

## Shared Services Programme: Proposal for sharing benefits and costs between Three Rivers and Watford Councils (DRAFT)

This paper proposes an approach for sharing costs and benefits of shared services between Three Rivers and Watford. It is a working document intended to provide the indicative range of business benefit and will be finalised once the detail has been agreed by the programme team.

### Overall costs and benefits

The financial summary shows that, without adjusting for inflation, there are annual operational savings of **£1.6m** across all councils, all of which will be delivered from April 2010 (year 4). The programme provides a total net saving of **£4.4m** over the 7 year timescale taking into account all implementation costs, or **£5m** net revenue saving. There will be a positive cash flow from FY1011.

Financial Summary								
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	£000
	£000	£000	£000	£000	£000	£000	£000	£000
<b>CURRENT COSTS</b>								
<u>Operating Cost</u>								
Human Resources		1,226	1,226	1,226	1,226	1,226	1,226	
ICT		1,874	1,874	1,874	1,874	1,874	1,874	
Finance		2,156	2,156	2,156	2,156	2,156	2,156	
Revenues & Benefits		2,722	2,722	2,722	2,722	2,722	2,722	
<b>Total Current Costs</b>		<b>7,978</b>	<b>7,978</b>	<b>7,978</b>	<b>7,978</b>	<b>7,978</b>	<b>7,978</b>	
<b>SHARED SERVICES</b>								
<u>Operating Cost: Shared Services</u>		<b>7,949</b>	<b>6,938</b>	<b>6,256</b>	<b>6,256</b>	<b>6,256</b>	<b>6,256</b>	
General								
Human Resources		1,200	944	917	917	917	917	
ICT		1,825	1,741	1,415	1,415	1,415	1,415	
Finance		2,180	1,748	1,748	1,748	1,748	1,748	
Revenues & Benefits		2,743	2,505	2,176	2,176	2,176	2,176	
<u>Operating Cost: Non-shared</u>			<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>	
Retained & Client Side			92	92	92	92	92	
<b>Total Future Costs</b>		<b>7,949</b>	<b>7,030</b>	<b>6,348</b>	<b>6,348</b>	<b>6,348</b>	<b>6,348</b>	
<b>Shared Services Financial Benefits</b>		<b>29</b>	<b>948</b>	<b>1,630</b>	<b>1,630</b>	<b>1,630</b>	<b>1,630</b>	<b>7,496</b>
<b>Implementation Costs</b>		<b>1,997</b>	<b>1,046</b>	<b>20</b>	<b>10</b>	<b>1</b>		<b>3,074</b>
Programme Manager		1,142	203					1,344
Change Mgt/Office		214	92					306
Employee transition		10	19	20	10	1		59
Redundancy & Pension		133	578					711
IT Investment		499	154					653
<b>NET COST/BENEFIT</b>		<b>-1,968</b>	<b>-98</b>	<b>1,610</b>	<b>1,619</b>	<b>1,629</b>	<b>1,630</b>	<b>4,422</b>
<b>NET COST/BENEFIT (excluding capital)</b>		<b>-1,469</b>	<b>56</b>	<b>1,610</b>	<b>1,619</b>	<b>1,629</b>	<b>1,630</b>	<b>5,075</b>

## Affordability for each council

### Calculation of benefits to each council

There are a number of ways in which benefits could be calculated for each council.

The principle on which the Strategic Business Case was developed and the method preferred by the Section 151 officers is that benefits to each council should be calculated by allocating future costs to each council on the basis of workload measures as shown in the table below. The future cost of shared service to each council is then compared to the current cost of the service to derive the benefit of shared service. This also best reflects the true cost of these services to local tax payers at each council.

#### **Apportionment Metrics for allocating shared services future costs/calculating benefits**

<b>Service</b>	<b>Metric</b>	<b>Based on</b>	<b>Watford</b>	<b>Three Rivers</b>
HR	Headcount plus weighting for workload complexity	FY0809	913	333
R&B (Council Tax)	No of dwellings	FY0607	34900	35600
R&B (Benefits)	Average caseload	FY0607	6200	4700
Finance	Expenditure £m	FY0708	55	37
ICT	No of PCs/Terminals	FY0809	450	296

It is envisaged that these metrics would be used during the first 1-2 years, during which time a more sophisticated cost allocation mechanism would be developed and processes established for gathering volume and workload data.

### Calculation of Implementation Costs to each council

The implementation costs of the shared services programme have been apportioned based on the relative size of the councils as most of the costs relate to the “people” elements of change such as resources, staff support, redundancy, employee transition. This results in 69% of the implementation costs being funded by Watford and 31% by Three Rivers.

## Councils Specific Business Case financials

In line with the principles of calculating benefits and costs described above, the benefits for each council detailed in the table show that:

- Watford will reduce operating costs by £1.2m pa and have a net revenue benefit of £4.3m over the timescale
- Three Rivers will reduce operating costs by £0.4m pa and have a net revenue benefit of £0.7m over the timescale

Financial Summary for Watford Borough Council								
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	
	£000	£000	£000	£000	£000	£000	£000	Total
<b>Benefits</b>								
Current operating costs		5,007	5,007	5,007	5,007	5,007	5,007	
Future operating costs		4,754	4,170	3,774	3,774	3,774	3,774	
<b>Total Benefit</b>		<b>253</b>	<b>837</b>	<b>1,233</b>	<b>1,233</b>	<b>1,233</b>	<b>1,233</b>	<b>6,020</b>
<b>Implementation costs: 69%</b>		1378	721	14	7	1		<b>2,121</b>
<b>Net Benefit/Cost</b>		<b>-1,125</b>	<b>115</b>	<b>1,219</b>	<b>1,226</b>	<b>1,232</b>	<b>1,233</b>	<b>3,899</b>
<b>Net Benefit/Cost excl capital</b>		<b>-781</b>	<b>222</b>	<b>1,219</b>	<b>1,226</b>	<b>1,232</b>	<b>1,233</b>	<b>4,349</b>

  

Financial Summary for Three Rivers District Council								
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	
	£000	£000	£000	£000	£000	£000	£000	Total
<b>Benefits</b>								
Current operating costs		2,971	2,971	2,971	2,971	2,971	2,971	
Future operating costs		3,195	2,860	2,574	2,574	2,574	2,574	
<b>Total Benefit</b>		<b>-224</b>	<b>111</b>	<b>397</b>	<b>397</b>	<b>397</b>	<b>397</b>	<b>1,476</b>
<b>Implementation costs: 31%</b>		619	324	6	3	0		<b>953</b>
<b>Net Benefit/Cost</b>		<b>-843</b>	<b>-213</b>	<b>391</b>	<b>394</b>	<b>397</b>	<b>397</b>	<b>523</b>
<b>Net Benefit/Cost excl capital</b>		<b>-688</b>	<b>-165</b>	<b>391</b>	<b>394</b>	<b>397</b>	<b>397</b>	<b>725</b>

The table below shows the annual operational saving to each council by service.

Service	Benefits, £000		
	Total	Watford	Three Rivers
Human Resources	309	249	60
ICT	459	219	239
Finance	409	305	104
Revenues & Benefits	546	506	40
General Shared Service	0	0	0
Client Side	-92	-46	-46
<b>Annual operational savings</b>	<b>1630</b>	<b>1233</b>	<b>397</b>
<b>As % of baseline used in bus case</b>	<b>20%</b>	<b>25%</b>	<b>13%</b>
<b>Net Revenue Benefit/Cost over timescale</b>	<b>5075</b>	<b>4349</b>	<b>725</b>