



CABINET REPORT

Report Title	12 MONTH EXTENSION OF PARTNERSHIP DELEGATION AGREEMENT WITH LGSS FOR THE DELIVERY OF BUSINESS SUPPORT SERVICES
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 April 2018
Key Decision:	YES
Within Policy:	Yes
Policy Document:	No
Directorate:	Borough Secretary
Accountable Cabinet Member:	Cllr Eldred
Ward(s)	All

1. Purpose

- 1.1 The five year Partnership Delegation Agreement (PDA) between the council and LGSS for the delivery of Business Support services ceases on 31st May 2018. The needs of the council have changed over the last five years and continue to change. Before committing to either a further five year PDA with LGSS or any alternative option, the council needs to understand the future requirement for support services.
- 1.2 Time and resources are required to undertake service reviews for the core ICT service, Business Systems service, Finance Operations service, Finance Professional service, Insurance service and Procurement service and the development of a Business Case for ERP Gold (An LGSS development of the Agresso Finance business system)
- 1.3 The purpose of this report is to seek Cabinet approval for a one year extension of the current PDA for the services listed above and to seek Cabinet support for resources to be allocated to continue the service reviews and the possible development of a Business Case for ERP Gold.

2. Recommendations

- 2.1 That Cabinet approve a one year extension to the current PDA with the joint committee comprising Northamptonshire and Cambridgeshire County Council (LGSS)) for the core ICT service, Business Systems service, Finance Operations service, Finance Professional service, Insurance service and the Procurement service to allow time to consider all options for the future delivery of the said services
- 2.2 That existing internal resources are allocated to undertake the required service reviews and the development of a future Business System solution.
- 2.3 That the outcome of the service reviews inform a future cabinet report outlining the options and recommendations for delivery of support services post May 2019.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Following the Cabinet decision on 14 November 2012 regarding a proposed Shared Service Arrangement with LGSS, a Partnership Delegation Agreement between LGSS and Northampton Borough Council for the delivery of Business Support services for the council was developed.
- 3.1.2 The PDA came into effect 1st June 2013 and included Service Specifications for the Business Systems Service, Finance Operations Service, Finance Professional Service, ICT Service, Insurance Service and Procurement Service. It also included HR, Payroll and Legal Services although these services were returned back in-house due to issues with performance during 2016. A separate Joint Committee arrangement (comprising Northampton Borough Council, Milton Keynes Council, Northamptonshire and Cambridgeshire County Council has been established for the delivery of Revenues and Benefits services.
- 3.1.3 LGSS presented their proposal for a new five year agreement for the delivery of the remaining Business Support services for Northampton Borough Council and Northampton Partnership Homes Limited on 18 July 2017. This was subsequently revised on 14 August 2017 and further revised on 3 November 2017.
- 3.1.4 The savings and costs outlined in the 3 November proposal for the ICT Service are subject to a number of conditions, e.g. the council agreeing to the LGSS Roadmap, i.e. full scope delegation with accelerated convergence and further standardisation, the council electing to continue with all optional IT Services in scope, and with a fixed number of project days thereafter on a pay as you go basis.

- 3.1.5 The savings identified in the proposal for the Business System Service, Finance Professional Service and Finance Transactions Service from 2020/21 are subject to the council making a significant capital investment in ERP Gold Under LGSS's current operating/business model, which may be amended by the new Chief Executive.
- 3.1.6 The proposal for the Finance Operations Service (and any other Finance services) is subject to the council making a positive decision to adopt ERP Gold during the life of the new agreement. In their proposal LGSS state that should the council decide not to move to ERP Gold the council would have additional lead-time to arrange for alternative support for its Agresso system.
- 3.1.7 With the council's needs changing over the last five years, a number of services have been agreed with LGSS to be included in a LGSS Services Partial Exit. These services are IT07 – Web and systems development, IT)* Housing Systems support, 1T10 – Strategy and Solutions analysis, IT11 – IT related Programme and Project Management and IT12 – Bulk and Specialist Print Services. The ICT managed budget will also be returned and will be administered and managed by the council as part of any future proposals to Cabinet.

3.2 Issues

- 3.2.1 LGSS have stated that the acceptable minimum extension of the current PDA is 12 months, therefore NBC is unlikely to be able to negotiate a lesser extension.

3.3 Choices (Options)

- 3.3.1 The choices are:

3.3.2 Option 1

Approve the 12 month extension of the current PDA for the core ICT service, Business Systems service, Finance Operations service, Finance Professional service, Insurance service and Procurement service and support the allocation of resources to continue to undertake the service reviews and to develop the Business Case for future solutions.

- 3.3.3 The advantage of this option is that it allows time to undertake a thorough review of the future requirements for these services and ensure that the recommended option for services post 12 months will meet the changing needs of the council, ensuring the council is economical, effective and efficient, which may also be influenced by the development of Unitary proposals.]]
- 3.3.4 The disadvantage of this option is the cost associated with undertaking the service reviews, however all options will require investment in service reviews.
- 3.3.5 The main risk associated with this option is the internal capacity to undertake service reviews.

3.3.6 **Option 2**

Extend for a period of time (less than 12 months) and undertake the service reviews during this time to enable efficiency savings to be realised sooner and be built into the council's efficiency plan.

3.3.7 The advantage of this option is that potential savings can be realised earlier.

3.3.8 The disadvantage of this option is that LGSS have indicated they would be unwilling to accept an extension for a period of time less than 12 months and the provisions within the existing PDA state that any extension is by agreement of both parties. This also represents a high risk strategy as no alternative solutions have been fully developed.

3.3.9 **Option 3**

Do Nothing, the PDA expires on 31st May 2018 and services are returned back in-house.

3.3.10 The advantage of this option is that potential efficiencies will be realised with effect from 31st May 2018

3.3.11 The disadvantages of this option is that it does not allow sufficient time for a smooth handover of the services back to NBC and alternative potentially more favourable delivery options to have been considered. This is not strictly a workable option as it would put services and data at risk, as no alternative is in place at this time.

3.3.9 The recommendation is Option 1

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report does not amend any specific policies.

4.2 Resources and Risk

4.2.1 The current (2017/18) cost of the services covered by the LGSS PDA that is due to cease on 31 May 2018 is £5.902m.

4.2.2 Option 1 includes some of the IT elements of the service returning to NBC. The value of these elements is £1.726m. This leaves the value of the contract to be extended at £4.176m.

4.2.3 The proposal from LGSS for the one year extension adds an additional £0.077m to this cost for inflation, but otherwise keeps the cost the same as 2017/18. This means that no savings will be made against these budgets in 2018/19, as the cost is fixed at the 2017/18 level.

4.2.4 Option 2 may be able to release some savings from these budgets in 2018/19, but it is not known what value these savings may be, and when they would be achieved, it also could create unknown cost risk.

4.2.5 Option 3 may be able to release some savings from these budgets in 2018/19, but it is not known what value these savings may be, and when they would be achieved. Option 3 also carries the risk that due to the insufficient time for a smooth handover, there would potentially be additional transitional costs, and there is also a risk that future savings would not be maximised as the full range of delivery options will not have been properly considered.

4.3 Legal

4.3.1 The proposed extension of services with LGSS complies with the provisions of the PDA which states that the expiry date is the 31 May 2018 unless otherwise terminated in accordance with the PDA or extended following discussions with LGSS to agree an extension of the term.

4.3.2 The proposed extension of the PDA is reasonably justified in allowing the Council time to achieve a cost effective and best value services for the future without risk to the current service provision. The Council's clear intention is to consider all future options for the Business Support Services and this will inform a future report to Cabinet.

4.4 Equality and Health

4.4.1 The proposal does not adversely affect any specific group

4.5 Consultees (Internal and External)

4.5.1 The following internal people have been consulted when writing this report

- Borough Secretary
- Interim Section 151 Officer
- Head of Customer & Cultural Services

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The proposal is aimed at ensuring the council is economic, efficient and effective

4.7 Other Implications

4.7.1 There are no other implications of this proposal

5. Background Papers

**Francis Fernandes
Borough Secretary
Directors contact details.**

