

**CANTERBURY CITY COUNCIL
DOVER DISTRICT COUNCIL
THANET DISTRICT COUNCIL**

Agenda

East Kent Services Committee

**Wednesday
16 August 2017
at 10.30 am**

**The Guildhall
Westgate
Canterbury**

Membership of the East Kent Services Committee

Councillors

Councillor S Cook
Councillor P Todd
Councillor P Watkins
Councillor M Conolly
Councillor C Wells
Councillor L Fairbrass

Quorum: One councillor from each council.

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4. If you have any queries regarding items on this agenda, please contact Matthew Archer on 01227 862 175 or email matthew.archer@canterbury.gov.uk or write to the address below.

Canterbury City Council, Military Road, Canterbury CT1 1YW

AGENDA

1 **APOLOGIES FOR ABSENCE**

Councillor P Watkins and Councillor Todd.

2 **APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN**

Under the operating arrangements the Chairman for the municipal year 2017/18 will be a representative of Thanet District Council and the Vice-Chairman will be a representative of Dover District Council.

3 **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4 **SUBSTITUTE MEMBERS**

The Chairman to report any notifications received prior to this meeting regarding the attendance of substitutes for the named Members of this committee.

5 **MINUTES OF THE EAST KENT SERVICES COMMITTEE MEETING HELD ON 30 NOVEMBER 2016** (Pages 4 - 6)

6 **DELEGATION TO THE EAST KENT SERVICES COMMITTEE FOR THE DEVELOPMENT OF A BUSINESS CASE TO ENABLE CONSIDERATION OF POTENTIAL CHANGES TO EAST KENT SERVICES SERVICE DELIVERY INCLUDING A POTENTIAL OPTION FOR CONTRACTING OUT OF SOME FUNCTIONS** (Pages 7 - 16)

TO CONSIDER the report of Director of East Kent Services.

7 **ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC**

8 **ANY OTHER BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH**

It will be necessary to pass a resolution to exclude the press and public for any urgent business to be considered under this item.

EAST KENT SERVICES COMMITTEE**Minutes of a meeting held on Wednesday, 30th November, 2016 at 11.30 am in
The Guildhall, St Peter's Place, Westgate, Canterbury**

Present: Councillor S Cook (Chairman) (Canterbury)

Councillor M Conolly (Dover)
Councillor C Wells (Thanet)

Officers: Colin Carmichael Chief Executive (Canterbury)
Nadeem Aziz Chief Executive (Dover)
Madeline Homer Chief Executive (Thanet)
Harvey Rudd Solicitor to the Council (Dover)
Matthew Archer Head of Democratic Services (Canterbury)
Dominic Whelan Director of Shared Services (EK Services)

1 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Watkins (Dover), Councillor Fairbrass (Thanet) and Councillor Todd (Canterbury).

2 APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN

By virtue of standing orders Councillor Cook was appointed Chairman for the year and Councillor Wells was elected Vice-Chairman.

3 DECLARATION OF ANY INTERESTS

There were no interests declared at the meeting.

4 SUBSTITUTE MEMBERS

There were no substitute members present at the meeting.

5 EK SERVICES AND EK HUMAN RESOURCES COMBINED END OF YEAR REPORT 2015/16

The Director of Shared Services summarised the annual performance report for East Kent Services (EKS), who provide a shared service to the three councils that includes Revenues and Benefits, HR, ICT and customer services. A presentation of the key findings was provided, which covered customer satisfaction, key performance indicators, finance and an update on key projects.

The financial appraisal indicated that significant savings had been delivered over the last five years. Approximately £2m had been saved through reduction in the management fees paid for the services and a similar sum had been returned to the client councils as cash surplus over the period. A further £1m had been saved as

EKS had absorbed all growth over the period. A reserve had been built up, which had been earmarked to a range of projects and work streams.

Functions had been audited on a regular basis and at the end of year, five awarded substantial or reasonable assurance, six were ongoing work in progress and two unscored.

At the end of the presentation Members asked a number of questions and the Director responded, as follows –

- i) In response to a question about the sickness absence figures, the Director said that the figures were intended to demonstrate HR workload. He offered to provide a written response with additional information after the meeting. It was noted that Thanet were actively managing this topic as one of their HR priorities.
- ii) It was clarified that ‘eye tracking’ software was being used to improve the format and clarity of documentation, which had the effect of improving customer response rates.
- iii) A review of the ICT architecture was currently underway as part of the long-term transition from a server based model to a cloud based environment, which would involve consequential changes to the financial modelling.

RESOLVED – that the report be NOTED.

6 ESTABLISHMENT OF EAST KENT SERVICES COMMITTEE AND ASSOCIATED ARRANGEMENTS - REVISIONS

The report was introduced by the Solicitor to the Council (Dover). It proposed minor amendments to the delegations to the Director of Collaborative Services and Director of EK Services in the light of changes made to the delegations to the East Kent Services Committee by the three authorities since the revised governance arrangements for EK Services (EKS) and EK Human Resources (EKHR) were established in late 2014/early 2015.

RESOLVED –

That the delegation to each of the Director of Collaborative Services and the Director of EK Services effected by the approval of paragraph 28 of Schedule 5 to the Original Report be amended to read as follows:-

“Acceptance of the lowest or most economically advantageous tender or bid for the carrying out of works for the committee, the purchase, leasing or hiring of goods, materials and equipment by the committee, or the supply of services to the committee, provided that budget provision is available.”

And that the delegation to each of the Director of Collaborative Services and the Director of EK Services effected by the approval of paragraph 31 of Schedule 5 to the Original Report be amended to read as follows:-

“The assignment or novation of a contract (subject to the provisions of the Public Contracts Regulations 2015).”

7 ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC

None

8 ANY OTHER BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH

None

The meeting ended at 12.04 pm.

East Kent Services Committee 16th August 2017.

Subject: Delegation to the EKSC for the development of a Business Case to enable consideration of potential changes to EKS service delivery including a potential option for contracting out of some functions.

Director/Head of Service: Director of EK Services

Decision Issues: These matters are within the authority of the East Kent Services Committee.

Decision type: Not applicable

Classification: This report is open to the public.

Summary: The participating Councils in East Kent Services and EK Human Resources, Canterbury City Council, Dover District Council and Thanet District Council, have agreed to delegate the commissioning of a business case examining the merits of potentially contracting out the Councils' functions in relation to Revenues, Benefits and Customer Services Functions.

This report requests the onward delegation to the Director of EK Services of the arrangements for the commissioning of such a business case.

That the Committee resolves:

(1) To note that the attached report has been considered and approved by each of the Cabinets of Thanet District Council and Dover District Council, and the Policy and Resources Committee of Canterbury City Council.

(2) To accept the requests of the above Cabinets and Committee that the East Kent Services Committee should discharge the powers and functions of the Council to develop a business case for the potential contracting out of the Council's functions in relation to the following:-

- Council Tax Administration and Enforcement
- National Non-Domestic Rates Administration and Enforcement
- Housing Benefit and associated services
- Council Tax Reduction Scheme and associated services
- Debt Recovery
- Customer Services

(together called 'the Revenues, Benefits, Debt Recovery and Customer Services Functions') and to determine the actions to be taken in connection therewith.

- (3) To delegate to each of the Director of Collaborative Services and the Director of EK Services responsibility for the commissioning and production of a business case examining the merits of the potential contracting out of the Councils' functions in relation to Revenues, Benefits and Customer Services Functions and request that such a business case be presented to each of the three councils prior to further consideration by the East Kent Services Committee.

Next stage in process

Should the delegation be approved, a detailed business case will be produced and submitted to each of Dover District Council, Canterbury City Council and Thanet District Council prior to further consideration by the East Kent Services Committee.

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 to the three councils whilst maintaining the high quality of services that have been delivered since its inception.

Following consideration of the attached report, the Cabinets of Dover District Council and Thanet District Council, and the Policy and Resources Committee of Canterbury City Council have authorised and requested that:

The East Kent Services Committee should discharge the powers and functions of the Council to develop a business case for the potential contracting out of the Councils' functions in relation to the following:-

- Council Tax Administration and Enforcement
- National Non-Domestic Rates Administration and Enforcement
- Housing Benefit and associated services
- Council Tax Reduction Scheme and associated services
- Debt Recovery
- Customer Services

(together called 'the Revenues, Benefits, Debt Recovery and Customer Services Functions') and to determine the actions to be taken in connection therewith.

This Business Case is required in order to ensure that each of the three councils are given all relevant information to enable them to consider the options for future EKS service delivery and to consider the merits of a potential contracting out of the Revenues, Benefits, Debt Recovery and Customer Services functions.

The East Kent Services Committee is asked to consider delegating the responsibility of the development of such a business case to the Director of Shared Services.

Should this be granted the intention is for the business case to be considered by each council according to the following timetable, prior to further consideration by the East Kent Services Committee:

Canterbury City Council	4 October Policy & Resources Committee	19 October Council	
Dover District Council	2 October Cabinet	10 October Scrutiny (Policy & Performance) Committee	6 November Cabinet
Thanet District Council	19 September Cabinet	24 October Overview & Scrutiny Panel	16 November Cabinet

3. Relevant Council Documents

Attached as Annex A.

4. Consultation planned or undertaken

None relating specifically to this change of delegation. If these delegations are approved, and the Committee agrees the production of a detailed business case, consultation with all relevant stakeholders will be undertaken.

5. Options available with reasons for suitability

- (i) To approve the proposed delegation
- (ii) Not to approve the proposed delegation.

6. Reasons for supporting option recommended, with risk assessment

Option (i) is recommended, as it allows the East Kent Services Committee to commission a business case considering the potential contracting out of elements of EK Services' operations for consideration by the three Councils.

7. **Implications**

(a) Financial Implications

None at this stage, although agreeing the recommendation would allow for significant potential savings to be delivered in the future.

(b) Legal Implications

The proposed amendments to the delegations are in accordance with legislation and are considered to be lawful,

8. **Conclusions**

This delegation will facilitate the commissioning and production of a detailed business case examining the viability of a potential contracting out of functions. It could allow the realisation of significant savings for the three councils whilst safeguarding both the quality of services to the public and the jobs of existing EK Services staff.

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

Canterbury City Council

**Policy and Resources
Committee**

10 July 2017

Dover District Council

Cabinet

3 July 2017

Thanet District Council

Cabinet

27 July 2017

East Kent Services Committee

To be advised (but following the last of the above meetings).

Subject:

Outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions

(Revision of Delegations to the East Kent Services Committee)

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 Policy and Resources Committee of Canterbury City Council.

Once agreed by the above authorities the development of the business case will fall within the authority of the East Kent Services Committee.

Decision type:

Not applicable

Classification:

This report is open to the public.

Summary:

This report proposes the development of a business case for the outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions' and consequent amendments to the delegations made to the East Kent Services Committee by the three authorities in establishing revised governance arrangements for East Kent Services (EKS) and EK Human Resources (EKHR) in 2014-2016.

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

That the Policy and Resources Committee of Canterbury City Council agrees and approves:

To the extent that they are not already authorised to do so, the East Kent Services Committee be authorised and requested to discharge the powers and functions of the Council to develop a business case for outsourcing the Council's functions in relation to the following:-

- Council Tax Administration and Enforcement
- National Non-Domestic Rates Administration and Enforcement
- Housing Benefit and associated services
- Council Tax Reduction Scheme and associated services
- Debt Recovery
- Customer Services

(together called 'the Revenues, Benefits, Debt Recovery and Customer Services Functions') and to determine the actions to be taken in connection therewith.

Next stage in process

The East Kent Services Committee to make appropriate delegations to each of the Director of Collaborative Services and the Director of EK Services to enable him to develop the business case and report back directly to each of the three councils prior to further consideration by the East Kent Services Committee.

SUPPORTING INFORMATION

1. Background

The revised governance structures for the delivery of the shared services by CCC, DDC and TDC were approved on the report of Head of Legal Services (Canterbury), the Director of Governance (Dover), the Solicitor to the Council (Dover) and the Interim Legal Services Manager (Thanet) ("the original report") by the respective Cabinets Council at the end of 2014 and the early 2015 and finally, by the East Kent Services Committee on 11 February 2015. They were subject to minor amendments in July 2016.

As part of EK Services' ongoing operation, the Director of Shared Services and his Management Team have been examining ways to ensure the service remains relevant and viable. This has included work to assess options to maintain cost effective service delivery with high levels of performance as well as considering opportunities to grow revenue. As a result of this options appraisal, work has been underway to examine the possibilities offered by potentially contracting with commercial suppliers that may offer proposals for significant revenue savings whilst safeguarding the quality of the delivery and local employment and commercial partnership arrangements

At present, the governance arrangements outlined above do not specifically provide for the East Kent Services Committee to consider the business case for entering into contracts with a commercial operator for the discharge of the Revenues, Benefits, Debt Recovery and Customer Services Functions.

2 Current Situation and the need for change

EK Services (EKS) was formed 5 years ago to provide a range of services including IT, HR, Revenues & Benefits and Customer Services. It has been a success, delivering £6m savings back to its partner organisations whilst improving performance and increasing resilience – without significant investment.

EKS is funded by its partner Councils as well as income from other, non-partner organisations. Currently the participating Councils require 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 are needed to maintain the status quo.

In 2016/17, EKS will continue to deliver the required level of savings to keep within existing budgets but as employee costs form the bulk of EKS’ cost base, this is not sustainable in the longer term without a significant impact on staffing.

Further savings will require a significant staff reduction (an estimated 30 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.

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 Council Tax and Business Rates 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 more fundamental reshaping of EK Services. These can be broadly categorised as:

“Maintain” – 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 service offering that is relatively stable	Realistic limitation on savings
	Costs of exit, impact on local employment
	Universal Credit looming so greater redundancies ahead
	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

“Exploit” – 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, starting from zero baseline
Mature service offering that is relatively stable	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
Good reputation amongst peers	Will not prevent job losses from areas such as Benefits
	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)

“Enhance” – look to bring other (transactional) council services into EKS

Strengths	Weaknesses
Leverages the 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 growth to be maintained

“Expand” – Build out current services to other local authorities

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

An additional option is to “enhance and expand” – a combination of the previous two – which has broadly the same strengths and weaknesses.

“Strategic Partnership” – 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.

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 subject to satisfactory performance	Impact of bringing staff back into the Councils at contract end is not quantifiable at present
Staff terms and conditions (including LGPS) protected	
Ongoing investment in the service	
Creation of a partnership style of operation where added value from service growth is shared;	
Local new job creation	
Provides flexibility for the Councils to consider parallel “maintain” or “enhance” options	

Rather than a traditional outsource of service, 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 considering the pros and cons of the options detailed above, appears to be the most attractive delivery model for this service moving forward.

Any decision to proceed would of course be made subject to the production of a comprehensive business case detailing all options considered, that would be considered by the Councils.

In order to allow the East Kent Services Committee to develop such a business case the changes to existing delegations detailed above are required.

3. **Relevant Council Documents**

Schedule 5 to the Original Report.

4. **Consultation planned or undertaken**

If this report is approved appropriate consultation with all relevant stakeholders will be undertaken in the consideration of the business case.

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

(i) To approve the recommendation contained in the report

(ii) Not to approve the recommendation contained in the report

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

Option (i) is recommended, as it allows the East Kent Services Committee to develop the business case for outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions. The risk to Councils, for selecting this option, is considered low; it enables the EKSC to develop a detailed business cases for potential work associated with a specific set of functions, currently delegated to them. The detailed business case will be developed in consultation with council lead officers (S151s and CEOs) and subject to appropriate council legal and finance approval. The business case will be considered by each of the councils and will contain risk assessments and all relevant information to ensure informed decision making.

7. **Implications**

(a) Financial Implications

Agreeing the recommendation would allow for the potential of significant savings to be delivered in the future.

(b) Legal Implications

The proposals in this report are considered to be lawful.

8. **Conclusions**

These amendments to the delegations to the East Kent Services Committee will enable the Committee to develop the business case for outsourcing of Revenues, Benefits, Debt Recovery and Customer Services Functions.

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