

East Kent Services partnership

Service transition business case

December 2023

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Executive summary

Thanet, Canterbury and Dover councils have utilised a tri-council partnership, outsourced to Civica to deliver Revenues & Benefits and frontline customer services. The service is well established and operating effectively, delivering high quality services. See Appendix 6 for an outline of services and performance.

However, it is Civica's intention to vacate the Business Process Outsourcing (BPO) market leaving the partnership in a position where it must source an alternative service delivery vehicle to continue to deliver services to its customers.

The purpose of this report is to put forward a range of options, assess those options and recommend a preferred way forward. The programme business case follows the guidelines stated in the best practice framework, [HMRC Green Book](#) five case model methodology.

- Ensure the programme business case is aligned to the partnerships strategic direction
- Ensure the programme business case will maximise wider social value to communities and residents
- Confirm the programme business case is commercially viable
- Confirm the programme business case is affordable and fundable.
- Confirm the partnership has adequate resources to deliver the programme successfully

The business case recommends the option of a local authority trading company (LATCo) service delivery vehicle, facilitating a continued commercial approach to delivering services.

There are a number of key benefits a LATCo Service Delivery Vehicle (SDV) can deliver for the councils, discussed in more detail further down in the economic case;

- A sustainable, agile and adaptable business model which can weather difficult financial environments and generate further efficiencies.
- The ability to generate additional revenue streams to support frontline services and create a profit for purpose approach.
- The councils' ability to monitor and oversee operations more closely than an outsourced SDV.
- The ability of a LATCo to minimise costs and maximise efficiencies and deliver innovative services to communities and residents.
- The ability to attract and recruit high quality personnel, by offering favourable commercial terms and conditions. Increased productivity due to retention of a highly skilled and motivated workforce.

The business case has been developed with the knowledge and review of previous implementations of LATCo's across the partnership. The development of the governance model and financial assessment of the EKS LATCo has been supported by knowledge from the implementations of Canenco, the Canterbury LATCo and EKH, East Kent Housing.

1. Background

In 2011, Canterbury, Dover and Thanet councils formed a shared service vehicle - 'EK Services', through which Revenues, Benefits, Customer Services and ICT functions were delivered on behalf of the three authorities. The shared service successfully delivered savings to all partners for 6 years, but ultimately the need for additional savings beyond year 6, exceeded the shared service vehicles ability to deliver them.

In light of the need to deliver these further savings, in 2017, Canterbury, Dover and Thanet councils made a joint decision to outsource the Revenues, Benefits and Customer Services functions to Civica.

The decision to outsource was based on the financial challenges facing the partner councils and the lack of additional savings the Shared Service was able to deliver. Under the shared services arrangement, there was a need to increase funding to maintain a level of staffing required to deliver services to the agreed standards. Therefore, EKS in its existing shared services form, was not sustainable in the medium to long term future.

It was felt that a strategic commercial venture with a private sector partner had the potential to protect and grow jobs and develop services whilst still delivering savings. In 2018 the shared services function was outsourced to Civica.

The services were further transformed by Civica, generating process, structural and financial efficiencies. Culturally the service has become commercially focused and agile, managing demand effectively. The arrangement delivered the financial savings required by the Councils.

Since 2018, Civica have delivered the service within budget, they have met the KPIs set, achieved good customer ratings, delivered the various government business and public support schemes throughout Covid quickly, with a low error and fraud rate, at no extra charge to the Councils. The services are high performing and customer satisfaction scores are regularly above 96%.

In 2021 Civica informed the Councils that it was strategically exiting the BPO market and that the initial contract would not be extended beyond January 2025. Civica asked for the contract to return before this date.

In light of this, in 2021 delivery options were explored and an outline business case approved by the EKS board with further approval to move forward and develop a full business case.

Following the approval of the initial outline business case, CIPFA were engaged to review the proposal and make recommendations on developing a full and robust business case.

This business case now reflects the recommendations of the outline business case and CIPFA review, taking into consideration the strategic case, a range of options, a full financial analysis , an implementation plan and capacity and capability to deliver.

2. Strategic Case

2.1 Organisational overview

As mentioned above, Thanet, Canterbury and Dover have been in a partnership delivering front line services to its residents and customers for over a decade. The partnership has been effective in delivering a range of efficiencies and service improvements.

All three councils have recently had a change of political leadership, with Canterbury gaining a Labour/Liberal Democratic coalition and Thanet and Dover gaining Labour administrations.

There is little appetite to move away from a high performing and commercially focused service being delivered by Civica. Therefore whichever service delivery vehicle is selected, it needs to replicate the level of service currently being provided.

Corporate plans are under development for all three councils, however there is a continued desire to deliver services that are efficient, cost effective and high performing.

2.2 National backdrop

The impact of austerity has increased the need for greater savings and efficiencies and with the reduction of local government funding, local authorities have been obliged to investigate a range of mechanisms to reduce overheads and raise revenue to minimise the impact on frontline services.

The impact of both Brexit and the Covid pandemic has seen significant outward migration of skills and resources. The loss of free movement of labour has diminished supply of labour in the local market (traditional areas that were dependent on recruitment from the EU e.g. hospitality/retail etc can no longer recruit there, so we are now in competition with these sectors for more local talent) and loss of expertise and experience due to a shift towards early retirement within the UK workforce, has effected availability of staff. Maintaining a skilled and adequately resourced workforce will inevitably become more difficult.

UK inflation continues to be relatively high and interest rate increases provide for an uncertain future if not managed effectively. The impact on vulnerable segments of the population could lead to greater deprivation with the cost of living crisis. With increased deprivation and hardship, an increase in demand for services will inevitably follow.

There has been a national trend towards insourcing services back in house, due to a number of reasons, ranging from the collapse of major contractors e.g. Carillion, contractors voluntarily exiting the public sector and local authorities wishing to exercise more control over their services.” *Local government: alternative models of service delivery” briefing paper 9th september 2019.*

A recent study conducted by APSE May 2019, *Association for Public Service Excellence* pointed towards a trend of insourcing. Local authorities expressed the desire to improve

service quality and flexibility without the constraints of outsourced inflexible contracts. The need for greater control of allocating resources to meet local demand was seen as a key driver for insourcing.

2.3 The Case for Change

As a result of Civica exiting the BPO market, an outline business case was approved in October 2022, by the East Kent Chief Executive forum. An approval was gained to investigate alternative service delivery vehicles for the Revenues and Benefits and Customer services functions.

Local government is increasingly under pressure from a rising demand in services and a continued reduction in public funding. This has led councils to become more innovative in service delivery.

A programme brief has been prepared with a clear scope and defined objectives. This has been agreed with the programme board. The programme brief covers the following objectives;

- To avert a service delivery failure by re-provisioning services for the Revenues and Benefits and customer services function to a financially viable service delivery vehicle by December 2024
- To develop a sales pipeline and deliver growth enabling surplus income to be redirected to support council services
- To increase the council's ability to further their social value agenda and support frontline services
- To promote and sustain a commercial culture across the authorities, exploring further opportunities for commercialisation.
- The programme will examine the relationship between the existing commercial entity at Canterbury, Canenco, and the merits of a group structure approach.

2.4 Existing arrangements

The current cost of the service is £8 million, which is spread across the three councils. The outsourced contract with Civica is a people only contract, utilising the councils' IT infrastructure and systems, which is based on premises at Thanet DC. The Openrevenues database is utilised for benefits and revenue management and a new cloud telephony service has recently been implemented. EKS utilises the google suite of programs for administration, email, calendar management, file management and word processing, with print and mailroom services being outsourced off site.

Going forward there is a plan to utilise laptops and Microsoft products. There is also a plan, in the near future, to migrate to a SaaS (Software as a Service) model for Openrevenues once the SaaS product has stabilised.

The service is operated on a hybrid basis, with staff working across three sites and remotely. There is a face to face community hub based in Margate, with a small presence at Dover and Canterbury, delivering front of house services.

Business support is provided via a range of mechanisms; payroll services are provided by Civica and finance support is provided by 1.5 FTE based in Thanet. HR support has recently been disaggregated back to the individual councils as have IT services. However the EKS partnership retains a small residual IT team that supports all IT requirements.

2.5 Business needs and requirements

Continuity of service is paramount to the partnership, ensuring a sustainable and high performing service continues to function and deliver services to customers and its communities.

Councillors and officers are also eager to maintain the skills and expertise of a high performing team. The workforce is agile and adaptable and has displayed a strong commitment to supporting the partnership through difficult operating environments such as the Covid pandemic.

To support business operations a revised IT operating platform will be required to facilitate operations and information management. Data and infrastructure will require decoupling from the partnership's current infrastructure. New information governance and compliance will require new policies and administration.

2.6 Constraints and dependencies

There are a number of constraints that may have an impact on this programme, firstly the Civica contract will terminate in January 2025 therefore the partnership will require an alternative service delivery vehicle in place by then to ensure service continuity. Secondly, with an increasingly challenging financial landscape for businesses and residents, funding and investment will be limited.

Success of the programme will depend on strong political buy-in from the new administrations, a practical and rational approach from Civica and IT service continuity and resource availability.

There are a number of technology implementations in progress, such as a new finance system procurement at Thanet and the disaggregation of IT infrastructure across the tri-council partnership. These implementations will require careful programming and dovetailing into the transition plan.

3. Economic Case

As noted above, the programme is essentially a lift and shift of a high performing, qualitative service and introducing a new service delivery vehicle. There is no major transformation and services will continue to be delivered to residents seamlessly.

The economic case outlines the options for the delivery of the programme and recommends the option that is most likely to offer best value for money, least risk and maximum social value to the EK partnership. A number of critical success factors have been identified, which must be met for the programme to be considered successful.

Initially, a disaggregation of services into its constituents parts was costed and considered alongside a LATCo, shared services model, secondary outsourcing and do nothing approach. These are discussed in detail below.

A SWOT analysis was conducted to determine the strength of the options based on risk, benefits and costs. A further managers workshop was arranged to supplement the SWOT analysis and promote engagement and ownership. See appendix 1 for SWOT analysis.

A number of factors were considered when developing the critical success factors and shaping the preferred approach;

- Business needs and requirements
- The wider environment
- Strategic fit
- Organisational culture
- Resources
- Affordability and achievability
- Optimal financial viability

3.1 Critical success criteria

These are the areas that must go right for the programme to be determined a success, meeting the expectations of key stakeholders.

- Maintenance of key performance indicators
- Seamless transfer of operations to new SDV
- Income generation
- Delivery of surplus
- Increase in welfare take up
- Minimise staff turnover
- Long term financial sustainability of model

Key:

X - partially met

XX - fully met

0 - not met

Table 1 Success criteria

	Maint. of KPI's	Seamless transfer	Income generation	Delivery of surplus	Incr. in welfare take up	Min. staff turnover	Sustainable model
Shared services	XX	X	X	X	0	X	0
LATCo	XX	X	XX	XX	XX	XX	XX
Outsource	X	X	0	0	0	0	X
Disaggregation	0	0	0	0	0	0	0
Do nothing	0	0	0	0	0	0	0

3.2 Options analysis

Desktop research was carried out to identify best practice within the sector and a number of business cases reviewed to assess potential options. Research from leading financial and economic institutions such as Cipfa and Grant Thornton "In good company" September 2018 was also appraised.

Options considered as part of this long list are;

- Shared services
- LATCo
- Disaggregation of services
- Alternative outsourcing company
- Do nothing

The following table summarises the key outputs from a SWOT analysis conducted, appendix 1, and in addition expands the analysis to include a do minimal option.

Table 2 Benefits/Risks

Option	Benefits	Risk
Shared services model - bought back in house	<ul style="list-style-type: none"> ● Partnership has full control of the service ● Cost effective model ● Allows economies of scale ● Sharing of limited resources and skills ● Not subject to VAT and corporation tax ● Centralisation of services makes it easier to monitor performance, standardisation of processes and methodologies ● Ability to sell services 	<ul style="list-style-type: none"> ● Lack of buy in from staff ● Lack of commercial culture ● Less sustainable model moving forward. ● Model not set up to generate additional surplus ● Decision making governance more complex and lengthy with cabinet/committee structure ● Increased costs due to pensions requirements of LGPS. ● Staff pay would be aligned to council pay levels
LATCo - local authority trading company	<ul style="list-style-type: none"> ● Partnership has full control of the service ● Cost effective model ● Allows economies of scale ● Sharing of limited resources and skills ● Strong buy in from staff ● Ability to trade commercially and generate surplus to support council services 	<ul style="list-style-type: none"> ● Subject to VAT implications and corporation tax ● More complex to set up structure of company

	<ul style="list-style-type: none"> • Ability to generate surplus within the private sector • Ability to react and adapt quickly to the changing financial environment • Opportunity for cost reductions with more commercial t&c's • Operational agility with streamlined decision making • Model supports secondary outsourcing if required later. 	
Disaggregation of services into individual councils	<ul style="list-style-type: none"> • Greater control of services for individual councils • Greater locally tailored services 	<ul style="list-style-type: none"> • Unsustainable model going forward • High cost association • Cannot benefit from economies of scale • Potential issues with sourcing adequate skills and resources
Secondary outsourcing	<ul style="list-style-type: none"> • Continued agility and flexibility with economies of scale across a large organisation 	<ul style="list-style-type: none"> • Limited options, companies moving away from outsourcing model • Increased costs compared to Civica contract • Market analysis indicates only 1 suitable supplier creating a sellers market • Issues with cost and quality, inflexibility and recent public failures of larger suppliers • Potential disruption of a tender exercise to transfer services
Do nothing/minimum	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • The existing contract expires in Feb 25. Services will

		<p>automatically transfer back from Civica to the partnership in an unplanned manner.</p> <ul style="list-style-type: none"> ● TTransfer back to EKs? ● Staff uncertainty/flight ● No opportunity to extend contract
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3.3 Short listed options

The secondary outsourcing , disaggregation and do nothing options have been discounted from the list of options. The secondary outsourcing option was discounted due to the limited number of suppliers available, only Liberata was identified as a suitable option. The limited supply of BPO organisations creates a sellers market with increased costs in comparison to the Civica contract. Also the requirement of a potentially lengthy procurement process will introduce additional risk to service transition.

Disaggregation of services has been discounted due to the cost implications, an additional £4 million cost and impact on services. Disaggregating services and transferring them back will incur in depth re-design of IT and data infrastructure, process change and cultural alignment to individual councils.

The do nothing option is not sustainable as the Civica contract expires in January 2025, when services automatically revert back to the partnership. There is no opportunity to extend the contract leaving staff and services in an exposed high risk position.

Therefore the two remaining viable options from the long list which could provide a function that continues to deliver high performing qualitative services to customers and residents are a LATCo or shared services SDV.

3.4 Benefits Analysis

A LATCo is able to generate new revenue streams when compared to shared services, having the ability to trade outside of the public sector. Any additional surplus generated can be used to offset frontline service costs. A shared services SDV can to a degree generate additional revenue, however not to the extent of a LATCo.

Research has shown councils that have successfully utilised a commercial approach to deliver services, have been successful in attracting and retaining high quality personnel. Commercial terms and conditions which are more favourable, are better placed to retain a high performing workforce. This has been evidenced at both Publica and PSPL, partnerships both using a commercial approach.

The public sector is increasingly looking to promote social value, e.g increase take up of welfare benefits. Profits generated by commercial entities can be ploughed back to support council services, increase social value activities and generate new revenue streams.

“Councils’ commercial activity can provide a catalyst to bridge the increasing funding gap whilst also delivering ‘wider’ social value, providing that commercial initiatives create profit with a purpose.” *LGA Profit with a purpose Delivering social value through commercial activity*. The LATCo approach in particular, through its income generation activities, is able to fund additional activities to increase welfare take up. This can lead to improved support for the community and the vulnerable. This work is linked to the core activities of local government.

Oversight and strategic control being provided by councillors and a commercial streamlined governance structure will allow the LATCo tactical freedom to innovate and respond to market opportunities and productivity innovations.

A successful commercial culture allows greater efficiency, where management and staff are focused on delivering cost effective, efficient services. A commercial culture promotes a business-like environment, knowledge of the marketplace in which the company operates, and delivering services and products which are designed for customers.

A LATCo is sustainable and future-proofed when compared to shared services. This has been evidenced in the original decision to outsource to Civica. Maintaining a shared service for EKS would have had budgetary implications and ongoing issues with funding the services, with 67 posts at risk.

Financially, a LATCo incurs less of a pension liability than shared services, with LGPS employee contributions in the range of 20% compared to approximately 5% contributions for commercial organisations.

There is an added benefit with a low risk, lift and shift approach of migrating services from an already commercial entity to another commercial SDV. The impact on staff would be minimised by continuing with a commercial culture and approach.

Both shared services and a LATCo allow the partnership greater control over services than an outsourced SDV. Shared services are however not liable to corporation tax and VAT, whilst LATCo’s which trade services are.

One of the potential scenarios to consider would be a drop in productivity due to lower staff engagement in the case of a shared services SDV. Staff have communicated a preference to migrate to a commercially focused SDV. In the case of a 2% drop in productivity an additional operating cost of £148,000 would be incurred. With an average staff cost of 37k across a base of 200 staff, the partnership would have to employ an additional 6 staff. In the case of a 3% drop in productivity the impact on operating costs would be an additional cost of £222,000 and in the case of a 5% drop in productivity an additional operating cost of £370,000 would be incurred.

3.5 Preferred Way Forward

The costs associated with a shared service model is higher due to the increased costs associated with terms and conditions of employment. There are currently 26 staff out of 188 , employed by Civica that are not on the LGPS. Given the differential between the current Civica pension contribution rate of 5% and LGPS contribution rates of 20%, it would be reasonable to assume that a LATCo would provide recurring annual savings of approximately £120k compared to an in-house shared service. Through the passage of time, this saving should increase through natural turnover in staffing with more employees moving on to a LATCo pension scheme.

LATCo's have been strongly associated with innovation and creativity, leading to increased productivity and staff morale. Developing new ways of working to counter unforeseen pressures such as Covid has maintained the ability to deliver services effectively. The ability to hold costs down and increase efficiency has been demonstrated by the transfer to Civica.

Taking into account the summary above the preferred way forward is to develop a LATCo business model.

The LATCo approach also presents the option of moving to a shared services vehicle at a later date if required by the partnership. There is an opportunity to consider implementing a two year break clause in order to review and assess the success of the LATCo. If it is felt the LATCo has not delivered the benefits identified, the LATCo can migrate to a shared services model. However if a shared services model is the preferred option, services cannot be transitioned to a LATCo due to pensions implications. The model would be unsustainable with no trading surplus and a substantial increase in pensions liability.

3.6 Governance

Good governance considers how to balance the freedom required by a commercial entity and retaining effective oversight of a company. It is important the EK partnership safeguards the spending of public money and ensures that trading activities are carried out in accordance with the partnership's ethos and values.

The model below is for information purposes only and is indicative of the type of governance that can be put in place. The governance arrangements set out in this section may be further developed or changed in the light of advice from our professional legal advisers in the event the business case is approved. For a full size model please refer to appendix 7.

Indicative model (subject to further advice from legal advisers)

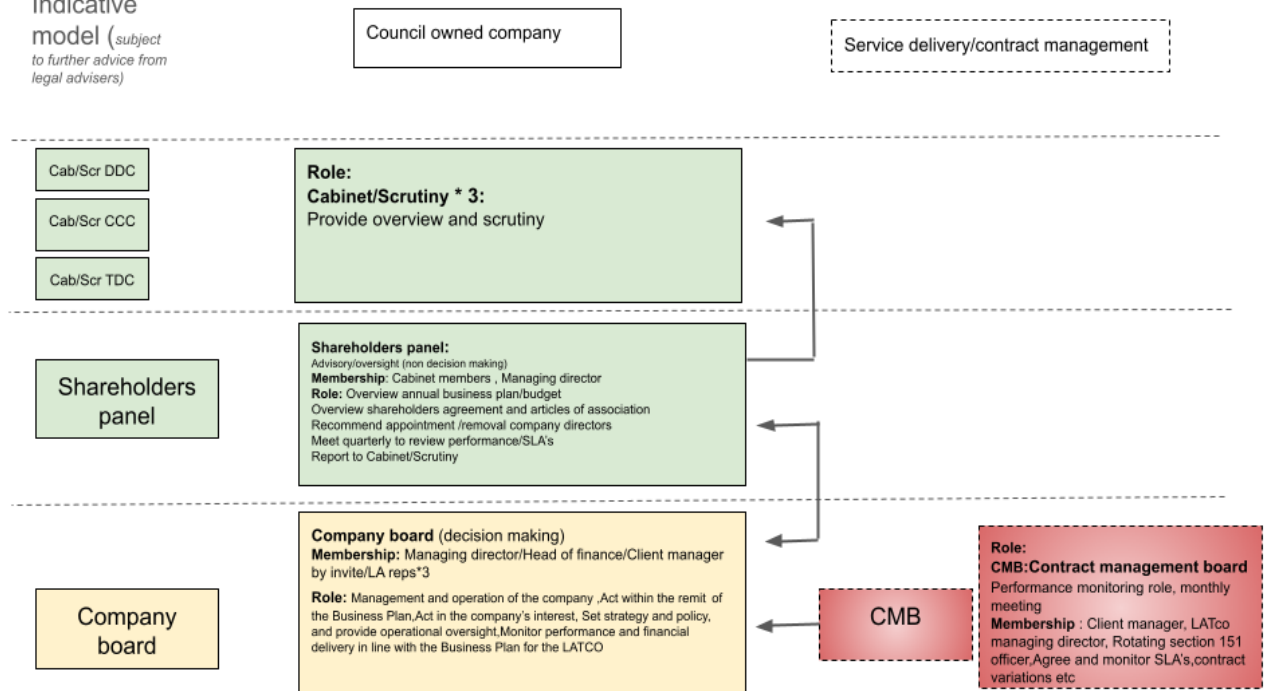


Table 4 Indicative governance model

3.6.1 Articles of association

The company will be formed as a private company limited by shares, with 100% of the share capital retained by the EK partnership. Two key governance documents will be required, firstly a shareholders agreement and secondly the articles of association. The Articles of Association is essentially the constitution, outlining decision making powers of the directors.

The LATCo will have the ability to trade outside of the EK partnership but provide the majority of services to the EK partnership. The articles of association should ensure a Teckal exemption by;

- Confirming the rights to remove and appoint directors and provide for retirements where appropriate
- Ensuring that board composition is kept under review.
- Ensure at least 80% of the services are delivered to the EK partnership

3.6.2 Shareholders agreement

The shareholders agreement supplements the articles of association by setting out a contractual agreement between the LATCo and its shareholders (EK Partnership). It clarifies the powers of the LATCo and how the shareholders might influence those powers. It can be amended as the company evolves.

It would be beneficial for the agreement to indicate how any resultant surplus will be treated, e.g. a transfer to reserves for future investment and/or the paying of dividends to its shareholders and subsequent reinvestment to public services.

The agreement should clarify requirements for business planning and approval of the business plan, performance reporting, governance, decision making reporting and frequency.

3.6.3 Conflict of interest

A conflict of interest policy should be developed to ensure that councillors and officers are aware of potential conflicts of interest when performing their role for the local authority and their role in respect of the LATCo.

A formalised protocol should be introduced for when a council director is acting as a director for the new company.

3.6.4 Shareholders panel

The shareholders panel is a non-decision making body. There is an opportunity for the functions of the existing EKS committee to be reconstituted as a shareholders panel. The terms of reference could be reviewed and the panel could act as the political and strategic overview.

The shareholder panel is able to act as a mechanism to communicate the shareholders' views to the LATCo, and a means to evaluate the effectiveness of the LATCo and performance against strategic objectives.

3.6.5 Company board and Directors

All directors must comply with the Company act 2006 and act within their powers in accordance with the company's constitution, avoid conflicts of interest and exercise reasonable care, skill and diligence.

- An effective and entrepreneurial board will generate value for its shareholders
- The board must act with integrity, lead by example and promote a commercially focused but ethical culture
- The board will ensure adequate resources, measure performance and maintain effective controls including risk management and financial reporting
- Ensure there is effective engagement with shareholders and stakeholders
- The board should ensure effective workplace practices are in place for long term sustainable success

It is proposed that the company board of directors consist of the following;

- Managing Director - Mark Emery

- Head of Finance - tba
- Client manager by invite - tba
- 3* LA reps

The chief financial officer position could be filled by an existing Head of finance, if required from the partnership, until the LATCo is in a position to fund the post independently.

A client manager position could act as a coordination role between the board and individual councils. The position would act as a single point of contact for the councils and act as a smart client, proactively managing company performance.

This streamlined approach will facilitate speedier decision making and efficiency, ease communications and promote relationship building. It would also be advisable for the client manager to have the requisite skills set required, such as a revenues and benefits background. A pragmatic approach with a commitment to achieving the shared aims of all parties, would be of significant benefit.

3.6.6 Training and Induction

The existing team currently functions as a commercial organisation so has an in-depth knowledge of the services, however new directors/board members will still require training to ensure their understanding of the role within a LATCo, code of conduct and obligations as members of the board.

4. Commercial Case

The purpose of this section is to set out the procurement arrangements for the programme's projects and key activities. The choice of procurement method will be outlined below for each of the workstream outputs and approximate timescales for delivery.

4.1 Technology workstream

The main procurement of IT infrastructure, backup/storage, end user computing and security/access applications is outside of scope for this programme and the procurement of any new applications or hardware is being managed by the disaggregation project.

There is a requirement for an ongoing IT repairs and replacements programme ensuring the benefits of the latest technology is maximised and staff have the most up to date equipment supporting efficient and effective service delivery. It is envisaged that this programme will refresh on a 3 to 4 year basis and due to the investment required this project will follow a full procurement exercise. It is also expected that this programme will be managed by the LATCo's in-house IT team, as detailed below.

There is one key software application, OpenRevenues, that is currently owned by Civica. In order to facilitate a low risk implementation, the contract will be novated to the LATCo which will also allow the commercial entity to negotiate further favourable terms and conditions moving forward. It is envisaged the contract novation will commence after the LATCo receives approval and is formally set up.

IT support requirements will be met via an inhouse IT team of 5, who will TUPE across from EKS services to the LATCo. The ICT team to TUPE across consists of:

- ICT Support Manager x 1
- Senior ICT Support Engineer x 3
- Infrastructure Engineer x 1

Depending on the decisions currently being made on the form of provision of ICT security services to the EK partnership, additional ICT security resources may be required for LATCo.

A temporary number of licences for a SaaS finance system will be procured for approximately 6-12 months till a permanent finance system is installed. The existing finance system based at Thanet currently being utilised by EKS is end of life and undergoing a full procurement process. However due to the timescales of the project a decision has been made to lower the risk and implement an interim stand-alone solution for the LATCo.

4.2 Legal/Governance workstream

There is a requirement to procure legal advisory services to support the setup of the commercial entity, contract development, contract novation and ad hoc legal advice. This procurement will follow a soft procurement approach consisting of a scope of works being

prepared in order to attract three tenders. It is envisaged that the soft procurement exercise will commence once the business case has been formally approved by cabinet.

4.3 Payroll and HR services

Payroll services will be provided by Dover DC as well as HR services and these will operate via a recharge model. Dover DC currently provides payroll services as part of a shared service to the tri-council partnership.

4.4 Internal audit

As the Revenues and Benefits function is heavily regulated internal audit requirements are key to continual service delivery. Internal audit requirements will continue to be met by EKAP, a shared services partnership. The LATCo will procure the consultancy services on a day rate basis as part of the annual audit plan.

5. Financial Case

This financial case proves the affordability and funding of the EKS transition to the preferred service delivery vehicle of a LATCo. In the economic analysis above, a number of options were outlined and appraised of which the LATCo was deemed to offer the greatest benefits and lowest risk.

The purpose of this financial appraisal is to determine whether the EK partnership is able to fund and deliver the new LATCo, outlining the impact on capital, revenue and whole life costs of the new commercial company.

As the service is an existing commercial model, a lift and shift approach will be developed to the service transition leading to a low risk implementation. The financial case will therefore identify existing costs of the service and any new additional costs required to move to a LATCo service delivery vehicle.

The LATCo will be formed as a company limited by shares, allowing the company to trade in the private sector and passing any surplus back to the controlling local authorities. This legal status will be recognised as a private limited company.

5.1 VAT implications

The LATCo would be required to treat VAT in the same way that Civica currently does. As such a management fee chargeable by the LATCo would be at standard rate and could be recovered in full by the councils.

After tax, profit can be paid to the councils in the form of dividends, which themselves would not be subject to taxation.

5.2 Corporation tax implications

As a company limited by shares the LATCo will be liable for tax on any trading surplus made. Any trading surplus generated by the LATCo will be subject to corporation tax, however there are opportunities to offer the EK partnership a discount thereby minimising the impact if required.

Where surplus is generated it will be subject to corporation tax at either 19% or 25% depending on the level of surplus generated.

5.3 Inflation

Inflationary costs will be built into the pricing structure for new services and existing services utilising the average sector wage index. Any additional inflationary requirements such as

software contracts etc will be dealt with case by case to ensure services remain viable in the longer term.

5.4 Support and operational costs

Support services will be managed via a contract which identifies which support services will be provided by the LA's. SLA agreements, with clear KPI's outlined will be utilised to set out and manage performance. To avoid unfair competition rules all support services provided by the local authorities will have to be charged at full cost, in adherence with the Local Government and Housing Act 1989.

Support services will be reviewed every two years to ensure accurate costs are reflected within the contract and the ability to build in efficiencies realised as part of technology change or process efficiency.

5.4.1 Legal and Governance services

Legal support will have to be procured externally on an as and when required basis, due to lack of resources within the EK partnership. An agreement with a legal service will be procured. Information governance advice will be procured via the EK partnership. The partnership has an existing team which has resources available.

5.4.2 Financial services and Audit services

The LATCo will utilise financial systems based at Thanet and operational finance and insurance services will be provided by the EK partnership. Specialist accounting services will be procured from third parties ensuring statutory accounts preparation and external audit is compliant and also where corporation tax and VAT filing requires completion.

Internal Audit services will be procured via EKAP, a rolling audit programme will provide assurance and internal control. The internal audit service will require access to company data which requires outlining in the shareholders agreement.

The quality assurance team currently residing in Civica may transfer to EKAP or the client management team as part of the service transition, this will formally be agreed as part of the consultation and set up of operations with EKAP. There are minimal cost implications associated with the transfer, for one management uplift.

5.4.3 HR and payroll services

Payroll services will be provided by Dover DC, who currently provide services to a number of the partners. Costs will be incurred for setup and build of the new payroll scheme which will be factored into the business case. HR services will also be provided by a 0.3 FTE resource at Dover DC.

5.4.4 IT development and support services

The existing residual IT team of 6, who provides support and maintenance services, will remain in place and no additional support is envisaged. The centralised IT security team will also continue to provide services to the LATCo.

A replacements and renewals cost will be added to the business case for IT hardware to ensure resilience, as a technology refresh programme. A current refresh programme has been agreed but will not form part of this financial case.

Software licences in use for key systems will be novated to the LATCo and have been presented as part of the business case.

5.4.5 Accommodation services

Currently accommodation is supplied at a nominal fee across the three sites, with a move to a LATCo all accommodation costs will have to be charged at a market rate. This additional cost has been factored into the business case.

5.4.6 Structural costs

The LATCo senior management team supporting the board will consist of a;

- Service director
- Corporate head of service
- Head of Customer service
- Head of Revenues and Benefits.
- An existing Head of Finance
- A client manager

The remaining staff structure will be transferred across as is and it is anticipated that there will be no structural salary increases and no redundancy costs incurred.

5.5 Financial analysis

A detailed financial analysis and operating budget is attached in appendix 4, indicating savings being generated for all three councils from year 1 of the transition, as a consequence of moving to a LATCo model. The financial model has been developed to minimise the surplus in order to realise savings for the councils. As the business grows there will be an opportunity to re-invest and generate new income streams to support council services.

Whilst the level of current surplus on the arrangement is commercially sensitive, we are assured that the level of profit is sufficient to absorb the proposed level of additional costs and still deliver a surplus. This indicative budget will therefore be subject to further due diligence once the business case is agreed and the CCN is signed.

The two tables below compare costs associated with a LATCo SDV and a shared services SDV. Although it cannot be guaranteed, both models will deliver savings which will be

identified and confirmed as part of the implementation process. With both models no additional costs will be incurred.

Table 5 (a)

LATCO	Transition Year	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	-8,167,430	-8,509,127	-8,879,492	-9,279,672	-9,710,859	-10,179,293
Staffing costs	6,750,810	6,990,900	7,256,824	7,533,845	7,837,603	8,153,555
Support services	678,100	705,300	733,500	762,700	793,000	824,800
Services and supplies	540,500	562,100	584,500	607,900	632,200	657,600
One Off Company set up costs	125,000	0	0	0	0	0
Total Cost	8,094,410	8,258,300	8,574,824	8,904,445	9,262,803	9,635,955
Trading Position	-73,020	-250,827	-304,668	-375,227	-448,056	-543,338

Table 5 (b)

Shared Service	Transition Year	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	-8,167,430	-8,509,127	-8,879,492	-9,279,672	-9,710,859	-10,179,293
Staffing costs	7,134,884	7,343,562	7,628,184	7,924,124	8,231,929	8,552,066
Support services	623,100	648,100	674,000	700,900	728,800	758,000
Services and supplies	540,500	562,100	584,500	607,900	632,200	657,600
One Off Company set up costs	55,000	0	0	0	0	0
Total Cost	8,353,484	8,553,762	8,886,684	9,232,924	9,592,929	9,967,666
Trading Position	186,054	44,635	7,192	-46,748	-117,930	-211,627

5.6 Market/Competitor analysis

The LATCo has a number of commercial products which have been market tested for potential revenue growth and the intention is to build a solid sales pipeline for approximately 20% of the work, 80% being allocated to the owning councils, as stated under Teckel exemption rules. The financial case outlines product 1 which has been considered suitable for bringing to the market;

Product 1 (external market) - End point assessments (Revenues and Benefits Apprenticeships)

- Market location - national, UK wide.
- Market segment - 112 active apprentices, market is worth approx 100k currently. Market can be further capitalised for customer services as phase 2.
- Competition - one main supplier - South west councils
- USP - Civica have a strong Revenues and Benefits skills set which is commercially focused.
- Set up costs are low; £3,300
- Revenue forecast based on a conservative estimate of 10% of the market
- Pricing model is £937 per apprentice.

Further market analysis will be conducted as part of the business plan before progressing to service delivery.

5.7 Historical growth

The service has experienced strong growth, especially in Civica's on demand services function. This growth shows a strong business model with an active market to generate further revenue and growth. With a LATCo service delivery vehicle there are a number of opportunities to grow the business further and redirect surplus to support council services.

6. Management Case

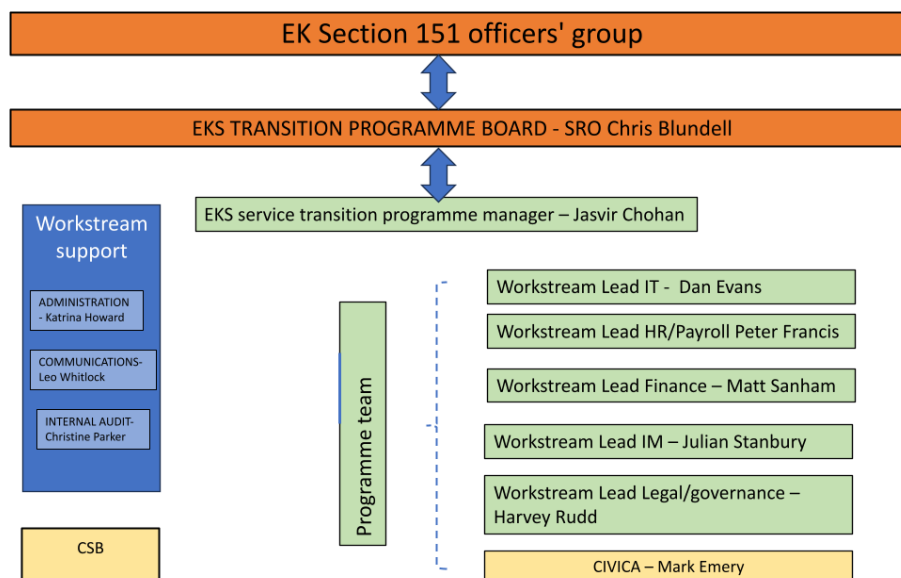
The management business case demonstrates the robust arrangements in place for the delivery, monitoring and evaluation of the service transition programme. The case below demonstrates the preferred option of a commercial LATCo, can be successfully delivered and is managed in accordance with best practice and subject to independent assurance.

This part of the business case outlines the partnership's ability to deliver the programme, ensuring capacity, capability and resources have been taken into account.

The service transition programme will follow the MSP (Managing Successful Programmes) framework, an established best practice programme management framework, designed to align programmes and projects to organisational strategy and enable enterprise agility. MSP focuses on the delivery of outcomes of benefit, while mitigating risk and actively engaging stakeholders.

Table 6

Service transition programme governance model



6.1 Programme governance

The programme is being managed by a qualified MSP practitioner with service transition experience, along with executive sponsorship from the EK section 151 officers group. The programme board consists of experienced staff across the three councils, ensuring a consistent and coherent approach.

Political overview is managed via the EKS committee, ensuring effective engagement is in place with key stakeholders and governance is robust. See Appendix 2 for a detailed programme plan.

The contract strategic board will be utilised as a governance link to Civica, ensuring the transition is well managed, communication is effective and decision making is transparent and effective. The two service transition programmes will be dovetailed to ensure a smooth transition.

Communications is being managed by the communications lead from Canterbury CC, who will act as the central point of contact and manage information flow to ensure consistency and transparency.

The programme team consists of subject matter experts across the partnership and external programme assurance will be provided by EKAP, the East Kent Audit Partnership. EKAP will provide audit facilitation, ensuring robust risk management is in place. EKAP will also provide Programme assurance and act as a critical friend to the programme team.

To minimise ambiguity, refine and improve delivery and bring certainty wherever possible, planning and control activities will take place at programme board and workstream level throughout the lifecycle of the programme. Highlight reports, risk registers and issue logs will be produced for each monthly programme board meeting. Progress will be monitored against milestones and where required issues will be escalated to the sponsoring group and sponsor.

Table 7 Programme team

Name	Title	Organisation	Role
Chris Blundell	Director of Corporate Services/ Head of Shared Services	Thanet	Senior Responsible Owner (SRO) Chair programme board
Jasvir Chohan	Interim EKS Transition Manager	Thanet	Programme manager
Mark Emery	Partnership director	Civica	Programme board member
Mike Davis	Director of Finance	Dover	Sponsoring group
Nicci Mills	Service director Finance and Procurement	Canterbury	Sponsoring group
Harvey Rudd	Solicitor to the council	Dover	Programme team Legal
Peter Francis	Head of HR and Payroll	Dover	Programme team HR

Leo Whitlock	Head of Policy and Communications	Canterbury	Programme team Communications
Dan Evans	Head of ICT	Thanet	Programme team IT
Matt Sanham	Head of Finance and Procurement	Thanet	Programme team Finance
Julian Stanbury	Information Governance Manager	Canterbury	Programme team Corporate governance

The programme has promoted the use of specialist advisers when required, bringing in depth expertise, skills and capacity to support the programme. An external review was conducted by CIPFA (Chartered Institute of Public Finance and Accountancy) which is a UK-based international accountancy membership and standard-setting body. The external expertise was brought in to test the outline business case and recommend an approach to develop a full robust business case. The service transition manager is a MSP and certified change management practitioner.

To support the transition Civica has provided a detailed service exit plan to support the transition phase. External Civica support has also been available from a decommissioning point of view and they have worked closely with the partnership to ensure a smooth transition takes place.

6.2 Change management framework and strategy

The change management strategy and framework will need to reflect the complexity of change required and the pace, taking into account the drivers for change and anticipated resistance. The EKS transition programme is a service transition programme brought about by a market exit of the supplier and not due to service improvement requirements or other external factors. The change management strategy will be based on the Letwin model of change;

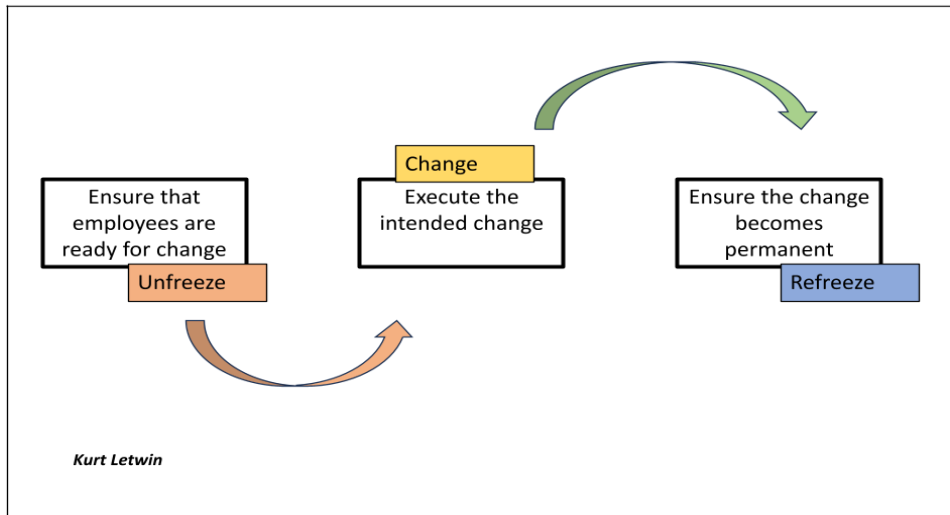


Table 8 Change management framework

As part of the engagement process undertaken to date and outlined in the communications and engagement strategy, the programme has significant support of key stakeholders.

However there are a number of alternative service delivery vehicle options that can be utilised to deliver outcomes and the programme has taken this into account. Therefore the change management framework and strategy reflects the level of buy-in already gained and the political support for the LATCo commercial option.

The implementation approach will follow a big bang approach where services will decommission from Civica and transfer to the LATCo. A CCN/Deed will be served with notice to Civica to indicate an exit date.

As the majority of systems and processes will remain intact training requirements will be limited and the existing commercial culture of the team and service will be encouraged to transfer across.

6.3 Benefits realisation

The outline business case defines a number of benefits associated with the transition to a commercial LATCo, see table 2. The benefits register will be reviewed at programme board meetings to ensure benefits are realised during and post transition. Some of the benefits are longer term in that it will require a number of months to realise growth targets. All tangible and intangible benefits have been identified in the economic case above.

6.4 Risk management arrangements

The outline business case included a risk register which is now being developed further to consider programme risk, financial risk, reputational risk and operational risk. An initial risk

mapping exercise, conducted at the inaugural programme board meeting, identified key risks associated with the service transition programme.

All programme risk will be managed via the programme board via a risk register. The programme risk management will be aligned to the council's risk management policy which sets out risk identification, assessment and evaluation.

6.5 Programme assurance and evaluation

Internal audit will conduct a review to independently assess the risk management protocols and mitigations put into place for the programme. This level of programme assurance will ensure that procedures are rigorously followed and risk identification and management is proactively managed at programme board level.

Internal audit will provide assurance on use of risk registers, approval processes, governance and councillor involvement & oversight.

Internal audit will act as a critical friend to provide programme assurance, this provides independent and impartial assessment that the service transition programme's spending objectives, technical requirements, security and critical success factors can be delivered successfully.

Prior to going live Internal audit along with the programme sponsor will sign off the transition plan and move to BAU.

Once the new service delivery vehicle has been implemented, a programme closure stage will be initiated and the programme organisation will be disbanded. A lessons learnt register will feedback any learning to policy and strategy and any established PMO functions.

Full programme closure can be confirmed when the business case has been satisfied, all workstream activities completed and any remaining handover or transition activities defined and assigned to relevant BAU operations.

There is an intention to develop a contingency plan with Civica to support operations from June 24 to January 25 in case of major complications.

Contingency communications plan and narrative to be agreed prior to going live with Leo Whitlock.

Appendices

Appendix 1 SWOT analysis

Option 1: Refuse to accept early contract termination	
Strengths/Opportunities for LA	Weakness/Threats for LA
<ul style="list-style-type: none"> Contract in place until February 2025. No immediate action required by the Council. Certainty of price. 	<ul style="list-style-type: none"> Risk of service withdrawal/running the contract down which may degrade performance. Risk of relationship breakdown Increased flight risk of key personnel.

Option 2: Recontract with another outsourcer	
Strengths/Opportunities for LA	Weakness/Threats for LA
<ul style="list-style-type: none"> Fixed costs Guaranteed service with contractual penalties. 	<ul style="list-style-type: none"> Second source outsourcing and therefore there may be little market interest, ie how would a provider cover bid costs. Resource intensive for the Authority to conduct a procurement exercise. Potential for reduced strategic fit with remaining providers – The original Civica offer was attractive because of the jobs guarantee. Against the current flow of insourcing. Increased short term flight risk of key personnel May not fit with political ideology.

Option 3: Bring in house and disaggregate in part or full	
Strengths/Opportunities for LA	Weakness/Threats for LA
<ul style="list-style-type: none"> Fits with trend to insource 	<ul style="list-style-type: none"> Breaks up a highly performing service – removes 'one Team' approach. Potential for significant extra ICT cost if Open Revenues is split into 3 installations.

	<ul style="list-style-type: none"> ● Some specialist teams result in difficulties in dividing staff between LA's which is likely to result in increased staff costs. ● One team approach would be less viable resulting in the need to staff for the mean or median rather than the trough. ● Possible Challenges in recruiting externally to significant numbers of both key and transactional vacant posts. ● New operating model would need to be introduced which increased the risk of service failure. ● All TUPE staff and future employees would gain access to LGPS at increased cost. ● LA terms and conditions which can be generous compared to Civica Terms. For example Leave, sickness, maternity etc.
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Option 4: Bring into EKS	
Strengths/Opportunities for LA	Weakness/Threats for LA
<ul style="list-style-type: none"> ● Existing vehicle available. ● Governance model in place. ● Already has admitted body status to KCC LGPS. 	<ul style="list-style-type: none"> ● Existing negative perception of EKS which will be a challenge to sell positively as 'next phase' – would be viewed as retrograde step. ● Existing motivation and recognition approach not wholly compatible – resulting risk of additional staff costs. ● Business model needs to be fully considered and sustainable to avoid previous pitfalls – The original business model of absorbing all cost increases was the primary cause of the need to outsource. The returning service is lean, and achieving further efficiencies to cover cost increases would not be possible.

	<ul style="list-style-type: none"> ● All staff would gain access to LGPS which will significantly increase cost. ● May not fit with political ideology
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Option 5: Create a new LATCo	
Strengths/Opportunities for LA	Weakness/Threats for LA
<ul style="list-style-type: none"> ● Minimises future cost as will be run as a commercial entity with appropriate financial and operational governance managed locally. ● Retention of all surpluses to re-invest into the service. ● Ability to trade under Teckal rules which opens up trading opportunities with other LAs. ● T's & C's could be developed to maximise retention whilst minimising costs. ● Commercial approach to staff motivation and recognition to drive performance – minimising overall staff costs. ● Makes optimum use of the skills learned by the team in the previous 3 years. 	<ul style="list-style-type: none"> ● Would require initial consultancy investment for due diligence, set up and boundaries of a LATCo, e.g vaT, trading and reporting obligations etc. ● Legacy perceptions of EKH failure so the Business model needs to be fully considered and sustainable to avoid previous pitfalls. ● LATCo would require Finance, HR and Payroll support. ● LATCo would need admitted body status to KCC LGPS and to establish its own pension scheme. ● May not fit with political ideology

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Appendix 3 Risk Register

Risk Ref	Nature of Primary Risk	Risk Description	Effect (if risk occurs, issue is unresolved, assumption is incorrect)	Pre Mitigation					Post Mitigation					Risk escalation (Corporate/ser vice/programme/withdrawn)	Risk Owner	Date Last Reviewed	
				Likelihood	Score	Impact	Score	Risk rating	Risk Mitigation or Corrective Measure	Likelihood	Score	Impact	Score				Risk rating
EKSTRANS_02	Financial	Those associated with a threat to funding/budgets/income generation	Revs/Bens system licensing issues lead to additional cost being incurred	Likely	3	Moderate	2	6	Ensure financial case incorporates contingency amount.	Unlikely	2	Minor	1	2	Programme	MS	23/8/2023
EKSTRANS_03	Financial	Those associated with a threat to funding/budgets/income generation	LATCo does not deliver growth in year 1	Unlikely	2	Moderate	2	4	Focus on developing business for alternative product & improve market research	Rare	1	Minor	1	1	Corporate	ME	23/8/2023
EKSTRANS_04	Financial	Those associated with a threat to funding/budgets/income generation	New SDV has impact on all 3 councils reserves	Unlikely	2	Significant	3	6	If year 2 financial position still impacting councils ,	Rare	1	Moderate	2	2	Corporate	CB	23/8/2023

									consider year 2 break clause and move to alternative outsourcing supplier								
EKSTRANS_05	Governance	Those relating to decision making	Business case approval has to be approved by council impacting delivery timeline and greater scrutiny	Unlikely	2	Moderate	2	4	Ensure decision making route has been confirmed prior to approval and agree with demservs	Rare	1	Minor	1	1	Programme	JC	23/8/2023
EKSTRANS_06	Governance	Those relating to decision making	Business case recommends a SS model, leading to staff flight	Unlikely	2	Significant	3	6	Ensure staff engagement is effective from start to end of programme	Rare	1	Moderate	2	2	Programme	JC/ME	23/8/2023
EKSTRANS_07	Governance	Those relating to decision making	New administration does not ratify a LATCo approach	Unlikely	2	Significant	3	6	Ensure LATCo business case is robust and communicate benefits	Rare	1	Moderate	2	2	Corporate	JC	23/8/2023
EKSTRANS_08	Governance	Those relating to decision making	Pension scheme requires approval by pensions	Rare	1	Severe	4	4	Ensure early engagement with KCC pensions	Rare	1	Significant	3	3	Programme	CB	23/8/2023

			committee, delaying delivery significantly and increasing costs						team to confirm process								
EKSTRANS_09	Governance	Those relating to decision making	Civica do not extend contract deadline	Unlikely	2	Severe	4	8	Ensure transition planning incorporates a fall back position/process	Unlikely	2	Significant	3	6	Programme	ME	23/8/2023
EKSTRANS_10	Human resources	Those relating to the impact on staff and resources	Lack of resource/illness leading to time impact on programme delivery - Finance/IT	likely	3	Significant	3	9	Investigate and secure temporary resources	Likely	3	Significant	3	9	Service	CB	23/8/2023
EKSTRANS_11	Human resources	Those relating to the impact on staff and resources	Lack of IT skills to develop new IT model	Unlikely	2	Severe	4	8	Temporary staff recruitment plan	Unlikely	2	Significant	3	6	Service	DE	23/8/2023
EKSTRANS_12	Human resources	Those relating to the impact on staff and resources	Lack of Internal Legal resource leads to poor governance design, impacting	Very Likely	4	Significant	3	12	Engage external legal advisors and scope work required.	Unlikely	2	Moderate	2	4	Service	HR	23/8/2023

			new SDV operations														
EKSTRANS_13	Technology	Those relating to core utilities or ability to provide effective ICT	Lack of long term investment leads to inefficiency and loss of business	Unlikely	2	Significant	3	6	Ensure business plan is robust and approved	Rare	1	Moderate	2	2	Corporate	CB/MS	23/8/2023
EKSTRANS_14	Technology	Those relating to core utilities or ability to provide effective ICT	Insufficient information governance leads to data breach and financial penalty and loss of reputation	Unlikely	2	Severe	4	8	Ensure IG policies are developed and rolled out prior to transition	Rare	1	Significant	3	3	Service	JS/ME	23/8/2023
EKSTRANS_15	Technology	Those relating to core utilities or ability to provide effective ICT	Existing payroll system capacity leads to impact on payroll processing for new SDV	Unlikely	2	Severe	4	8	Investigate alternative providers and ensure early engagement with PF	Rare	1	Moderate	2	2	Programme	PF	23/8/2023
EKSTRANS_17	Technology	Those relating to core utilities or ability to provide effective ICT	Issues with disaggregated IT impacts access to HB/CT data.	Unlikely	2	Severe	4	8	Ensure IT disaggregation plan incorporates early testing of	Rare	1	Moderate	2	2	Service	DE	23/8/2023

									HB/CT data access								
EKSTRANS_18	Strategic/reputational	Those impacting the success of the programme to meet its objectives	Non agreement of programme brief and objectives by partners	Unlikely	2	Moderate	2	4	Ensure early engagement with partners to assess scope of work	Rare	1	Minor	1	1	Programme	JC	23/8/2023
EKSTRANS_19	Strategic/reputational	Those impacting the success of the programme to meet its objectives	Change of SDV leads to impact on customers	Unlikely	2	Moderate	2	4	Consider year 2 break clause and move to alternative outsourcing supplier	Unlikely	2	Moderate	2	4	Corporate	JC/ME	23/8/2023
EKSTRANS_20	Strategic/reputational	Those impacting the success of the programme to meet its objectives	Civica relationship is impacted by delayed decision making	Unlikely	2	Moderate	2	4	ME to liaise closely with Civica via CSB and ensure business case approval to agreed timescales	Rare	1	Minor	1	1	Programme	ME/JC	23/8/2023
EKSTRANS_21	Operational	Impacts delivery of programme	Poor planning leads to transition failure and roll back required	Unlikely	2	Severe	4	8	Ensure early engagement with programme team re: programme plan and dovetail to	Rare	1	Moderate	2	2	Programme	CB	23/8/2023

									civica exit plan.								
EKSTRANS_22	Operational	Impacts delivery of programme	Key staff unavailable for transition	likely	3	Severe	4	12	Develop transition plan to ensure annual leave is not permitted during transition and avoid key dates.	Unlikely	2	Significant	3	6	Programme	JC/Leads	23/8/2023
EKSTRANS_23	Operational	Impacts delivery of programme	User acceptance testing of new processes and systems fails	Unlikely	2	Severe	4	8	Build stabilisation capacity and timescale to iron out issues	Unlikely	2	Significant	3	6	Programme	ME/DE	23/8/2023
EKSTRANS_24	Operational	Impacts delivery of programme	Drop in service levels impacts performance	Unlikely	2	Moderate	2	4	Ensure effective communications with customers and develop key messaging prior to go live	Rare	1	Moderate	2	2	Programme	ME/LW	23/8/2023
EKSTRANS_25																	

Appendix 4 - Financial analysis

Average wage index (inflation)		6.20%	4%	4%	4%	4	4
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		Transition	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue		Year					
Trading Growth (New Opportunities)			-5,000	-15,000	-25,000	-35,000	-50,000
Trading Growth (Training)			-10,000	-15,000	-20,000	-25,000	-30,000
Council Recharge		-8,167,430	-8,494,127	-8,849,492	-9,234,672	-9,650,859	10,099,293
Total		-8,167,430	-8,509,127	-8,879,492	-9,279,672	-9,710,859	10,179,293
Staffing costs	Exist/ New						
Salaries inc On costs	Exist	6,608,710	6,873,100	7,148,024	7,433,945	7,731,303	8,040,555
Pension Reduction	New	0	-30,000	-45,000	-60,000	-60,000	-60,000
Misc Staff costs	Exist	38,100	39,600	41,200	42,800	44,500	46,300
Corporate Services	New	100,000	104,000	108,200	112,500	117,000	121,700
NED expenses	New	4,000	4,200	4,400	4,600	4,800	5,000
Support services							
HR	New	20,000	20,800	21,600	22,500	23,400	24,300

H&S	New	10,000	10,400	10,800	11,200	11,600	12,100
ICT	Exist	451,600	469,700	488,500	508,000	528,300	549,400
Finance	Exist	61,900	64,400	67,000	69,700	72,500	75,400
Internal audit	Exist	29,600	30,800	32,000	33,300	34,600	36,000
External finance	New	45,000	46,800	48,700	50,600	52,600	54,700
Legal	Exist	10,000	10,400	10,800	11,200	11,600	12,100
Payroll	New	40,000	41,600	43,300	45,000	46,800	48,700
Digital services - website	New	10,000	10,400	10,800	11,200	11,600	12,100
Services and supplies							
365 Licences		46,250	48,100	50,000	52,000	54,100	56,300
IT software Licences(Open R)	New	177,000	184,100	191,500	199,200	207,200	215,500
IT software Licences(E-forms etc)	New	14,000	14,600	15,200	15,800	16,400	17,100
IT software 8*8	Exist	99,750	103,700	107,800	112,100	116,600	121,300
Infrastructure Costs		20,000	20,800	21,600	22,500	23,400	24,300
IT Hardware Rentals	New	55,000	57,200	59,500	61,900	64,400	67,000
Print and mail services	Exist	10,000	10,400	10,800	11,200	11,600	12,100

Accommodation	New	118,500	123,200	128,100	133,200	138,500	144,000
One Off Company set up costs							
Legal	New	50,000					
Payroll	New	30,000					
HR	New	15,000					
Marketing/Rebranding	New	10,000					
Governance - training	New	5,000					
Finance	New	15,000					
Total Cost		8,094,410	8,248,300	8,559,824	8,884,445	9,237,803	9,605,955
Trading Position		-73,020	-260,827	-319,668	-395,227	-473,056	-573,338

Appendix 5

Total disaggregation costs

Option B total disaggregation				
	costs	CCC	DDC	TDC
Service now	£6,428	£2,013	£1,882	£2,533
Service new	£10,027	£3,139	£2,936	£3,952
Extra LA ICT platform/agency	£370	£116	£108	£146
Year 1 agency ICT purchase	£600	£188	£176	£236
Difference	£3,969	£1,243	£1,162	£1,564
	£10,397	£3,255	£3,044	£4,098

Appendix 6

	DDC	CCC	TDC	Total
INCOME				
Council Tax Caseload	55,000	71,000	69,000	195,000
Council Tax £m collected annually	£87m	£112m	£100m	£299m
CT% collected in year	97% in year.	97.5%	95.5%	-
CT% collected after 4 years	99% after 4 years	99% after 4 years	99% after 6 years	-
BR caseload	4,500	6,400	5,600	16,500
BR Collected annually	£43m	£47m	£33m	£123m
BR %	98% in year. 99% after 3 years	99% in year	98% in year. 99% after 3 years	-
<u>Total of all income collected</u>	£130m	£159m	£133m	£422m
Benefits				
HB Caseload	4,000	4,700	6,000	14,700
HB awarded annually	£22m	£29m	£36m	£87m
CTRS Caseload	9,000	10,000	13,000	32,000
CTRS awarded	£10m	£11m	£15m	£36m
Changes reported annually	43,000	43,000	55,000	141,000

<u>Total of all benefits awarded</u>	£32m	£40m	£51m	£123m
Customer Services				
Customer services – calls handled	130,000	145,500	148,000	423,500
Customer services – emails handled	16,800	10,700	11,200	38,700
Customer services – reception visits.	8,500	1,400	8,000	17,900
Total Customer Service Interactions	155,300	146,900	167,200	480,100
Customer Satisfaction	98%	98%	98%	98%

Appendix 7

Indicative model *(subject to further advice from legal advisers)*

