in force at that time.

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DOVER DISTRICT COUNCIL

SCRUTINY (POLICY AND PERFORMANCE) COMMITTEE – 10 OCTOBER 2017

EXCLUSION OF THE PRESS AND PUBLIC

Recommendation

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting for the remainder of the business on the grounds that the item(s) to be considered involve the likely disclosure of exempt information as defined in the paragraph of Part 1 Schedule 12A of the 1972 Act set out below:

<u>Report Title</u>	<u>Paragraphs Exempt</u>	<u>Reason Exempt</u>
EK Services Strategic Service Delivery Options and Potential for Contracting Out of Certain Functions	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item No 17

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of the Local Government Act 1972.

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