

CABINET

Shared Back Office Functions with the London Borough of Newham

A report is due for consideration at Cabinet on 20 November concerning the creation of a Joint Committee with the London Borough of Newham to create a shared back office function.

Both Newham and Havering Councils have faced considerable financial pressures in recent years, with Havering having to make £40million on savings by 2014. Recognising that reductions in local government funding will continue but, however with little room as individual authorities to make further reductions in support service costs, the two Councils agreed, in October 2012, to work together to fully share back office services. The aim was to drive down costs and make savings which will allow protection for frontline services for residents.

Havering and Newham have worked quickly to develop the shared service in order to maximise the savings it can achieve. Go Live is aimed for December 2013, with full redesign and transformation of services completed by 2018/19. The two Councils are also ambitious to market the shared service to other councils, public and third sector organisations, creating a preferred model for support services and generating additional income for both councils.

The report outlined the main benefits of the shared service as:

- Improving the customer experience
- Increasing operational efficiency
- Reducing the costs of support services by sharing staff & assets
- Resilience and flexibility through standard systems and a pool of resources
- Building on best practice service delivery in either Council
- Pooling scarce specialist resources and creating additional capacity
- Savings through common procurement strategies and sharing expertise
- Reducing the cost of transformation for each Council by doing things only once

The proposed shared service will include 21 separate services across the two Councils with a combined cost of shared in scope services of £57m and employing 1,100 people. The back office services include:

- Human Resources
- Payroll
- ICT
- Finance
- Council Tax, Benefits and Business Rates
- Legal Services
- Democratic Services
- Procurement
- Business Improvement
- Property, Asset Management and Facilities
- Health and Safety
- Audit, Insurance and Risk Management
- Transport

The shared service will be delivered through a Joint Committee model, with three members of the Executive from each Council making up the Joint Committee. The Joint Committee was chosen over other models, such as simply outsourcing all the services, as it enables retention of all the savings, provided a more flexible approach to developing the shared service and will allow marketing of the service to take place to additional users. The Joint Committee will go live some time during December once both Councils have given approval.

Under the proposed model for the shared service all of its staff would continue to be employed by one of the two Councils; the shared service itself would not employ anyone. This means that there would be no need for a TUPE transfer of staff and the impact on the two Councils' pension funds would be negligible. Staff will remain on their existing terms and conditions.

In terms of financing, for the period 1st April 2014 to 31st March 2019 the total annual cost incurred by the Joint Committee in discharging the delegated functions each financial year by the Joint Committee for the period 1st April 2014 to 31st March 2019 should not exceed the amount (at 1st April 2014 values) shown in column B of the table below. The proportion of that total cost paid by Newham and Havering Councils would be as set out respectively in columns C and D of the table below.

	B	C	D
	Total Cost of Shared Services £000	Newham %	Havering %
2014/15	53,128	64	36
2015/16	49,450	64	36
2016/17	48,296	63	37
2017/18	47,492	63	37
2018/19	46,628	63	37

The estimated total cost of discharging the delegated functions for future financial years and the relative proportions of the cost to be paid by each Council, following consultation with the Joint Committee, would be recalculated by the Councils annually by mid-January preceding the start of the relevant financial year on the same basis as set out above, unless otherwise agreed by the Councils.

The annual estimated cost of each delegated functions will be set and agreed by the Joint Committee, based on the annual Service Plan requested by each council and will then only be adjusted in the event of significant differences in the levels of service required by the Council's during the year. For this purpose a significant difference would be more than 1% of the total annual revenue cost of the whole shared service or of the cost of the relevant delegated function.

It is estimated that the shared service will achieve £41.2 million in savings over five years. £4.1 million in savings in its first full year (2014/15) rising to £10.6million by 2018/19. The split of savings is as follows: Havering will receive £15.1million and Newham £26.1million. These figures do not include any additional savings from accommodation or future joint procurement, or any income from other organisations joining the service.

The total cost of implementing the shared service is estimated at £3.9million over five years which is less than the first year's anticipated savings.

The profiled savings for the shared services are as below:

	Estimated Savings				
	Year 1 2014/15 (£000)	Year 2 2015/16 (£000)	Year 3 2016/17 (£000)	Year 4 2017/18 (£000)	Year 5 2018/19 (£000)
Havering	1,460	2,829	3,314	3,566	3,904
Newham	2,652	4,961	5,629	6,182	6,708
Total	4,112	7,790	8,943	9,748	10,612

The table below shows the estimated breakdown of the savings for Havering net of investment (excluding possible redundancy provision). Savings will not all fall to the General Fund as shown below. It should be noted that the actual split will be finalised as part of the recharging mechanism within the budget setting process.

	Estimated savings				
	Year 1 2014/15 (£000)	Year 2 2015/16 (£000)	Year 3 2016/17 (£000)	Year 4 2017/18 (£000)	Year 5 2018/19 (£000)
<i>Gross savings</i>	1,460	2,829	3,314	3,566	3,904
<i>Investment costs (excl. redundancy)</i>	337	169	-	-	-
Net total savings (excl. redundancy)	1,122	2,660	3,314	3,566	3,904
<i>General Fund</i>	892	2,114	2,635	2,834	3,103
<i>HRA</i>	118	280	349	376	412
<i>DSG</i>	13	32	40	43	47
<i>Capital</i>	51	120	149	161	176
<i>Pension Fund</i>	34	80	100	107	117
<i>Collection Fund</i>	14	33	42	45	49
	1,122	2,660	3,314	3,566	3,904

Accordingly, Council is asked to support the proposal to Cabinet to create a shared service for back office functions (as listed in the business case Appendix 2 schedule 2 to the Cabinet report) with the London Borough of Newham.