



Northumberland

County Council

COMMITTEE: CABINET

DATE: 11 SEPTEMBER 2018

TITLE OF REPORT: UPDATE ON SHARED SERVICES DUE DILIGENCE

Report of the Executive Director of Finance, Barry Scarr

Cabinet Member: Nick Oliver

1. Purpose of report

- 1.1. On 9 January 2018 Cabinet approved the establishment of a shared service with Newcastle City Council, subject to due diligence and appropriate consultation, including consultation with staff, and the completion of an economic impact assessment of the proposals.

2. Recommendations

2.1. It is recommended that Cabinet:

- 1) Notes the result of the due diligence services and the significant impact that Universal Credit would have on the proposal agreed on 9 January 2018.
- 2) Agrees a revised approach to the implementation of a shared service (NNTS) with Newcastle City Council.
- 3) Agrees that the the following services are included in phase 1:
 - Accounts Payable
 - Income Management
 - Employee Services
- 4) Notes that further services will be included at a later date.
- 5) Notes that the requirement for additional accommodation and TUPE of staff is not necessary at this point.
- 6) Notes that all other recommendations and delegations included in the Cabinet report on 9 January 2018 remain extant other than the changes set out above.

3. Link to Corporate Plan

- 3.1. This report is relevant to the “We want to be efficient, open and work for everyone” priority included in the NCC Corporate Plan 2018-2021. Being resourceful, and

entering into shared services with other public sector agencies where this makes sense and does not weaken our ability to meet your needs as residents.

4. Key issues

- 4.1. Cabinet considered proposals for the establishment of shared transactional services with Newcastle City Council on 9 January 2019. The Corporate Services and Economic Growth Overview and Scrutiny Committee recommended to Cabinet that the substantive recommendation be amended to include “subject to due diligence and appropriate consultation, including consultation with staff and the completion of an economic impact assessment of the proposals.”
- 4.2. This report will be presented to Corporate Services and Economic Growth Overview and Scrutiny Committee on the 3 September 2018, and Cabinet on 11 September 2018. It sets out the results of the additional due diligence and proposes amendments to the original recommendations.

5. Background

- 5.1. Cabinet received a report on 9 January 2018 that propose the creation of a shared service (named NNTS) that encompassed the following services:
 - Council Tax
 - Business Rates
 - Business Improvement District Levy (BID)
 - In-house Enforcement Agents (Newcastle only)
 - Housing Benefit
 - Council Tax Reduction
 - Crisis Support Scheme and Northumberland Emergency and Transition Scheme (NETS)
 - Blue badges
 - Concessionary Travel (Northumberland only)
 - Free School Meal Assessment
 - Accounts Receivable (Sundry Debt Income and Recovery)
 - Accounts Payable
 - Employee Services (Payroll)
 - Income Management
 - Business Systems supporting the above mentioned services

- 5.2. Corporate Services and Economic Growth Overview and Scrutiny Committee raised some issues regarding key risks and economic impact, and recommended further due diligence was carried out. Initial work was done on the due diligence in Spring 2018, with an additional exercise carried out after the appointment of the Executive Director of Finance at Northumberland in June 2018 and to reflect feedback from staff engagement sessions. All of the services above are in the Finance Directorate.
- 5.3. During staff engagement, a number of concerns had been raised regarding:
- The impact of universal credit being introduced at the same time as the establishment of the shared services.
 - The potential for reduced performance on Council Tax collection as a result of the change in parallel introduction of universal credit.
 - The suitability of the proposed location near Cramlington and the economic impact of removing staff from Ashington town centre.
- 5.4. Both Councils have examined the risks, and have concluded that because of the significant impact of Universal Credit in particular on the proposed combined service, a phased approach to NNTS would be more appropriate.
- 5.5. The revised proposal includes the following services in a phase one of NNTS:
- Accounts Payable
 - Income Management
 - Employee Services
- 5.6. The remaining services will be assessed for inclusion at a later date, taking into account the impact of the rollout of Universal Credit November of 2018. Northumberland plans in regard to the introduction of a revised Local Council Support scheme will also be assessed for impact if implemented.
- 5.7. The phasing of the implementation means that a separate building to accommodate NNTS is not required at this point, and will be re-visited as part of the longer term proposals. It is therefore proposed that phase one is developed using shared networks, with no requirement to relocate staff of TUPE staff between Councils at this point. As a result, the economic impact of moving staff from Ashington is no longer an issue at this point.
- 5.8. The original business case set out £880k net savings for NCC by year 4 (2021/22). This revised phasing of the implementation impact on future savings achievable through shared services. Northumberland was facing a decision from 1 April 2019 on the collection rate to be used for Council Tax from 2019/20 onwards in the light of increased performance. As a result of the phased approach the collection rate will be increased by 0.5%, generating £850k in savings. Savings are also accruing in relation to post kept vacant in advance of NNTS, and while some of these will now be filled, there will be further scope for savings (approx £200k) when these are re-examined. Had NNTS gone ahead as proposed, it is unlikely that the increase in collection rate would have been actioned due to risk and uncertainty.

Northumberland is financially no worse off as a result of the revised proposals, and will be able to accrue further when future phases are implemented. The financial model for the proposal will be revisited for phase 1 implementation and will continue to be revised as plans for future phases are developed.

Implications

Policy	The development of Shared Services links directly to the 'Resourceful' element of 'we want to be efficient, open and working for everyone' within the Corporate Plan 2018-21 which states 'This will include entering into shared services with other public sector agencies...'
Finance and value for money	Financial implications are contained in the body of the report.
Legal	The shared service project included a Legal workstream with representatives of both Councils. There will be joint governance arrangements and an operating agreement will be developed once Cabinet approve the operating model.
Procurement	Not applicable.
Human Resources	Formal consultation has been carried out with staff and trade unions. No staff reductions are being considered as part of the revised recommendations.
Property	Additional accommodation will no longer be required.
Equalities	The equalities impact assessment was reported to Cabinet on 9 January.
Risk Assessment	A comprehensive risk register was reported to Cabinet in 9 January. The analysis in this report addresses some of those key risks, and a revised risk register will be created after approval of the operating model.
Crime & Disorder	Not applicable
Customer Consideration	Day to day interaction with customers will not be affected as a result of these proposals .
Carbon reduction	Not applicable
Wards	All

Background papers:

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	initials
Monitoring Officer/Legal	
Executive Director of Finance & S151 Officer	
Relevant Executive Director	
Chief Executive	
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