



Presentation on LGSS Law Ltd

Audit Committee 30 July 2018

Purpose

This presentation to the Audit Committee summarises the background to the current arrangements and sets out the benefits achieved so far.

The main focus is on the services being provided to the Council.

It also provides some information on the company performance, as Central Bedfordshire Council is one of the shareholders.

Background

- Until April 2016 legal services had been provided to the Council mainly through an in-house team of 28 staff. These staff were expected to cover all main areas of legal work for the Council.
- The staffing cost of this team was c.£2.2m
- Additionally, c£800k of work was outsourced to third party suppliers to meet either capacity constraints or where there was insufficient in-house expertise.
- Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) had entered into a Joint Committee arrangement to share certain services including finance, IT, HR and legal.
- This partnership has no separate legal identity and has since been joined by Milton Keynes Council, though this latter excludes legal services.
- From this partnership, legal services was subsequently spun off into a separate company, LGSS Law Ltd. CCC and NCC were the shareholders with 50% each.

Anticipated Benefits

- In April 2016 as part of the continuing efforts to secure efficiency savings and improve quality of service CBC went to market in a competitive tender exercise resulting in CBC joining LGSS Law Ltd for the provision of legal services to the Council.
- CBC became a 33% shareholder alongside CCC and NCC.
- 28 staff were transferred to the company under TUPE regulations.
- The principal benefits anticipated from this model were:
 - Cost saving of £240k in the first year of operation
 - Access to a wider pool of expertise and attraction of high quality staff into the company
 - Greater resilience and continuity from the above
 - Ability to bring into the shared service the majority of the legal services work going to third party providers
 - Maintained and improved service levels to internal clients

Key Differentiator

Unlike CCC and NCC, CBC has retained a client side resource to:

- retain a central budget for all “core” services (such as adult and children’s social care, monitoring officer services) to identify and track usage trends and anomalies
- analyse, challenge and validate core billing
- review the service levels and LGSS Law delivery against these and provide challenge where necessary
- support service users in adopting the ‘intelligent client’ role in commissioning legal services
- provide support to service users for ‘non-core’ costs charged to individual budget holders (capital projects, specialist advice on one-off matters)
- identify legal spend across the Council and channel this, where appropriate, through the shared service

Benefits Realisation

- In 2016/17 the budgeted cost savings were achieved (£240k)
- Client satisfaction returns at the end of each case show 100% satisfaction
- However, the TUPE staff survey was disappointing with the majority raising concerns about poor communication and working environment
- A further savings target of £75k for 2017/18 was not met in total, as there was a reported overspend of c£600k.
- It needs to be understood that this is not a straightforward comparison, the forecast savings in the Financial Case being based on a fixed volume. The volume of case work from Children's Services increased by c.£400k and more work was brought into LGSS Law than had been originally anticipated.
- The cost of legal work now going outside the arrangement has reduced from c£600k prior to LGSS Law being the provider, to c£300k currently.
- LGSS Law charge out rates compare very favourably with the market rates, so this work is being delivered more economically than previously.
- It may therefore be that the efficiency saving was met but was outweighed by these volume factors.

Service Issues

Whilst end of case surveys are running at 100% 'satisfied' or better, a more detailed drill down through the client side function and annual user survey shows:

- Higher than expected staff churn
- Instances of ineffective case handover
- Issues with capacity
- Issues with response times to client requests
- Higher than expected billing queries

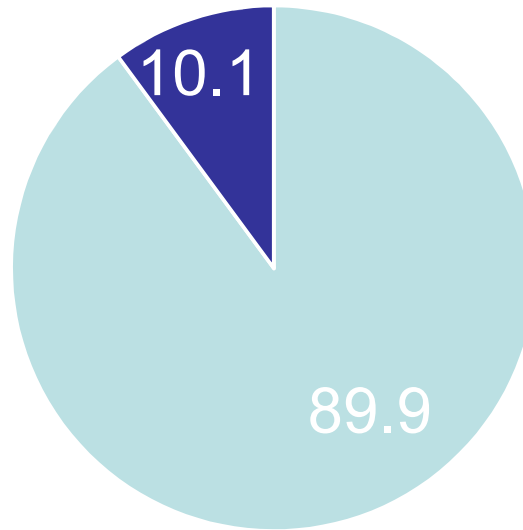
It should be noted that many of these were issues with the old in-house service, but that a key 'value add' for the shared service was to improve on this

A Service Improvement Plan has been developed with LGSS Law to drive up performance in these areas

Company Performance

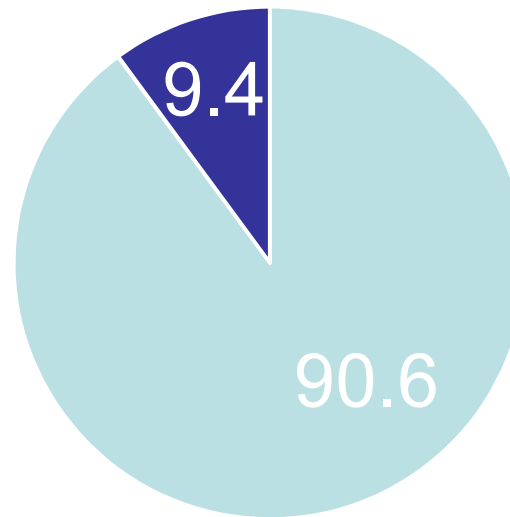
- Initially promising financial performance was not maintained in 2017/18.
- There are 3 principal reasons behind this:
 - Very considerable activity and resources were invested in trying to bring forward a merger with 3 London Councils. Whilst not successful to date, this project (reduced now to 2 Councils) will be reviewed again in the Autumn. The costs incurred to date have been written off.
 - Staff resourcing issues have led to the employment of more interim staff at higher cost than budgeted.
 - Problems with accuracy of billing to clients has led to additional resourcing being required to sort out queries.
- Whilst not an issue of profitability, there have been concerns over the level of debt owed by some of the shareholder councils.
- There have been significant changes and improvements made to the Governance of the company over recent months:
 - A new role of Executive Director of Finance and Operations is in post
 - Interim Executive Director for the professional practice side appointed
 - New Finance Manager in post
 - Company senior level structure under review
 - New Non-Executive Directors appointed by CCC and NCC

LGSS Law Turnover 2017/2018



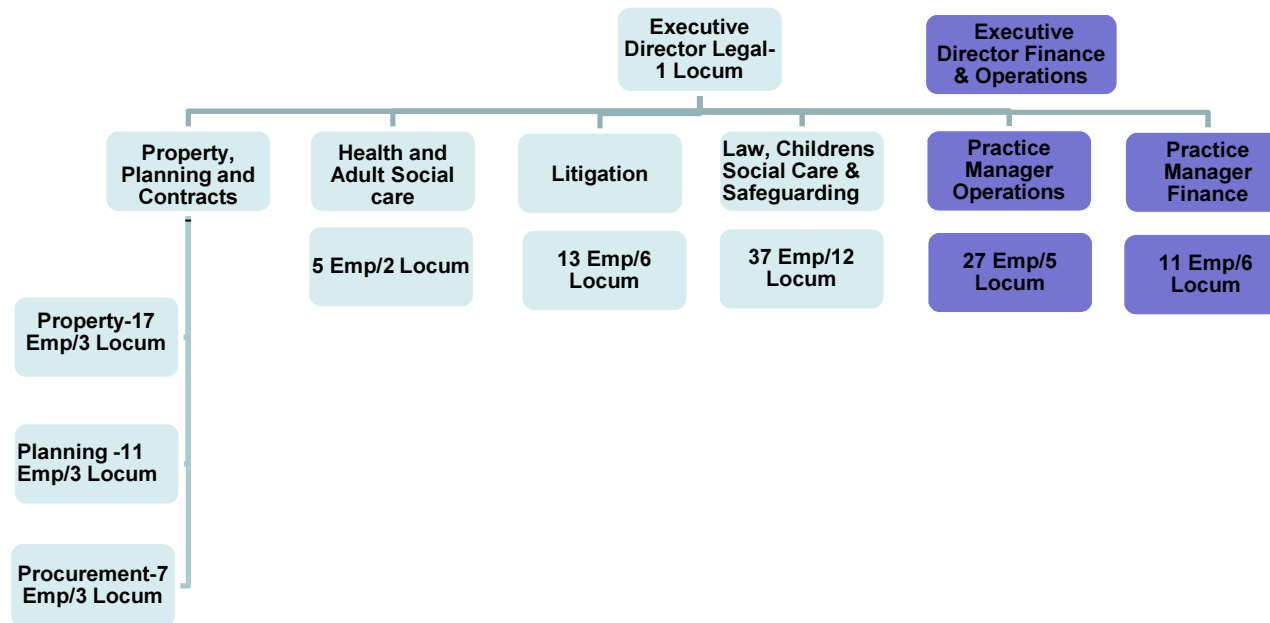
- Shareholder revenue
- Non shareholder revenue

LGSS Law Budget 2018/2019

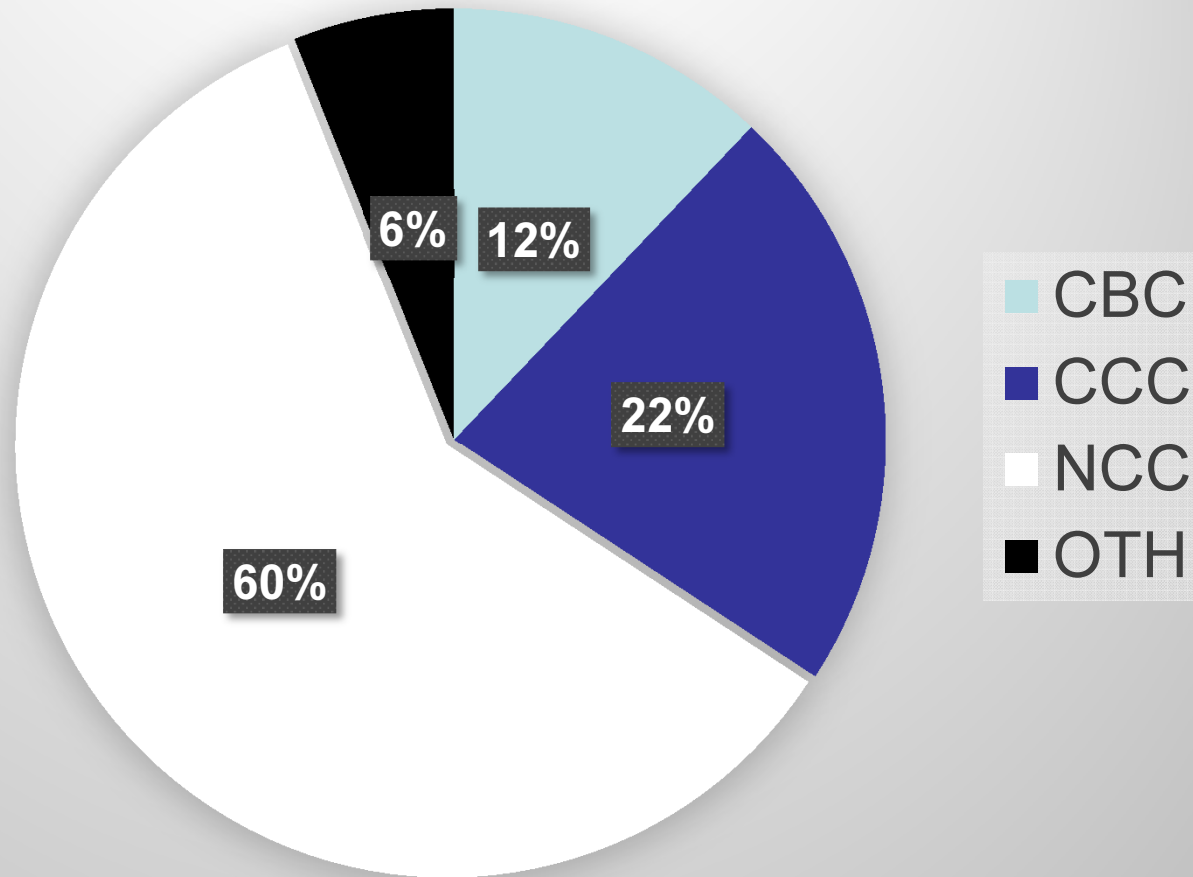


- Shareholder revenue
- Non shareholder revenue

LGSS Law Management structure



LGSS Law total outstanding debt



Conclusion

- The new arrangements to deliver legal services through LGSS Law Ltd have had some success to date
- Efficiency savings have been demonstrated and there is high client satisfaction
- Some issues have been encountered around service quality
- There have been some concerns regarding the financial performance of the company itself
- **New management is in place and all issues are being resolved and improvements are being made across the board.**