

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