

SURREY COUNTY COUNCIL**CABINET****DATE: 24 FEBRUARY 2015****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES****LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR FOR BUSINESS SERVICES****SUBJECT: SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL PARTNERSHIP**

10

SUMMARY OF ISSUE:

The Council set out its long term strategy, in November 2011, to work in partnership to build resilience, deliver efficiencies and strengthen its service provision for the residents of Surrey. Working in partnership, the Council will take advantage of economies of scale to drive down fixed costs, will build resilience and strengthen skills and knowledge. The Council's business support services have developed effective collaboration with East Sussex County Council through its shared procurement team and transactional service provision in operation since April 2013.

Surrey County Council and East Sussex County Council propose to build upon the success to date and deliver significant and transformative change by working in partnership to provide a comprehensive set of business services to both authorities, operating as one function under the management of a Joint Committee. The proposed partnership will deliver resilient and sustainable services whilst providing savings to our authorities. The bringing together of services from Surrey County Council and East Sussex County Council will create sufficient scale to allow the recruitment and retention of the best staff, drive shared efficiencies and invest in new technology that might otherwise be prohibitively expensive for each organisation alone.

The partnership is expected to develop and grow over time, attracting further public sector partners (as members of a Joint Committee) and from the pursuit of opportunities to enhance income, undertaken for public sector clients on a contractual basis or by means of specific delegation of function.

The working title for the partnership is South East Business Services; there is activity underway to consider an appropriate brand for the partnership for the public sector market. The partnership will incorporate all functions currently provided by Surrey County Council's Business Services Directorate (Human Resources, Shared Services, Property Services, Procurement and IMT) together with Finance and Legal Services.

The Cabinet is requested to consider the proposal, supported by the business case appended to this report as Annex 1, to create this transformative public service partnership with East Sussex County Council.

RECOMMENDATIONS:

The Cabinet is recommended to:

1. Approve the proposal to create a new business services partnership arrangement with East Sussex County Council with effect from 15 April 2015 and pursuant to that arrangement to place those of its staff employed in the delivery of those functions at the disposal of East Sussex County Council.
2. Agree that the functions of the Council, which are within the remit of the services in scope shall be discharged by a newly constituted Joint Committee, to be established with East Sussex County Council with effect from 15th April 2015.
3. Agree that the Joint Committee will comprise up to three Cabinet Members from Surrey County Council and up to three Members from East Sussex County Council.
4. Delegate the responsibility for agreeing the detail of an Inter Authority Agreement with East Sussex County Council, and other related issues including establishing the Standing Orders of the Joint Committee, to the Leader and the Cabinet Member for Business Services, in consultation with the Chief Executive, the Strategic Director for Business Services, the Director of Finance and the Director of Legal and Democratic Services.
5. Request that the Director of Legal and Democratic Services prepares amendments to the Scheme of Delegation and to the Constitution to reflect the changes arising from this report and the Inter-Authority Agreement, once it is concluded, and submits them for approval by the Leader.

REASON FOR RECOMMENDATIONS:

1. The proposed transformative public service partnership will build upon the strength of the existing arrangements, delivering resilient and affordable services to both Surrey County Council and East Sussex County Council. The partnership will deliver significant savings by taking advantage of economies of scale, streamlining processes and reducing duplication. Investment required for transformative change and continuous improvement will become a more affordable proposition than if undertaken by one council alone. In the longer term, the partnership will benefit from growth, delivering further economies of scale for the benefit of each council and their residents.
2. The recommendations satisfy the legal requirements to enable the formation of a Joint Committee, appoint Members to it and to enable staff to be shared with East Sussex County Council. East Sussex County Council will pass similar resolutions and taken together these form the foundations of the governance arrangements for the partnership.

DETAILS:

Background

1. The Strategy to develop partnerships as key to delivering benefits to residents, ensuring resilience and achieving efficiencies was endorsed by Cabinet in November 2011. The report “Time for Leadership, Leading the Change Agenda” set out the strategy, benefits and framework for working in partnership and collaboration. The strategy articulated the benefits for sharing service provision, not just in terms of delivering economies of scale and driving down costs but also in terms of growing resilience and internal skills and knowledge.
2. In December 2012 the Cabinet approved that Surrey County Council (SCC) entered into a partnership agreement to provide transactional support services and IT hosting services on behalf of East Sussex county Council (ESCC). The services, including accounts payable, accounts receivable, payroll and pensions administration, commenced on 1 April 2013 under a partnership collaborative agreement. At the same time, the two councils agreed to bring together their procurement functions under one joint head of service.
3. The strategy report to Cabinet in March 2013 “Strengthening the Council’s Approach to Innovation: Models of Delivery” reiterated the earlier strategy document by stating that the consideration of different delivery models would play an important role in the delivery of good quality public services and value for money for residents.
4. The existing partnership arrangement with East Sussex has facilitated, as indicated in the report to the Cabinet in 2012, further exploration of other services which might be undertaken using a collaborative approach. The partnership successfully bid for funding from the government’s Transformation Challenge Award to support the development of a more comprehensive shared services partnership. The award, together with the development of the relationship at a strategic level has enabled the parties to reach agreement on the proposal outlined in this report to the Cabinet.

Business Case Proposal

5. SCC and ESCC propose to create a joint public-sector partnership, to deliver business & support services to both authorities. The partnership will incorporate some functions currently undertaken within SCC’s Business Services and Chief Executive’s departments; Human Resources, Property Services, Information Management Technology, Procurement, Finance and Legal Services.
6. The proposed transformative arrangement will deliver affordable services to each council and deliver benefits to both parties. Significant savings will be achieved from integration, from the adoption of common practices & technology and economies of scale.
7. The proposal is made following the conclusion of an options analysis and a jointly prepared business case. The business case, appended as Annex 1 to

this report, provides further detail and identifies the vision and priorities that the partnership is being developed to address:

- The creation of a successful, resilient and innovative organisation – which is customer led and responsive to the needs of each council.
- Deliver value for money and reduce costs by sharing resources, including technology and management roles.
- Eliminate duplication by sharing expertise and best practices and adopting common processes & procedures.
- Provide a platform to build upon the success of each party in securing additional sources of income by providing services to other public sector bodies, and
- Potentially, should another Local Authority wish to join the partnership, secure further benefits for the public sector and the partnership from the enhanced economies of scale.

Governance

8. Following the completion of the options analysis, and the recommendation to pursue a public sector partnership for the delivery of business and support services; the proposed governance structure is a Joint Committee arrangement. As all the functions within the identified scope of the proposal are executive functions, each council's Cabinet may agree this approach and delegate responsibility to the Joint Committee to carry-out the agreed functions. The joint committee will comprise members of the Cabinets of SCC and ESCC and Cabinet will appoint SCC members of the joint committee.
9. The Joint Committee's authority will be to oversee the discharge of delegated professional, transactional and support services in accordance with each council's policy framework and any other plans and strategies approved by the respective Cabinets. The Joint Committee will operate within the powers delegated to it, whilst the parent Councils and their Cabinets will continue to discharge those functions reserved to them by law, or by their respective Leaders. For example, whilst the Joint Committee will have oversight of the Council's facilities management arrangements, decisions relating to the acquisition, retention and disposal of properties within the Council's estate will remain a matter for SCC and ESCC's Cabinets. Similarly whilst the Joint Committee will have oversight of the Finance function, SCC's (and ESCC's) Cabinet and executive functions will continue to consider its own Medium Term Financial Plans and associated financial strategies, such as the Treasury Management Strategy, as now.
10. It is also envisaged that the Joint Committee will operate within a budget delegated to it by each council.
11. The functions delivered to each council through the Joint Committee may continue to be scrutinised by council members through existing scrutiny arrangements.

CONSULTATION:

12. Consultation has taken place between the Cabinet Portfolio members, the Chief Executives and the leadership teams of each council. A number of briefing sessions have been delivered to staff in each council and engagement activities have taken place between the senior managers of each council. The Council's unions have been engaged in the process.

RISK MANAGEMENT AND IMPLICATIONS:

13. The Council anticipates that the arrangements will remain in place on an indefinite basis. There is a risk therefore that during this time there may be significant changes to each council which impacts upon the services that are required to be delivered by the Joint Committee. The principles underpinning the governance and financial arrangements recognise that this may be the case. The Joint Committee will provide an effective governance structure to ensure that the joint service continues to meet the needs of both partners and that the key broad principles of transparency and equity continue to apply. The governance and financial arrangements for the partnership will be developed further and articulated in a report to the Cabinet in July 2015, alongside a more detailed business plan for the partnership.
14. Further risks and associated mitigating actions are explained in the Business Case document appended to this report.

Financial and Value for Money Implications

15. The Business Case appended to this report demonstrates that the proposed partnership arrangement will deliver cost savings to the two councils in excess of the savings achievable in isolation. Savings will be delivered from integration, the sharing of best practice, the adoption of common processes, economies of scale and the sharing of resources including technology and management. Based upon industry benchmarks, the estimated gross savings to the partnership will be between £6m and £8m per annum by the end of a four year implementation period.
16. Achievement of savings of this scale will be dependent upon investment in technology – both in terms of the technology required in order that the partners can work together in a seamless manner and technology improvements to deliver step-change and continual improvement. Some of this investment may incorporate technology improvements that would have been undertaken regardless of the partnership – taking these forward under the partnership and sharing the expense will further enhance value for money for the councils. Additional resources will be required to manage the implementation of the partnership, support organisational change and to deliver the technology required. Whilst mitigation will be put in place, there may be redundancy costs associated with the organisational changes required to deliver the target savings. Taking all the above into consideration, the investment required is likely to be between £6m and £10m.
17. As noted in the Business Case, a further report will be provided to the Cabinet in July 2015 once a more detailed business plan for the partnership has been developed. The investment required will be further outlined at this stage.

- 10
18. The proposal to establish the partnership and create the governance arrangements under a Joint Committee structure is not however dependent upon this investment - although the savings achievable from the partnership will inevitably be more modest without such investment.
 19. The partners have agreed key principles in relation to the financial arrangements which are described in the Business Case appended to this report. In summary, the approach to the sharing of investment and cost apportionment between the councils will be determined upon the basis of a balance between risk and reward and recognising the proportionate size of each partner and existing service provision. The activities of the partnership will be responsive to each council's strategies and priorities, and to structural changes including those driven by legislative requirements. Therefore the financial arrangements will recognise that the sharing of costs, investment and benefits will be subject to similar considerations and will adjust where appropriate in line with demand changes over time.
 20. The methodology adopted to determine the appropriate apportionment of costs will be developed further and reported as part of the more detailed business plan for the partnership. In principle however, both parties recognise that this methodology will need to be fair and transparent, take into account changes in demand and will require the development of management information to support the mechanism.

Section 151 Officer Commentary

21. The Section 151 Officer confirms that the proposed outline business case and financial implications have been agreed working in partnership with the Section 151 Officer of East Sussex County Council. The partners have agreed the broad financial and governance principles and further consideration is required to be given to these arrangements, which will be reported in a further report to the Cabinet.
22. Delivery of the savings in the range identified in the Business Case will require significant investment. The partnership will provide a more detailed business plan for consideration by the Cabinet in July 2015 alongside the review of the council-wide MTFP (2015 to 2020).

Legal Implications – Monitoring Officer

23. The Cabinet has a range of powers enabling it to agree joint arrangements with East Sussex's Cabinet for the discharge of functions. These arrangements can include the establishment of a Joint Committee. The Joint Committee will need to be made up of members of the Cabinet of each Council. As the Committee is not a separate legal entity it cannot have its own workforce and staff will remain employed by one of the parent councils. Cabinet has therefore been asked confirm that it is placing its officers at the disposal of ESCC and a mutual delegation will be sought from ESCC.
24. It is advisable and usual practice for an Inter-Authority Agreement to be entered into between the parties to document the arrangements. This will set out the various rights and responsibilities of the parties and the precise nature of the joint working relationship. In this case it is envisaged that the

agreement will continue indefinitely, but provision will be made for termination in exceptional circumstances.

Equalities and Diversity

25. There are no identified equalities implications from the creation of the proposed partnership and Joint Committee. There may however, be equality implications of decisions that the Joint Committee may take in the future and therefore an Equalities Impact Assessment will be developed alongside the business plan to be considered by the Cabinet in July 2015, and will be updated appropriately for consideration by the Joint Committee as more detailed organisational changes are proposed and implemented.

WHAT HAPPENS NEXT:

26. Upon approval from the Cabinet, the following key actions will commence;
- Officers will develop the Inter Authority Agreement, including the detailed governance arrangements, the delegated authority and standing orders of the Joint Committee, in partnership with East Sussex and for the approval of the Leader and the Cabinet Member for Business Services, in consultation with the Chief Executive, the Strategic Director for Business Services, the Director of Finance and the Director of Legal and Democratic Services.
 - Officers will develop the more detailed business plan for the partnership, including confirmation of the investment required, for consideration by Cabinet in July 2015.

Contact Officer:

Julie Fisher, Strategic Director for Business Services

Consulted:

Surrey County Council: Cabinet Members, Chief Executive, Senior Leaders and staff.

East Sussex County Council: Cabinet Members, Chief Executive, Senior Leaders and staff.

Annexes:

Annex 1: South East Business Services Business Case

Sources/background papers:

- Cabinet Report November 2011: Time for Leadership, Time for Change
 - Cabinet Report July 2012 – Procurement Review and Partnership between Surrey County Council and East Sussex County Council.
 - Cabinet Report December 2012– Surrey County Council and East Sussex County Council Partnership
 - Cabinet Report March 2013 – Strengthening the Council’s Approach to Innovation: Models of Delivery
 - Cabinet Report February 2014- Public Service Transformation.
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