

Agenda Item 9.

TITLE	Continuation of Shared Legal Services
FOR CONSIDERATION BY	The Executive on 26 May 2016
WARD	None Specific
DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Tbc

OUTCOME / BENEFITS TO THE COMMUNITY

A professionally supported Council, and services, that received responsive, quality legal services that are delivered at rates below the market average. Therefore, ensuring a reduced drain on our limited resources while providing assurance that decisions are supported by sound legal opinion.

RECOMMENDATION

That the Council extends the Shared Legal Service arrangement with the Royal Borough of Windsor and Maidenhead under the attached Heads of Terms.

SUMMARY OF REPORT

The Shared Legal Services (SLS) contract between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM) will expire on 31 May 2016.

SLS has delivered significant benefits to both partners over the course of the contract, including significant savings by reducing their hourly rate to be around a third less than the lowest market rate. This has been possible through the attraction of new income streams, while working proactively with services to improve processes and practices.

It is proposed that the contract be extended for a further 5 years, to retain this essential and proven quasi-commercial service, and continue to achieve these discounted hourly rates.

A business plan has been developed to demonstrate the future viability of the service and demonstrate how it will be able to provide for the needs of partners, while attracting additional income from new and existing markets.

The contract terms will remain largely unchanged and offer assurance in protecting WBC, as the host authority, from financial and other risks associated with the partnership.

Throughout the duration of the contract, 6-monthly updates will be provided to the Partnership Board and to the Executive, and at least three months prior to the end of the contract it will be brought back to the Executive for consideration.

Background

Shared Legal Solutions (SLS) was set up in 2011 to deliver a more resilient and cost effective legal solution to the partners of Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM). The 5-year contract will expire on 31 May 2016.

SLS has delivered significant benefits to both partners over the course of the contract including;

- Attraction of additional customers, including; Schools, Parish Councils, Town Councils, other Unitary Authorities
- Achievement of additional income streams from further sources, to the value of £150k
- Reduction in unit cost year-on-year to an all-time low of £65 per hour in 2014-15 (£58 per hour when deducting the additional income)
- A customer satisfaction rating of over 90%

It is perceived that SLS has now reached the limit of cost savings in service delivery, as costs have been driven down to a unit cost of £65 per hour. This is well below the lowest market rate of around £95 per hour (for a pay as you go service). Therefore, the objective of the service is now to;

- Retain the differential between the current unit cost and market rate
- Seek to attract new income through further market penetration and broader offer
- Seek to streamline service delivery and increase capacity through the use of technology
- Seek to improve self-help and self-sufficiency where possible by enabling customers through developing their knowledge (learning interventions) and web-based support (a bespoke internet site with templates and guides)

Negotiations on a new agreement have been ongoing between the partners for over 12 months, with service requirements discussed with customers in order to inform the future business need, delivery model and business plan.

Agreement has now been reached between the partners and Heads of Terms created to outline the proposed new arrangement, which is largely unchanged from that previously agreed.

The main difference is a requirement from RBWM to assist them in reducing demand from their services to achieve a saving of £250k by Year 2 (2017-18). This loss of demand does bring a risk of increased unit costs for all parties but it is anticipated that this can be mitigated through effective service and workforce planning. In addition, SLS will offset any drop in income from RBWM through retaining all income generated while charging additional fees for services that are out of scope, or delivered at superior service levels.

Slough Borough Council remains a customer of the service and not a partner, but discussions continue about future and further involvement with SLS.

Wokingham Borough Council will be reviewing all of its support services costs as part of the 21st Century Council programme. The approach taken by RBWM for legal services support will inform this review.

Analysis of Issues

Several options are available to WBC in taking the Legal Service forward over the coming 5 years.

Retaining Current Demand

If the service were to go forward with current levels of demand, then it is still likely that a small rise in the hourly rate would be observed by all parties. This is due to increasing staffing costs, which form the majority of service costs, as well as the current costs being perceived to be the lowest possible (well below the market rate). Currently staff utilisation rates are above 100% and as such additional resources would be needed to further increase the customer based and deliver new income streams. This option is not possible as RBWM have made their intention clear that a reduction in demand is required in 2017-18.

Reducing RBWM Demand (Recommended Route)

A reduction in demand from one party will likely increase the overall hourly rate beyond the anticipated levels should the level of demand be unchanged, however the true impact is hard to quantify. This change in demand will see a need to reduce staff levels by around 4 full-time equivalents (FTE) and may see a need for redundancies with associated payments if additional income cannot be generated from other customers. However, any such liabilities would sit with RBWM.

This level of staff reduction is likely to have a limited impact on overall resilience of the service, as the retained workforce remains at a healthy level. In addition, the reduction in demand will need to be sufficient for the remaining resource to have capacity to support the intended increase in demand from other customers. This additional income would allow the service to offset the risk of increased hourly rates by plugging the gap in demand.

This route is recommended as it will provide WBC with the most value for money option, as well as providing a resilience that would not be met through the other options due to economies of scale.

Reducing WBC and RBWM Demand

A reduction in demand from both parties would significantly increase the overall hourly rate as there would be significantly less billable hours due to staff reductions of around 7FTE. There would be a need for redundancies with associated payments and the liability would sit with the parties proportionately.

In addition, the loss of staffing would reduce the resilience of the service meaning some specialisms may be lost and have to be bought in from external legal services at higher cost. This route may also be needed to cover where staffing levels were insufficient to deal with demand e.g. cover sickness

The limited resource would likely leave little capacity to attract and maintain new customers and so it would be unlikely that additional income could be obtained. There may even need to be a reduction in current income where reduced staffing levels and specialisms could see a need to cut some existing traded services.

Selling Services to RBWM

The option exists to permit RBWM to vary their demand through a revised agreement and for WBC to seek to sell services to RBWM rather than through a shared service.

This has the ability to attract a higher hourly rate from RBWM as they would be seen as equivalent to other customers, and this could generate additional income.

This arrangement would be subject to agreement with RBWM and, should they not wish to pursue this, could end the arrangement and see WBC with a significant increase in hourly rate and decreased resilience due to the drop in demand and resultant staffing levels. Even if agreeable, there is no guarantee that WBC would see the current level of demand from RBWM as they could seek to operate differently e.g. through employing some staff directly or using other service providers.

Finally, this arrangement would leave WBC with all liabilities and risks associated with running the service.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£669,430	Yes	Revenue
Next Financial Year (Year 2)	£702,902	Yes	Revenue
Following Financial Year (Year 3)	£738,047	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

These are the costs associated with payments for Wokingham Borough Council’s legal service requirements as part of the shared arrangements.

There is an annual increase due to the likely increase in staffing costs over this period. However, these figures represent the maximum cost to WBC as they do not consider the effect of income. If the income targets are met, then they will offset any increase and provide WBC with a neutral cost position e.g. little to no increase each year.

This relies on assumptions relating to;

- A decrease in demand from RBWM in Year 2 (likely to be around £250k)
- A decrease in staff by Year 2
- An increase to salary costs of retained staff over the duration of the agreement
- An increase in rates due to an increase in the Retail Price Index (RPI)
- Increased income from other sources e.g. through trading arrangements with schools and other Councils

This does not assume a reduction in demand from WBC, however work is ongoing to more effectively manage demand and so reduce the need for some legal support. This could enable a reduction in costs for WBC.

Cross-Council Implications

There will be limited impact on other Council services as the decision will continue to see the broad range of legal services provided to our services as determined by the agreed service levels.

List of Background Papers

1. Heads of Terms.
2. Shared Legal Services Business Plan.

Contact: Billy Webster	Service: Support Services
Telephone No: 01189746177	Email: billy.webster@wokingham.gov.uk
Date: 16 May 2016	Version No.

This page is intentionally left blank