

<b>Subject:</b>	<b>South East Business Services and Central Services</b>		
<b>Date of Meeting:</b>	<b>19 March 2015</b>		
<b>Report of:</b>	<b>Interim Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Rachel Musson</b>	<b>Tel:</b> 29-1133
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council is facing a challenging financial environment over the next few years as set out in the Revenue Budget and Council Tax 2015/16 report and draft Medium Term Financial Strategy recently reported to Policy & Resources Committee. This will require significant change and modernisation across the whole council which our Central Services must be able to support effectively. However, Central Services themselves must also provide increasing value for money and therefore alternative options for maintaining effective support over the coming years are being explored as part of a Central Services Review.
- 1.2 One option being explored is the possibility of a shared service and this report provides both an update to the Policy & Resources Committee on the ongoing Central Services Review and seeks to obtain Members' approval for the council to become a founding member of South East Business Services (SEBS) to enable the council to fully explore this option.

**2. RECOMMENDATIONS:**

That the Policy & Resources Committee:

- 2.1 Approve full exploration of SEBs shared services as a founding member, including the business case development, whilst remaining open to alternative models in parallel. If appropriate, further approval to progress Joint Committee membership would be sought at a later stage.
- 2.2 Notes the ongoing work to develop an internal trading model, which could be required for any future service delivery model.

**3. CONTEXT/ BACKGROUND INFORMATION**

**3.1 South East Business Services**

- 3.1.1 SEBS is being established by East Sussex and Surrey County Councils, who aspire to deliver an ambitious step change in business services by creating efficient, modern, agile and digitally enabled business services that will support them and partner organisations through an unprecedented period of change and

financial challenge in the public sector. The two councils intend to set up a Joint Committee arrangement to oversee SEBS' start up and development to which other partners may be admitted as appropriate. SEBS builds upon the existing and successful partnership in procurement and shared services to create a fully integrated business services organisation, from April 2015.

- 3.1.2 BHCC has been invited to join SEBS as a founding partner. This offers an opportunity to explore the potential benefits to our organisation through greater shared working, without the long-term commitment to any specific service delivery model at this stage.
- 3.1.3 There is a current window of opportunity, for us to join as a founding partner. If we do not seize this opportunity now and subsequently we decide to share services through SEBS, it would most likely be as a customer. This would be to miss out on the potential benefits of being a founding member, which include the ability to contribute to and shape: governance arrangements; the range of services to be considered and included, and; the ICT, staffing and service delivery models to be engaged, which may better protect the interests of our staff in the future.
- 3.1.4 SEBS estimate the savings achievable from the proposed partnership will be 10% to 15% over a 4 year period, whilst the Central Service Review indicated savings of 5% to 10%. In either case, the required cost of investment to deliver these savings is not yet known, nor therefore the net value of benefits which could be delivered.
- 3.1.5 To engage in SEBS, we would initially enter into a Memorandum of Understanding with the other co-founders. This would signal our commitment to properly exploring these shared services, but not preclude us from also exploring other service delivery options, and ensures all options remain open.
- 3.1.6 Once initial work has been undertaken, we would seek further approval from Policy & Resources Committee to progress alternative models and/or make stronger commitments as appropriate. For any such options, business cases will be provided for each service as they are reviewed, with the engagement of our staff and customers.
- 3.1.7 The outline business case for SEBS as produced by Surrey and East Sussex, can be found at Appendix 1. This is provided for further information and details of the arrangement. Surrey has presented this report to Cabinet on 24 February 2015 and East Sussex will present the same report on 10 March 2015. The detailed work required for SEBS has yet to be scoped by the partners.

## **3.2 Central Services Review**

- 3.2.1 An independent consultant was commissioned at the end of 2014 to do a very high level exploration of potential models of service delivery for central services. This report has been provided in draft and the Executive Summary can be found at Appendix 2. The report recommends further exploration of SEBS would be beneficial.

- 3.2.2 The report also identifies the need for work to be undertaken to develop the costing of central services at a detailed activity level. It is essential we understand the costs associated with each defined activity, so we have a clear line of sight to the value they offer to the wider organisation.
- 3.2.3 Work will start post-budget, to develop a robust internal trading model, which enables us to understand internal and external customer demands, and the associated costs and resourcing requirements. Such models allow more informed benchmarking and can inform value for money decisions and, regardless of what models of service delivery BHCC ultimately adopt for Central Services, such information is critical to enable appropriate decision-making.
- 3.2.4 The process of accurately identifying this information also informs the end-to-end processes and costs required for activities, crossing both central and service areas. Through this, any low value, dispensable activities can be mitigated. It would be important to expedite any work on this prior to entering any shared or externalised arrangements for service delivery, to ensure the full benefits can be attributed to BHCC.
- 3.2.5 It is anticipated that an initial model with reasonable accuracy will be produced within 3 to 6 months, but a detailed and commercially accurate model will take longer. The requirement for a commercially accurate model will depend on the future direction of central services, and so the need will be considered as this work continues.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 In the future there are different service delivery models which the council could consider, each of which would need to be explored carefully for each function. This report does not seek to explore or advise on those options, but rather keep all options open until further work can be undertaken.
- 4.2 With the May 2015 elections, it is appropriate to consider future options in detail after this date.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Not required at this stage.

#### **6. CONCLUSION**

- 6.1 Agreeing to Brighton & Hove City Council becoming a founding member of SEBS affords us the opportunity to develop shared services in partnership with other local authorities. It allows us to keep all options open and available to us, whilst allowing us to improve our own internal trading model and explore shared services with other potential partners.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 Resources required to develop and explore the work outlined in this report, will be provided from within existing resources. At a future stage, additional resources may be required to fund any future investments but these will be subject to further reports.

*Finance Officer Consulted: Rachel Musson*

*Date: 19/2/15*

### Legal Implications:

- 9.2 The recommendations in the report do not give rise to legal implications at this stage. The Memorandum of Understanding proposed would be an indication of intent to explore Brighton & Hove Council's involvement in the SEBS arrangement and would not be an intention to create legal obligations.
- 9.3 Detailed legal advice will be required on any future proposals that are brought forward. A decision in relation to membership of a Joint Committee would be required by full Council.

*Lawyer Consulted: Elizabeth Culbert*

*Date: 19/2/15*

### Equalities Implications:

- 9.4 There are no direct Equalities Impact Assessment (EIA) implications arising from this report. However, as the options work continues, any arising needs will be identified and met.

### Sustainability Implications:

- 9.5 None identified

### Any Other Significant Implications:

- 9.6 None identified

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. SEBS Business Case by Surrey and East Sussex County Councils
2. Executive Summary from Central Services Review Report, February 2015

