

Wards affected: All Wards

## SHARED SERVICES PARTNERSHIP (LGSS and MILTON KEYNES)

Responsible Cabinet Member: Councillor Rob Middleton (Resources and Commercialisation)

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### Executive Summary:

Milton Keynes Council has a significant financial challenge, as demand for services increases while Government funding reduces. This means the Council will need to deliver cashable savings of £42.6m over the period 2017/18 to 2019/20. The financial strategy to address this budget gap is based on three principles smarter, sustainable and different.

In January 2016, the Cabinet agreed to recommend to Council that Milton Keynes Council joins LGSS (an existing shared service between Cambridgeshire and Northamptonshire County Councils) as a partner, based on the Outline Business Case (OBC) provided. Since this decision, the proposal has been subject to formal scrutiny by the Audit Committee and Scrutiny Management Committee.

Joining LGSS as a partner will deliver £4.5m of financial savings over the period 2016 to 2020, which will be shared with LGSS. In addition any benefits beyond the medium term financial plan requirements will be shared. As well as a clear financial benefit, the OBC sets out a number of non-financial benefits, such as resilience and flexibility, specialist roles, shared systems and support and sharing best practice, which further strengthens the rationale for proceeding with this shared service.

This paper outlines the governance and decision making for the shared service and the Delegation and Joint Committee Agreement, which will enact the change.

### 1. Recommendations

- 1.1 That the proposal for the Council to join the LGSS arrangements be supported.
- 1.2 That the Council's relevant employees be placed at the disposal of the other councils in the LGSS shared services, in accordance with Section 113 of the Local Government Act 1972 and any successor legislation, for the purposes of the efficient and effective provision, to the Councils, of the LGSS shared services.
- 1.3 That the Chief Executive and the Corporate Director Resources, in consultation with the three group leaders, be authorised to conclude the final agreement.
- 1.4 That the proposal for the Council's Executive to delegate, subject to the constraints set out in paragraph 6.1, from time to time certain functions to the joint committee known as LGSS be noted.

- 1.5 That three councillors be appointed as members to the LGSS joint committee, one of whom is to be a member of the executive, the other two reflecting the main opposition parties, while the Council is no overall control.

## 2. Background

- 2.1 Milton Keynes Council has a significant financial challenge, as demand for services increases while Government funding reduces. This means the Council will need to deliver cashable savings of £42.6m over the period 2017/18 to 2019/20. The financial strategy to address this budget gap is based on three principles smarter, sustainable and different.
- 2.2 In October 2015, Cabinet gave approval to create an outline business case (OBC) based on the proposal that Milton Keynes Council would join LGSS (a public sector shared services venture wholly owned by Cambridgeshire and Northamptonshire county councils) as a full Joint Committee partner. The resulting OBC, which was considered by Cabinet on 11<sup>th</sup> January 2015, addresses all three principles of the financial strategy, but is primarily a proposal to deliver services differently.
- 2.3 The Outline Business Case identified that joining LGSS as a partner will deliver £4.5m of financial savings over the period 2016 to 2021, which will be shared between Milton Keynes Council and LGSS. In addition any benefits beyond the medium term financial plan requirements will be also shared. As well as a clear financial benefit, the OBC set out a number of non-financial benefits, such as resilience and flexibility, specialist roles, shared systems and support and sharing best practice, which strengthens the rationale for proceeding with this shared service.

## 3. Introduction

- 3.1 In January 2016, the Cabinet recommended to Council that Milton Keynes Council should join LGSS as a full Joint Committee partner, based on an Outline Business Case<sup>1</sup>. This report explains the formal agreement required to enact this change (Delegation and Joint Committee Agreement); the impact on the Council's Constitution; responses given to Councillors in the Audit Committee and Scrutiny Management Committee review of the proposal and the proposed rotation of the Joint Committee Chair.

## 4. Scope

- 4.1 The table below sets out the services proposed to be included in the shared services arrangement with LGSS:

January Cabinet Report	Scope of Services
Human Resources	HR policy, professional advice, payroll, management information and reporting, support for JNC/E and corporate training. However, social care training and development is

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<sup>1</sup> This report and the Outline Business Case is available with 11<sup>th</sup> January 2016 Cabinet papers

<b>January Cabinet Report</b>	<b>Scope of Services</b>
	excluded at this time.
Finance	Professional finance services including advice and support (e.g. budget and capital development, financial management, and financial reporting), reporting, training, payment of invoices, key financial administration systems and processes, including invoice payments and financial assessments. MKC will retain the S151 officer, and this role will retain accountability for the delivery of finance services.
ICT	Providing essential ICT infrastructure, hosting of servers, ICT support and advice and applications support and development.
Revenues and Benefits	Council Tax, Business rates and Benefits administration. Policies would still be determined by MKC.
Procurement	Advice and support to enable procurements, contract management advice, support and review, responsibility for maintaining the procurement process, including e-tendering and contracts register. Procurements will continue to be governed by MKC's Contract Procedure Rules.
Insurance	Advice on setting policy, ensuring cover is in place, claims handling and proactively working with services to minimise future liabilities.
Internal Audit, Risk Management and Fraud	Defining and delivering the audit plan, risk management approach and support, fraud, advice and support for managers. The responsibility for ensuring an adequate Internal Audit service will remain with the S151 officer, and the Internal Audit function will continue to work with and report to the Audit Committee.
Democratic Services	CMIS, delivery of democratic support for the Council, excluding the Monitoring Officer and elections.

## **5. The Delegation and Joint Committee Agreement**

- 5.1 In order to join the Joint Committee as a partner the Council will need to sign and seal the Delegation and Joint Committee Agreement (attached at Annex A). This agreement is based on the current agreement between Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC).
- 5.2 The agreement sets out the main operating and governance arrangements for the Joint Committee and schedule 2 (Annex Ai) defines the delegations to the Joint Committee. It is important to understand the delegations in schedule 2 are for all three partners, so reflects some of the differences in the constitutions and operating arrangements of the councils.

- 5.3 The key difference is that MKC is not delegating its Chief Finance Officer (S151 officer) or legal services (including the Monitoring Officer) to the Joint Committee. This means MKC delegations do not need to be as detailed as some of the NCC and CCC sections in the agreement. NCC and MKC also operate an executive and leader model, while CCC operates a committee system.
- 5.4 These differences mean that for some areas the delegation agreement needs to be detailed, while for MKC the delegations and reservations can remain at a relatively high level.

## **6. Changes to the Council Constitution**

6.1 The majority of matters dealt with by LGSS are operational in nature. They implement the decisions of the constituent authorities. The vast majority of decisions which would have come before the executive or council will continue to come forward in exactly the same fashion. It is important to be clear what is outside the scope of LGSS. It cannot when, undertaking MKC work, deal with matters that go beyond:

- the Council's Constitution, including:
  - Access to Information Procedure Rules Article 14 (Key Decision);
  - Overview and Scrutiny Procedure Rules (Call-in provisions);
  - Executive Procedure Rules;
  - Article 4 (the Policy Framework) and any other plans and strategies approved by Cabinet or Full Council;
  - Procurement standing orders and Financial Regulations;
  - the relevant officers code of conduct; and
  - Contract Procedure Rules and all other relevant policies, procedures, protocols and provisions.
- The Budget

6.2 The Council's Constitution allows under sections 11.2 and 11.4, for powers to be devolved to a Joint Committee. Schedule 2 of the Delegation and Joint Committee Agreement (Annex Ai) sets out the formal delegations being made to LGSS and the reserved matters. There is no further requirement to amend the Constitution to reflect the creation of the LGSS Joint Committee or the delegations required.

## **7. Scrutiny Process and Findings**

7.1 Audit Committee reviewed the LGSS proposal at its meeting on 26 January 2016 (Minute AC30 refers). The Committee expressed a number of concerns about the potential for a detrimental impact on the internal audit service available to this Council. Also if the Council's Assistant Director (Audit and Risk Management) was to manage the internal audit service for LGSS less of his time would be available to the Council. The Committee's resolution was to highlight these concerns to the Scrutiny Management Committee and allow them to be fully considered as part of its discussions on 27<sup>th</sup> January 2016.

- 7.2 The Scrutiny Management Committee conducted a lengthy discussion on the details of the proposal to join LGSS. This included feedback on the overall proposal and potential benefits to MKC; discussion on the operation and management of LGSS and a customer perspective on current delivery.
- 7.3 The discussion at Scrutiny Management Committee confirmed that LGSS is not a separate entity, so although it is managed by a single Management Board and Joint Committee, it operates within the accounts of the owning organisations. This operation will extend to three councils with the inclusion of Milton Keynes. An annual report and set of accounts is produced for LGSS as a whole, to allow the Joint Committee to consider the performance of LGSS as a whole.
- 7.4 The concerns of Audit Committee were also considered. Officer colleague responses reflected recent progress on recruiting vacant roles; the retention of senior management capacity in the short-term to allow processes and approaches to be developed, without risking delivery to MKC and confirming the leadership for the Audit service will be with the Assistant Director (Audit and Risk) for MKC, with the MKC Corporate Director, Resources as the Operational Board member. The focus will remain on the delivery of the MKC audit plan and there would continue to be engagement with the Audit Committee and services across MKC in developing future Audit plans. In the longer term there would be opportunities to share resources, but in the short-term the audit team in MKC would continue to focus on the MKC audit plan.
- 7.5 The discussions also explained that the Chief Finance Officer (S151) role will not be delegated to LGSS and will continue to be delivered by the Corporate Director, Resources. The Corporate Director, Resources will also have a role on the LGSS Operational Board to lead and shape services going forward, ensuring that the direction and needs of MKC are taken into account (as set out in Annex B).
- 7.6 There was also a discussion about the potential for wider benefits from the LGSS partnership through managed budgets, which are those areas managed by LGSS but not formally part of the shared service. For example the cost of mobile phones, which would remain a Council cost, but joint procurement for current LGSS partners had enabled a cost reduction from £1.2m to £0.12m. It is not possible to define these benefits at the moment, but this is likely to be a substantial future benefit for the Council.
- 7.7 It was also recognised that the LGSS partnership provides an opportunity for wider benefits through additional trading. MKC joining LGSS will enhance the reputation of the shared service; provide critical mass and a greater regional presence. The ambition is both to increase small scale trading (for example individual schools) but also to encourage other councils and public sector services to join the shared service.
- 7.8 The responses to the specific recommendations of the Scrutiny Management Committee are as follows:

<b>Recommendation from Scrutiny Management Committee</b>	<b>Response</b>
That the proposal to join LGSS be welcomed and supported.	

<b>Recommendation from Scrutiny Management Committee</b>	<b>Response</b>
<p>That the Council, before agreeing to join LGSS, ensures that the Council has equal membership of the joint scrutiny committee alongside Cambridgeshire and Northamptonshire Councils.</p>	<p>Northamptonshire County Council has invited Milton Keynes Council to create a Joint Scrutiny Committee for LGSS. This Committee will also have an invite to councillors from Cambridgeshire County Council, although Cambridgeshire does not formally have a scrutiny process, as it operates a committee system.</p>
<p>That the Council be recommended to agree to representation on the Joint Board on a 1:1:1 basis, with one member being the Leader of the Council, or the relevant Cabinet member, while the Council remains in overall control.</p>	<p>This is reflected in the recommendations to Council.</p>
<p>That officer colleagues be requested to give further consideration to the dispute resolution procedure, to ensure it is fit for purpose for a partnership comprising three rather than two local authorities.</p>	<p>The internal dispute resolution and arbitration clauses of the Delegation and Joint Committee agreement have been reviewed (along with the remainder of the document) to ensure the approach is appropriate. The process, as set out in the agreement allows the flexibility to ensure disputes can be resolved. However, there is a further arbitration process which provides for independent input to settle disputes.</p>
<p>That, to aid the Council's consideration of the Cabinet's recommendation at the Council meeting on 23<sup>rd</sup> March 2016, officer colleagues consider submitting a revised report which addresses the issues raised by both this Committee and the Audit Committee and that the Committee suggests Group Leaders should have the opportunity to comment on the report before its submission to Council.</p>	<p>This report outlines the issues raised by Scrutiny Management Committee and Audit Committee. Group leaders have had an opportunity to comment before publication.</p>
<p>That the Council is recommended to undertake an overall review of the Council's relationship with LGSS after two years of operation, with an interim review of the continued inclusion of the Internal Audit function being undertaken after one year.</p>	<p>A review will be undertaken, with an assessment against the benefits, both financial and non-financial outlined in the OBC. A review of the effectiveness of the Internal Audit function will be undertaken at the end of the first year of operation.</p>

Recommendation from Scrutiny Management Committee	Response
That Cabinet be requested to agree to receive a report within six months which provides options for the future provision of legal services.	Noted, but not relevant for this decision.

## 8. Governance

- 8.1 LGSS is managed through a Joint Committee. This is a decision making body, with delegated powers from each partner council. The Committee currently comprises 3 Councillors from both Northamptonshire and Cambridgeshire County Councils, as the partners. The Chief Executives of both councils are currently advisers to the Committee, but have no voting rights.
- 8.2 Milton Keynes would have three new Councillors on the Joint Committee (making a total of 9), and the Chief Executive would also act as an advisor. Milton Keynes will nominate Councillors to the Committee as part of the annual process to confirm membership of all Committees. The recommendation in this report reflects the recommendation made by the Scrutiny Management Committee that appointments should be made on a 1:1:1 basis, while the Council remains no overall control. Full voting rights will apply equally to all Committee members i.e. one member, one vote (with the Chair having a casting vote if/as required).
- 8.3 The Joint Committee is responsible for setting the LGSS Budget (within the amounts delegated by individual councils); agreeing the service plan; monitoring performance and quality of service delivery and making decisions on expenditure and commercial arrangements.
- 8.4 Schedule 1 of the Delegation and Joint Committee Agreement is the Constitution of the Joint Committee.

The Chair and Vice Chair roles in the LGSS Joint Committee are currently rotated between CCC and NCC. It is proposed that this is instead rotated between the three partners as set out in the table below.

	2015/16	2016/17	2017/18	2018/19
Joint Committee Chair	NCC	CCC	MKC	NCC
Joint Committee Vice Chair	CCC	MKC	NCC	CCC

- 8.5 It is proposed that the required quorum for the meeting is one member from each Council (of the three) to reflect the practical challenges in arranging meetings of the Joint Committee.
- 8.6 It should be noted that policy and procurement decisions relating to the wider operation of the Council remain with Milton Keynes Council. For example even though the service delivery for Revenues and Benefits would be in LGSS, Milton Keynes Council would still be responsible for setting policies on matters such as Local Welfare Provision.

- 8.7 If there was an opportunity for a joint procurement, Milton Keynes Council would either need to delegate the approval for the leadership and decision making for that contract to a partner council, or Milton Keynes Council could still make a decision to approve the stage to go out to tender, approving the specification and then allow a single partner authority (which in some cases may be MKC) to award once tenders have been received.
- 8.8 Given the S151' role is a nominated director on the LGSS operations board, and the Cabinet Member for Resources likely strategic decision making role on the Joint Committee, Council and Opposition Parties would be able to receive reports and exercise meaningful challenge, in connection to both strategic and operational matters at LGSS at regular junctures.
- 8.9 The day one Operational Board responsibilities are set out in Annex B. This reflects the fact that a number of changes will need to be made over the next few weeks and months to develop integrated services; share and develop best practice and deliver financial benefits, as set out in the Outline Business Case. These Operational Board responsibilities will adapt and change as services are developed. An early example is the Procurement service, which will be integrated from April, allowing access to a category management approach.
- 8.10 While the Corporate Director Resources will join LGSS as one of the Directors on the Operational Board, this role will remain part of the Corporate Leadership Team for Milton Keynes Council and will continue to report to the Chief Executive.

## 9. Annexes

- 9.1 The follow documents are appended to this report:

Delegation and Joint Committee Agreement	Annex A
Schedule 2 of the Delegation and Joint Committee Agreement	Annex Ai
Operational Board Responsibilities from 1 <sup>st</sup> April 2016	Annex B

## 10. Implications

### 10.1 Policy

This proposal reflects the financial strategy which requires costs to be reduced through smarter and more sustainable models of service delivery.

### 10.2 Resources and Risk

Yes	Capital	Yes	Revenue	No	Accommodation
Yes	IT	Yes	Medium Term Plan	Yes	Asset Management

The financial benefits to MKC were outlined in Appendix B of the “Shared Services Partnership (LGSS and Milton Keynes)” report from 11<sup>th</sup> January 2016 Cabinet. The division of benefits between MKC and LGSS is commercially confidential, but was outlined for Councillors at Annex C of the same report. Annex C is confidential but is available on request to Councillors if required.

These source documents can be found at: However, with more detailed design work and more time it is felt that the remaining benefits required will be identified. In addition it is likely that measures such as joint procurements will reduce costs for the wider council.



However, in developing the OBC managers have considered the need for additional investment. The table below sets out the investment requirements and potential funding sources.

<b>Description</b>	<b>Service</b>	<b>£000</b>	<b>MKC £000</b>	<b>LGSS £000</b>	<b>Funding Source</b>
IT ERP solution	IT	4,300	1,600	2,700	Capital
IT data hosting	IT	961	961		Capital
E recruitment	HR transactions	13	13		MKC
DBS e bulk	HR transactions	1	1		MKC
Revenue & Benefits system	Revenues & Benefits	TBA	TBA	TBA	TBC
Single View of Debt	Debt recovery	30	15	15	Additional Benefits
<b>Total Investment</b>		<b>5,305</b>	<b>2,590</b>	<b>2,715</b>	

MKC has already approved Resource allocation in the Capital Programme of £1.3m for the ERP replacement and £1.1m for data hosting, a total of £2.4m. The total cost of these projects under an LGSS agreement would be £2.56m. While MKC will only pay for actual additional costs incurred, this leaves a shortfall of £0.16m for these two programmes. However, MKC will make an ongoing saving of £0.14m, from the licence and support savings from SAP (there will be significant additional benefits from changes to processes), which will be deferred for a year to pay for the additional implementation costs, if required.

The remainder, along with costs for DBS e bulk and e-recruitment, a total of £0.035m will be funded from the MKSP reserve. The Council had been looking at potential solutions in both these areas, but the implementation costs would be significantly higher than using a solution which is already developed and in place. These process improvements are also expected to deliver additional financial benefits from Milton Keynes Council services, although the value of this benefit has yet to be determined.

#### *Risks and Mitigations*

The key risks and mitigations for this proposal are as follows:

<b>Risk</b>	<b>Mitigation</b>
Loss of direct management, means services do not reflect Council needs	MKC as a partner will influence the planning and operation of the shared service through its role on the Joint Committee. This will include agreeing Service Plans and reviewing performance. The additional director role on the operational board will also enable priorities for and feedback from MKC to be incorporated.

Risk	Mitigation
Financial savings are not delivered	LGSS has delivered all financial savings requirements in previous years for existing partner authorities. Monitoring of savings plans and income will provide assurance on delivery, along with a project management approach where individual proposals require significant change.
Service quality does not meet Council requirements	MKC will monitor and manage service quality through both the operational board and the Joint Committee.
Non-financial benefits are not delivered	An integration plan for MKC will be developed once the Cabinet and Council decisions have been taken, which will focus on delivering both the practical changes and culture change necessary to maximise the benefits of a shared service arrangement.
Loss of key staff	As part of the transition staff will be engaged in the plans for the shared service and will understand the shape and opportunities a shared service could bring. There are some key areas of risk, this will need to be monitored and managed appropriately.

### 10.3 Carbon and Energy Management

None

### 10.4 Legal

The Council has to agree to place relevant employees at the disposal of the other councils in the LGSS shared services, in accordance with Section 113 of the Local Government Act 1972 and any successor legislation, for the purposes of the efficient and effective provision, to the Councils, of the LGSS shared services. This is the essence of a shared service arrangement.

This is the pooling of certain delivery arrangements between a number of councils which are executive functions already delegated to and exercised by officers of the council.

The joint committee can delegate functions to staff, in effect it operates very much as does a department of the council. There are safeguards built into the agreement. Officers in the exercise of functions delegated by this scheme may not in the case of MKC:

- make Key Decisions unless where specifically provided for by the Constitution

- change or contravene policies or strategies approved by the Council or the Cabinet in the absence of specific delegated authority to do so
- create or approve new policies or strategies, in the absence of specific delegated authority to do so
- take decisions to withdraw public services, in the absence of specific delegated authority to do so
- take decisions to significantly modify public services without consulting the appropriate Cabinet Member before exercising the delegated power.

#### 10.5 Other Implications

No	Equalities / Diversity	Yes	Sustainability	No	Human Rights
No	E-Government	Yes	Stakeholders	No	Crime and Disorder
No	Carbon and Energy Policy				

Background Papers: 11<sup>th</sup> January 2016 Cabinet – Shared Service Proposal (LGSS and Milton Keynes)

15<sup>th</sup> October 2015 Cabinet – A Commercial Proposal for the Council (Shared Services)