Cabinet

Agenda

Date:	**Monday, 7th January, 2013**
Time:	**2.00 pm**
Venue:	**Council Chamber, Municipal Buildings, Earle Street, Crewe CW1 2BJ**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Part 2 Private Agenda - To Respond to any Representations Received**

   To respond to any representations received from Elected Members or from the public regarding the reasons for any matters on this agenda being considered in private.

4. **Minutes of Previous Meeting** (Pages 1 - 10)

   To approve as a correct record the minutes of the meeting held on 10th December 2012.

5. **Public Speaking Time/Open Session**

Please contact Cherry Foreman on 01270 686463
E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies or requests for further information or to give notice of a question to be asked by a member of the public

In accordance with Procedure Rules Nos.11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the Committee.

Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

In order for an informed answer to be given, where a member of the public wishes to ask a question of a Cabinet Member three clear working days notice must be given and the question must be submitted in writing at the time of notification. It is not required to give notice of the intention to make use of public speaking provision but, as a matter of courtesy, a period of 24 hours notice is encouraged.

6. **Key Decision 35 - Alderley Park Bio-Incubation Centre** (Pages 11 - 18)

To approve the decisions requested, as set out in the report, regarding the Council's participation and investment in a Joint Venture to establish and operate a BioScience Incubator Centre for new and existing small businesses in the bioscience sector.

7. **Key Decision 33 - Disposal of land off Earl Road, Handforth** (Pages 19 - 28)

To consider a report relating to the disposal of land off Earl Road, Handforth.

8. **Key Decision (11/12) 39 - Shared Services Separate Legal Entity** (Pages 29 - 138)

To consider a report concerning the future of the key Shared Services between Cheshire East Council (CE) and Cheshire West and Chester Council (CWAC), namely the ICT and HR and Finance Shared Services.

9. **Key Decision 39 - Crewe Railway Exchange - Site Assembly and Land in Unknown Ownership** (Pages 139 - 154)

To consider a report seeking authority to pursue a Compulsory Purchase Order under the Town and Country Planning Act 1990, in order to acquire land to the south west of Weston Road in Crewe.

10. **Personalisation, Quality and Safety for Vulnerable Adults in Cheshire East: A Review of the Coherence and Effectiveness of Current Arrangements** (Pages 155 - 186)

To receive the report on the Personalisation, Quality and Safety for Vulnerable Adults in Cheshire East: A Review of the Coherence and Effectiveness of Current Arrangements and to note the current position in relation to the recommendations made in the report.

11. **Transfer of the former Broad Street School, Crewe** (Pages 187 - 204)

To consider a revised proposal, following the previous Cabinet Report of 20th August 2012, to relocate the Cheshire Academy of Integrated Sport and Arts from their existing premises at Macon Way, Crewe to the former Broad Street School, Crewe.

12. **Universal Information and Advice Services Update 07 01 13 doc (2).docx** (Pages 205 - 208)

To receive a report seeking permission to amend the method for administering the grant aid Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North for twelve months from 1 April 2013 – 31 March 2014.

13. **Authorisation of Officers** (Pages 209 - 210)

To consider the attached report.

14. **Exclusion of the Press and Public**

The report relating to the remaining item on the agenda has been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

15. **Key Decision 34 - Land at Parkgate, Knutsford** (Pages 211 - 216)

To consider a report relating to land at Parkgate, Knutsford.

This page is intentionally left blank

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Monday, 10th December, 2012 at Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)
Councillor D Brown (Vice-Chairman)

Councillors J Clowes, J P Findlow, L Gilbert, J Macrae, R Menlove, B Moran and P Raynes.

Also Present
Councillors Rhoda Bailey, D Bebbington, S Corcoran, K Edwards, R Fletcher, D Flude, M Grant, P Groves, P Hoyland, B Livesley, P Mason, G Merry, B Murphy, D Newton, L Smetham, D Stockton, A Thwaite and S Wilkinson.

Officers in attendance
Interim Chief Executive; Borough Solicitor and Monitoring Officer; Director of Finance and Business Services; Head of Health Improvement; Head of HR and Organisational Development; Strategic Director Children Families and Adults; Strategic Director Places and Organisational Capacity; and Strategic Planning and Housing Manager.

108 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Rachel Bailey.

109 **DECLARATIONS OF INTEREST**

Agenda Item 6 (Key Decision 14 Cheshire East Local Plan – Draft Development Strategy and Policy Principles) Councillor P Findlow declared a non-pecuniary interest by virtue of being a Governor of a School; Councillor B Moran declared a non-pecuniary interest by virtue of having been a member of the former Sandbach Stakeholder Advisory Panel.

Agenda item 10 (Council Tax Base 23013/14) Councillor P Findlow declared a non-pecuniary interest by virtue of being the owner of a property that might at some time become vacant.

In each case they took no part in the discussion and did not vote on the decision requested.

110 **PUBLIC SPEAKING TIME/OPEN SESSION**

Erin Buck, Janey Parish and Heidi Reid each spoke on the walking route from Bollington to Tytherington High School. Following the removal of the free school bus service 94 parents had walked the recommended safe route to the school from Bollington and found it to be unsatisfactory for a number of reasons including the distance and time it would take to get to school, the difficulty for children of having to carry backpacks and musical instruments over such a distance, inadequate lighting on large stretches of the Middlewood Way, poor drainage and surface treatment and the general overall safety on isolated stretches of the Middlewood Way. Cabinet Members were invited to walk the route themselves in order to investigate further the concerns of the parents.

Councillor Bill Scragg, of Sandbach Town Council, spoke on a number of matters associated with the Cheshire East Local Plan, particularly concerns in respect of the amount of housing allocated to sites in and around Sandbach, and also regarding proposed changes for sites previously allocated for employment only.

111 **MINUTES OF PREVIOUS MEETING**

RESOLVED

That the minutes of the meeting held on 12 November 2012 be approved as a correct record.

112 **KEY DECISION 4 - INTERIM HEALTH AND WELLBEING STRATEGY 2013/14**

Consideration was given to the Interim Joint Health and Wellbeing Strategy for 2013/14, between the Local Authority and the Clinical Commissioning Groups in Cheshire East. The Strategy had been prepared in accordance with the requirements of the Health and Social Care Act 2012 and it identified a number of priority areas for the Board to work on together over the next year.

RESOLVED

That the Interim Joint Health and Wellbeing Strategy 2013/14 be endorsed.

113 **KEY DECISION 14 - CHESHIRE EAST LOCAL PLAN - DRAFT DEVELOPMENT STRATEGY AND POLICY PRINCIPLES**

Councillors P Findlow and B Moran had each declared a non-pecuniary interest in this item.

Consideration was given to the Cheshire East Development Strategy and to the Policy Principles Document prior to commencing a period of consultation. The Council had undertaken a strategic Issues and Options consultation and over the last year had carried out an intensive programme of place shaping and neighbourhood planning. The two documents now being considered pulled the various elements together and presented a jobs led strategy for growth and prosperous communities which would be consulted on before a final submission version of the Core Strategy was prepared in the summer of 2013.

The Portfolio Holder for Communities gave detailed feedback on the public speaking session and on the ensuing debate at the Strategic Planning Board on 6 December; both reports had been endorsed at that meeting the minutes of which were circulated for information.

Visiting Councillors spoke on a number of matters including the amount of housing proposed and the location of some of the proposed sites, the need and value of retaining employment only sites, concerns for wards affected by prospective road and infrastructure improvements, and changes in green and open space allocations.

RESOLVED

1. That the recommendations of the Strategic Planning Board on 6 December 2012 be noted.

2. That the Cheshire East Development Strategy (Appendix 2 of the report) and the Cheshire East Policy Principles (Appendix 3 of the report) be approved for consultation.

3. That approval be given for the Cheshire East Development Strategy to be used as a material consideration for Development Management purposes with immediate effect.

4. That approval be given for any minor typographical or other non material amendments to be delegated to the Portfolio Holder for approval prior to publication.

114 KEY DECISION 28 - LIBRARIES STOCK PROCUREMENT

Consideration was given to the procurement of a new libraries stock contract jointly with Cheshire West and Chester Council. The existing contract was due to expire on 31 March 2012 and a new contract was required in order to ensure that the needs and expectations of users were met and that the Council could fulfil its statutory duty to provide a comprehensive and efficient library service.

RESOLVED

That the Customer Services and Libraries Manager be given delegated authority to award a new contract for libraries stock following procurement.

115 **KEY DECISION 22 - FUTURE DELIVERY MODEL FOR WASTE MANAGEMENT SERVICES**

The identification of future service delivery options for recycling and waste was a major change project for the Council and specialist consultancy had been commissioned to assess options for the delivery of the Councils household waste and recycling services. Four service delivery options had been considered and the report identified the option that would deliver the highest savings, the relevant timescales for its implementation, measures that could be taken in the short term and the steps to be taken to commence the procurement process.

It was reported that the contract for residual waste disposal was due to expire in March 2014 and could not be extended further. Although the garden waste composting, recyclate processing and bulking contracts were due to expire at the same time there was more flexibility with those as they could be extended beyond that time.

RESOLVED

1. That approval be given to Option i/ii as the preferred way forward and that the Strategic Director Places and Organisational Capacity, and the relevant Portfolio Holders, work with the relevant Members to commence the procurement exercise immediately.

2. That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, appraise the Cabinet of the outcome of the tender exercise, and seek their approval to proceed with the contract award, at a future meeting of the Cabinet.

3. That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised to procure an interim residual waste treatment contract to run from April 2014 until the implementation of new overall arrangements.

4. That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised to extend the current dry recycling and garden waste contracts to coincide with the implementation of the new arrangements.

5. That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised to procure external consultancy support to deliver new arrangements.

6. That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised to explore alternative procurement routes to traditional procurement processes, including working with other local authorities or local authority consortia to deliver the goals of this project but in a more cost effective manner .

116 **KEY DECISION 32 - AWARD OF LOCAL SUSTAINABLE TRANSPORT FUND BUS SERVICE CONTRACT**

Consideration was given to the award of a new Crewe Town Centre bus service, to be an integral element of the Council's aspirations to develop sustainable transport in Crewe. The provision of the new services was a key component of the Local Sustainable Transport Fund (LSTF) programme approved by the Department for Transport.

RESOLVED

That approval be given to the award of contract to D&G for the new Crewe town centre bus service, funded through the LSTF with a contract date of 31 March 2015.

117 **COUNCIL TAX BASE 2013/14**

Councillor P Findlow had eclared a non-pecuniary interest in this item.

Consideration was given to the Council Tax Base for 2013/14 and to important changes in its calculation. Approval of the Tax Base was required before 31 January 2013 so that the information could be used by the Cheshire Police Authority, and by the Cheshire Fire Authority, for their budget purposes.

The Portfolio Holder for Finance gave a detailed explanation of the changes in addition to which he reported on the recommendations to Cabinet by the Corporate Scrutiny Committee following its meeting on 7 December 2012 which were circulated at the meeting.

RESOLVED

1. That the Cabinet, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, recommends to Council, the amount to be calculated by Cheshire East Council as its Council Tax Base for the year 2013/14 as 137,122.19 for the whole area.

2. That the Cabinet recommends to Council the Cheshire East Council Tax Support Scheme, in accordance with Appendix A of the report.

3. That the Cabinet recommends to Council the calculation of the Council Tax Base for Local Preceptors, in accordance with Appendix B of the report.

118 **THREE YEAR MEDIUM TERM FINANCIAL STRATEGY 2013/16**

Consideration was given to an update on the budget setting process for the Council for 2013/14 and to the progress made in the development of the Medium Term Financial Strategy for 2013/16. A number of strategic decisions were included in the report that would support the overall balancing of the Council's budget for 2013/14 and in the medium term.

RESOLVED

1. That the updated medium term financial analysis, informed by the Mid Year Review of Performance reported to Cabinet on 12 November 2012 as part of the first phase of review, be noted.

2. That approval be given to the following strategic financial decisions that contribute to the Budget Setting process for 2013/2014, and to the Medium Term Financial Plan for 2013/2016, which will be subject to both internal and external consultation up to the final approved position at Council in February 2013 (detailed in Table 2 of the report):

   - Increase estimated Grant Funding based on the return of national contingencies in 2013/2014 of £3.7m (related to New Homes Bonus).
   - Reduce the Capital Financing element of 'Central Adjustments' by £2.8m based on the review and reductions of the Capital Programme (subject to Council decision on 13 December 2012).
   - Apply Capital Reserves to reduce existing borrowing costs by £2.4m in 2013/2014 and enable further reductions in future years.
   - Freeze Council Tax Band D levels for a third consecutive year, making the Council eligible for additional Freeze Grant funding of approximately £1.8m. Cheshire East Council Tax will again be £1,216.34 for a Band D property.
   - Increase Council Tax income by £3.3m based on the reduction in certain discounts and the revised tax base for 2013/2014 (subject to Council decision on 13 December 2012).
   - Apply the current annual contribution to General Reserves of £1.6m, associated with the impact of Business Planning proposals in the 2012/2015 Business Plan, to the Council's base budget for 2013/2014 and future years.
   - Increase the contribution to reserves by £1.3m from 2013/2014 to 2015/2016 based on the pay back of the strategic investment of reserves of £3.9m in 2012/2013.
   - To commit to the investment of reserves, in excess of the risk assessed minimum level of reserves, in the Change Projects that will deliver the Council's 3 Year Plan, particularly with regard to its local economic growth ambitions.

- To approve the savings forecast from the first phase of the review of Change Projects (Appendix 7 of the report) as a contribution to balancing the 2013/2014 Budget and the 3 Year Medium Term Plan for 2013/2016, subject to appropriate consultation internally via Policy Development Groups and the Executive Monitoring Board governance arrangements and externally with the public, key stakeholders and via specific consultation mechanisms where required.

3. That the other relevant assumptions in the Council's Medium Term Financial Plan, such as Government funding estimates, that will be subject to further updating during the second phase of review in the period leading up to the setting of the Council's 2013/2014 Budget in February 2013 (Appendix 6 of the report) be noted.

4. That approval be given to initiation of the consultation/engagement arrangements on the Change Projects in the lead up to the setting of the Council's 2013/2014 Budget in February 2013, internally via Policy Development Groups and the Executive Monitoring Board governance and externally with the public and key stakeholders.

119 **ANNUAL GOVERNANCE REPORT - CABINET RESPONSE**

Cabinet was requested to approve the Council's response to the recommendations in the Audit Commission Annual Governance Report which had been presented to the Audit and Governance Committee on 27 September 2012. The four recommendations in the report were intended to improve the Council's arrangements to secure value for money and it was important to demonstrate the Council's commitment to improvement and to its new vision for the future, as set out in its 3 Year Plan and on which significant progress had already been made,

RESOLVED

That approval be given to the Council's response to the Audit Commission Annual Governance Report, as set out in Appendix 2 of the report, the recommendations of which were intended to improve arrangements to secure value for money.

120 **REGULATION OF INVESTIGATORY POWERS ACT - REVISIONS TO POLICY AND PROCEDURES**

Consideration was given to revisions to the Regulation of Investigatory Powers Act (RIPA) Policy and Procedures to take into account the Protection of Freedoms Act 2012. The Council was obliged to comply with the necessary legislation and regulations and to ensure that its policies and procedures reflected the latest changes.

RESOLVED

That approval be given to the revised RIPA Policy and Procedures.

121 **REVISED STATEMENT OF GAMBLING PRINCIPLES**

Consideration was given to the content of the Revised Statement of Principles under the Gambling Act 1985; the Statement formed part of the Council's Policy Framework and were, therefore, due to be formally adopted by the Council at its meeting on 13 December. The Council was required to review its existing Statement of Principles by 31 January 2013 and a consultation with stakeholders had been carried out as part of that process.

RESOLVED

That the Cabinet supports the content of the Statement of Principles, set out in Appendix 1 of the report, and that their formal adoption be recommended to the Council.

122 **UNIVERSAL INFORMATION AND ADVICE SERVICES**

Cabinet was asked to agree to grant aid the provision of universal information and advice services across Cheshire East. The Welfare Reform Act 2012 provided for the introduction of a universal credit to replace a range of means tested benefits and tax credits and as the impact of these changes was unknown it was not possible to specify the Council's requirements for such services to inform formal tendering process. The provision of grant aid was, therefore, a mechanism through which the Council could ensure the continued provision of universal information and advice services during the financial year 2013/14.

RESOLVED

1. That agreement be given to grant aid the provision of universal information and advice services across Cheshire East.

2. That it be noted that this will be a competitive process that will invite suitably qualified organisations to apply.

123 **NOTICE OF MOTION - HIGHWAYS MAINTENANCE RESPONSE TIMES**

A Notice of Motion had been submitted to the Council at its meeting on 11 October 2012 and Cabinet was now asked to consider the response. The report set out the current situation with regard to highway maintenance and how it was delivered by Ringway Jacobs, and set out the actions that were now proposed.

RESOLVED

1. That the Notice of Motion be noted.

2. That approval be given to the recommendations set out in Section 10 of the report.

124 **COMMISSIONING CREWE CUMBERLAND LIFESTYLE CENTRE**

Consideration was given to the delivery of the Crewe Lifestyle Centre, on the existing Cumberland Arena site, by procuring and appointing a design and build contractor. The Centre would be part of the 'All Change for Crewe' regeneration plans and provide new inclusive leisure facilities, modern family and adult social care provision and community facilities all in one place, it would facilitate further economic regeneration within Crewe and provide a modern 21st Century Lifestyle Centre.

RESOLVED

That approval be given to progress the delivery of the Crewe Lifestyle Centre Scheme as set out in the business case attached to the report, by procuring a design and build contractor.

The meeting commenced at 2.00 pm and concluded at 3.50 pm

M Jones (Chairman)

This page is intentionally left blank

Agenda Item 6

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting: 7 January 2013
Report of: Head of Development
Subject/Title: Alderley Park Bio-Incubation Centre
Portfolio Holder: Cllr Jamie Macrae

1.0 Report Summary

1.1 This report is further to an informal report to Cabinet on 13th August 2012, which gave an initial direction to proceed with the measures now detailed in this report.

1.2 AstraZeneca UK Ltd (AZ) has invited the Council to participate and invest in a Joint Venture (JV) to establish and operate a BioScience Incubator centre for new and existing small businesses in the bioscience sector. The JV will be an independent, not-for-profit company operating as the first element within a new BioScience Park at Alderley Park.

1.3 AZ, with the Council's support, have developed this proposal for a BioScience Incubator that will be a 5,000 sq m purpose-built facility that will provide the accommodation, technical facilities (e.g. wet and dry labs), and business support to nurture new and small bioscience businesses. Occupiers may be in AZ's current or future supply chain, or even direct competitors, as the facility will be independently managed by a bioscience specialist facilities management company, on a contract basis to the proposed Joint Venture company.

1.4 The BioScience Incubator is budgeted to cost £20m to establish (including land values, design, construction, specialist laboratory equipment and associated facilities), and will build on the experiences of similar facilities elsewhere in the UK, including BioCity in Nottingham.

1.5 Following early discussions with AZ, momentum has rapidly gathered behind this proposal, which has already resulted in the allocation of £5m Government funding towards the project[i]. As well as approaching the Council, it is seeking the participation of a University in the JV, which could add value to the project through a further investment and access to a wider network in the academic / scientific community. With the support of the Council, AZ is also seeking funding from other sources, including the European Regional Development Fund (ERDF).

1.6 There is strong support from a widre range of stakeholders, both in industry and the public sector, including from local MPs, Cheshire & Warrington LEP, Greater Manchester LEP and universities. AZ has already been approached by companies seeking premises even prior to co-ordinated soft market testing.

2.0 Decision Requested

2.1 Cabinet is requested to:

i) Give in principle agreement to proceed in collaborating with AstraZeneca UK Ltd and other interested parties in order to establish a not-for-profit Joint Venture company with the purpose of promoting and providing business incubation premises and support to businesses in the bioscience sector.

ii) Endorse the Council seeking to become a member of the Joint Venture Company, with the representation of the Portfolio Holder for Prosperity & Economic Regeneration as its nominated Director.

iii) Agree to support the allocation of £1m funding to the Joint Venture Company referred to in i) and ii) above, in the form of a repayable loan. This is on the basis that the Council does not seek clarification from the European Commission, and is cognisant of the risk identified in section 8 relating to State Aid and a potential requirement for the Council to recover part of the loan interest from the JV. The loan will be repayable to the Council upon key milestones being achieved. These milestones will be determined during the due diligence process to ensure that they support, rather than constrain, the development of the BioScience incubator. This allocation is subject to the approval of the project business case that is in the process of being taken through the TEG/EMB project approval process.

iv) Delegate responsibility for approving the detail relating to i), ii) and iii) above, to the Interim Chief Executive or his identified nominee, in consultation with the Cabinet Member for Prosperity & Economic Regeneration, and subject to consideration by the Monitoring Officer and the Chief Financial Officer.

3.0 Reasons for Recommendations

3.1 The proposed BioScience Incubator project relates directly to the Council's key priority: *A growing and resilient local economy.* It is also prioritised in the Council's Three Year Plan:

- Outcome 2: *Cheshire East has a strong and resilient economy*),
- Priority 1 (*Local Economic Development*), and
- Change Project 1.3 (*Investment to support business growth*).

Direct benefits

3.2 The project has the potential to create 440 jobs associated with the BioScience Incubator and further jobs in the wider BioScience Park in the long term, as successful businesses grow and take on mainstream commercial premises.

3.3 This project will strengthen our relationship with AZ as the Borough's largest private sector employer in both strategic and operational terms, thereby helping to ensure job retention and employment growth in our local economy. The direct benefits of this include the retention / increase of residents in the Borough that contribute directly to the Council through Council Tax.

3.4 Additionally, through the development of both the BioScience Incubator premises and subsequent phases of the BioScience Park, the Council will benefit directly through the generation of additional business rate income.

Indirect benefits

3.5 Amongst the indirect benefits of the project, the Council will gain a positive reputation in engaging with an initiative of this nature, through:
- collaboration with an existing key employer
- investing in an incubation centre that stimulates the formation and growth of new innovative businesses in a high-value sector
- providing a loan mechanism, which enables to Council to recover its funding when the incubator is viable commercially (so minimising interference with mainstream commercial market).

3.6 The creation of the BioIncubator and Science Park will have strong synergies with current AZ activities at Alderley Park, as it will provide a unique hub for pharmaceutical innovation and biotech enterprise on surplus land/accommodation. Companies located on the site would have access to AZ's state-of-the-art facilities, know-how and human capital. Similarly, discussions to date have indicated that there will be complementarities with other bioscience / R&D activities elsewhere in the UK, including with the Keele University Science Park and MediPark.

4.0 Wards Affected

4.1 The proposed BioScience incubator project will be located in the Chelford ward, but the nature of its operation determines that all wards are likely to benefit.

5.0 Local Ward Members

5.1 Cllr George Walton (Chelford ward)

6.0 Policy Implications including - Carbon reduction
- Health

6.1 As well as contributing directly to the Council's key priorities and its new Three Year Plan, this proposal accords with and is complimentary to:

Ambition for All :Sustainable Community Strategy 2010-2025:
- Harness emerging growth opportunities
- Create a climate attractive for business investment
- Revitilise Macclesfield

Cheshire East Council Corporate Plan 2011-2013
Objective 2: Grow and develop a sustainable Cheshire East: foster economic growth and regeneration through providing the right environment for businesses to grow

Cheshire East Economic Development Strategy:
- Macclesfield and its hinterland sustain their current position as one of the most successful parts of the regional economy
- ensure that Cheshire East maintains and enhances its role as a 'knowledge economy', through innovation in its businesses and skills development in its workforce.
- facilitate economic growth through progressing schemes that will create jobs and improve the attractiveness of the area as a place to invest, live and visit.

6.2 In planning policy terms, the Alderley Park site is designated a 'Major Developed Site in the Green Belt' under policy GC4 of the Macclesfield Borough Local Plan. This policy permits limited infill / redevelopment proposals. The National Planning Policy Framework (NPPF) also permits limited infilling or the partial or complete redevelopment of previously developed sites (brownfield land), which does not have a greater impact on the openness of the Green Belt and the purpose of including land within it. The proposed site for the incubation centre is on brownfield land, therefore subject to the development not having a greater impact on the openness of the Green Belt, and complying with the criteria set out in policy GC4 the development would be considered "appropriate".

6.3 At this stage, no direct equality impacts are identifiable. However, fuller consideration of equalities impacts will be undertaken in establishing the terms of the JV and its Business Plan, and in the terms of contracts between the JV and Third Parties.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 It is proposed that the Council invest £1m into the Joint Venture Company that is in the process of being established, through a funding agreement. It has been assumed that this will be treated as capital expenditure in accordance with capital financing regulations.

7.2 The government considers it appropriate that such expenditure should count as capital expenditure, so that the cost can be properly met from capital resources rather than having to be charged as a revenue cost. The reason for treating as capital expenditure is that it comes under the capital control regimes and limits the ability of local government to make loans to third parties.

7.3 The £1m will be repaid to the Council with interest upon key triggers being achieved in the funding agreement. These are likely to relate to occupancy levels and income targets, but have not yet been determined. It is expected that the £1m will be a loan to the JV for which the principal and interest is recovered in full between Years 5 and 15.

7.4 As this transaction will have capital control implications, it will need to be included in the Council's calculation of its capital financing requirement and funded either by application of a capital receipt or through revenue provision for debt repayment. The timing of debt repayment can be treated flexibly to co-incide with the loan repayments from the JV.

7.5 The financing arrangements for the loan and the repayment terms will be subject to more detailed assessment to be included in the business case and evaluated through the project approval process.

7.6 In addition to the costs identified above, in progressing with the recommendations of this report the Council will incur additional costs:

- indirect costs in relation to officer time (approximately £1,500 - £3,000 pa), funded from existing staffing budgets

- independent advice on State Aid and the proposed Joint Venture arrangement (approximately £10,000, to be funded through Economic Development & Regeneration earmarked reserves)

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 The assistance being provided by the Council in the form of a subsidised loan may constitute State aid which would require notification to the European Commission for approval. However, external lawyers acting for Astra Zeneca have put forward an argument that there is no State aid to the Joint venture and the Joint Ventures partners. Following discussions it was conceded that there is always an element of risk involved in running a "no aid" argument as it depends on the parties own assessment that no aid is involved. If the Commission were to investigate they could disagree with this assessment.

8.2 It is considered that the risk that the Council could be deemed to have granted State aid illegally is low, given that what is proposed in this report, and the guidance provided by the Department for Business Innovation and Skills (BIS) . However members need to make a judgement on whether that risk is acceptable.

8.3 If the Commission were to investigate and find that the loan provided by the Council included an element of illegal State aid, then it would not impose a financial penalty on the Council, but instead the Council could be compelled to recover the aid from the beneficiary, which here would be the joint venture company. If no agreement could be reached with the Company then the illegal element of the aid would have to be recovered through litigation. The aid element would be assessed as the difference between the commercial interest rate that the beneficiary would have paid on the open market and the subsidised interest rate granted by the Council i.e. it would not be the £1m subsidised loan but a much smaller amount.

8.4 The alternative to taking any risk would be for an application to be made to the European Commission to provide authorisation. The application would need to be made through BIS who could take the view, given the cost and circumstances, that they were not prepared to assist, and so the Council would still have to make a decision on whether the risk was acceptable. In addition any application made by BIS is likely to take between 2 and 18 months, this does not include the Council making an application to BIS and awaiting their decision as to whether they were prepared to actually make the application to the Commission. The timescales involved may jeopardise the Council's involvement in the project.

9.0 Risk Management

9.1 In addition to the risk identified in the Legal implications section above (8.1 - 8.4), the other key risks in relation to this project are identified below, along with proposed mitigation and contingency measures.

Key Risk	Mitigation / Contingency
Any funding by the Council to a JV could be considered to be State Aid.	The Council is obtaining specialist independent State Aid advice, which will inform whether and how it proceeds.
The JV could end or fail, exposing the Council to legal, financial and reputational risks.	The terms in the Joint Venture and funding agreements will minimise these risks, through exit and other arrangements.
Low demand for accommodation/high failure rate of startups generates negative financial returns	The form and composition of the JV (with AZ and University), as well as potential availability of 3rd party seedcorn funding will reduce this risk. AZ has already been approached by companies seeking premises even prior to co-ordinated soft market testing. No one else in the North West is offering this set of benefits.
Planning permission is refused	Mitigated through early pre-application discussions. Although not actively considered, alternative plans could be identified if required.

10.0 Background and Options

10.1 Over recent months the Council has been liaising with AstraZeneca with a view to supporting their future operations and investment in Cheshire East. As the largest employer in the Borough, with approximately 6,000 employees at its two sites at Alderley Park and Macclesfield, their strategic importance is of genuinely global significance. As a single business it currently generates approximately 2% of the UK's GDP, but the company realises that it needs to adapt its approach to remain competitive.

10.2 The North West is home to a diverse range of bio medical businesses and specialist facilities including some which have the advantage of clinical, University or Research Council co-location. Over recent years, many companies in the biotech/pharmaceutical sector have collaborated with universities, local authorities and regional development agencies to support the development of new businesses within the sector, to stimulate new technologies, commercial ventures and job creation. Studies conducted by BioNow (membership organisation for life science businesses in the North of England) indicate consistent growth of the NorthWest biomedical cluster in terms of the number of biomedical companies (8.6% growth per annum) and employment (6.5% growth per annum). Studies also show that existing incubator units in the Northwest region are full or approaching capacity.

10.3 Drawing on experiences of bioscience innovation elsewhere in the UK and Europe, AZ have now identified the opportunity for a BioScience incubation facility at its Alderley Park site, which is the hub of its global R&D operations. The company, with the Council's support, have developed a proposal for a BioScience Park which will nurture smaller bioscience businesses. The first phase of such a development would be the construction and operation of a BioScience Incubator – a £20m 5,000 sq m purpose-built facility that will provide the accommodation, technical facilities (e.g. wet and dry labs), business support to nurture new and small bioscience businesses, and even a potential seedcorn fund . Occupiers may be in AZ's current or future supply chain, or even direct competitors, as the facility will be independently managed by a bioscience specialist facilities management company, on a contract basis to a proposed Joint Venture company.

10.4 There is significant opportunity to develop a pharmaceutical Bioscience Park on around 8 acres of surplus land at Alderley Park, which is a major R&D site in the AZ network, employing around 3,300 of its own staff and 4,500 in total (including suppliers), as well as a further 2,000 AZ employees at its Macclesfield Hurdsfield site. Global pharmaceutical companies are restructuring and downsizing to meet changing market conditions - the project would enable a transition towards an 'open innovation' model, based on networking and flexible collaborations with academia and small- medium sized enterprises,

10.5 Within the BioScience Park the aim is to develop an incubator facility to attract new and small bioscience businesses which would benefit from the synergies of being based on a world-class pharmaceutical R&D site with access to AZ's state-of the art facilities and scientific know-how. The incubator (5,000 sq m) is sized to accommodate 400 professional staff. The management/operation of the incubator would be contracted out by the JV company to a specialist operator which has a track record of developing and operating bioscience incubation and innovation facilities. It would therefore have its own identity/branding.

10.6 The prospects for the project's success are strong - a bioscience focus would differentiate it from other science parks and foster a cluster effect - the close proximity of entrepreneurs, academics, start-ups, competitors, suppliers and partners would generate a locally collaborative environment that would be internationally competitive, rivalling similar facilities in the US and Europe.

10.7 As a world class pharmaceutical R&D site, Alderley Park can provide a highly supportive environment to attract and nurture innovative bio-pharmaceutical SMEs. The Bioscience Park could offer facilities for AstraZeneca staff to take over redundant or under-utilised molecular assets for ongoing development. The retention of skills within the company and locality is key, which the co-location at the Bioscience Park will support.

10.8 With the support of the Council, local MPs, the LEP and the sector organisation BioNow, AZ has been successful in being allocated £5m from the Government's Regional Growth Fund (RGF) towards the cost of the BioScience Incubator. It is proposed that a Joint Venture company be formed, comprising AZ, Cheshire East Council and a university. It is proposed that the JV will be a not-for profit company limited by guarantee. The RGF allocation is subject to due diligence, which will include identification of other funding being in place.

10.9 Alternative and additional options for funding being considered include:

- £1m contribution from CEC, as a form of loan investment to be returned upon certain key triggers in the lifetime of the BioScience Incubator project (e.g. related to occupancy levels or income targets achieved)
- University partner funding
- European Regional Development Fund (ERDF) – capital grant
- LEP Growing Places Fund – loan
- NW Evergreen Fund (EU JESSICA funds) – loan
- Pension Fund investment

10.10 Consultation by AZ with key stakeholders and other Science Parks demonstrates support , and the international appeal of a pharma cluster.

10.11 A detailed Project Delivery Plan for the JV is being developed for March 2013, led by AZ. This will address governance, management, funding, milestones/performance indicators, risk management, and publicity.

11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer:

Name: Jez Goodman
Designation: Economic Development & Regeneration Manager
Tel No: 01270 685906
Email: jez.goodman@cheshireeast.gov.uk

---

[1] Regional Growth Fund allocation 19th October 2012, http://www.bis.gov.uk/policies/economic-development/regional-growth-fund/round-three
Allocation is subject to confirmatory due diligence.

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting:	7 January 2013
Report of:	Head of Development
Subject/Title:	Disposal of land off Earl Road, Handforth
Portfolio Holder:	Cllr Jamie Macrae

1.0 Report Summary

1.1 The Council owned land off Earl Road Handforth has been held as a strategic employment site for a number of years. The site is shown (Appendix 1) edged red on the attached plan.

1.2 It was leased until 2010 to Airparks UK Ltd and was subject to a temporary planning permission. The site has since been unoccupied, although it has being marketed extensively for short term uses.

1.3 In March 2012, a soft market testing exercise was conducted to establish likely demand for this site from the development market. The Council received more than 20 expressions of interest and approval is now sought to progress the project in line with the Council's corporate objectives and Local Plan policies.

2.0 Decision Requested

2.1 To authorise the Interim Chief Executive or his identified nominee, in consultation with the Cabinet Member for Prosperity & Economic Regeneration, and subject to consideration by the Monitoring Officer and the Chief Financial Officer, to:

- Take all necessary action to bring forward, through phased direct development, the Council's landholding at Earl Road, Handforth for employment led uses in line with current planning policy.

- Invest up to £130,000 towards the cost of financial appraisal, site investigation and masterplanning work.

- Commence marketing of serviced plots in order to ensure timely delivery on site.

3.0 Reasons for Recommendations

3.1 The site has been held for a number of years as a future strategic employment opportunity and is allocated in the saved Macclesfield Local Plan for employment uses. A recent soft market testing exercise to explore commercial interest suggests there is potential to bring this site forward as a high-quality employment led regeneration opportunity.

3.2 This would be an approach that is entirely consistent with the planning policy and the Council's wider objectives of promoting economic development and growth.

4.0 Wards Affected

4.1 Handforth

5.0 Local Ward Members

5.1 Cllr Burkhill, Cllr Mahon

6.0 Policy Implications including - Carbon reduction
- Health

6.1 Sustainable development will be a key feature of the marketing and vision for the site disposal/development strategy.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The cost of the financial appraisal and site investigation work can be met from existing provision in the capital programme for conducting feasibility studies.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 If the recommended option for development is adopted then, dependant on the value of the works and/ or services required, the Council may have to procure contractors, consultants or other suppliers by EU compliant competitive processes in addition to complying with its own internal protocols. It is possible that that some work can be commissioned under existing framework or corporate arrangements thus reducing time scales.

8.2 Section 123 of the Local Government Act 1972 allows a local authority to dispose of an interest in land on such terms as it considers appropriate subject to obtaining the best consideration reasonable obtainable for the land interest. The Council would need Secretary of State consent to dispose of the site or any part of it (including a serviced plot) at less than the best consideration reasonably obtainable. If the Council does market the site on the basis that only certain uses will be permitted or prohibiting certain uses it could restrict the value of the interest being disposed of meaning that less than best consideration is reasonably obtainable.

8.3 However, the Secretary of State has given certain consents of general application to sales at less than best consideration. The Local Government Act 1972 general disposal consent (England) 2003 enables the Council to accept less than best consideration if it considers that the purpose for which the land is to be disposed of is likely to contribute to the achievement of the promotion or improvement of economic, social and/ or environmental wellbeing of the whole or any part of its area or all or any persons resident or present in its area.

8.4 If the Council were minded to rely on this general disposal consent then regardless of whether the general disposal consent applies or the Secretary of State specifically consents the Council has to fulfil its fiduciary duty to tax payers. Furthermore, foregoing any value could constitute unlawful State Aid under EU law.

8.5 Market testing by open competition is the safest way of establishing best consideration. If a disposal without a market process were to be considered the Council should seek independent valuation advice as to whether or not the consideration offered constitutes best consideration and the Council would need to have sound justification for proceeding outside a market process.

8.6 Under the Treaty of Rome there has to be fairness and transparency and an even playing field. Early discussions with potential buyers/ tenants could bring into question whether they are eligible to be considered as bidders in a later market process.

8.7 If the Council were to intend for there to be any agreement with any buyer / tenant with regard to its development of the site or the part of the site it will purchase/ lease or, potentially, with regard to its future operations then given the likely outturn value of the site to be acquired/ leased to/by the buyer/ tenant the transaction would probably amount to a public contract or concession. In such case, there would have to be an EU compliant competition. Engagement of a development partner in joint venture does not obviate any need to formally procure.

8.8 If there is a pure land deal, the EU regulations do not apply but the Council is extremely limited in the protections it can have in the transfer or lease. Effectively, it can have covenants restricting use but little more. Controls arising outside of the land transfer or lease (other than genuine s106 or planning condition controls) are likely to bring the deal within the ambit of the EU regulations.

9.0 Risk Management

9.1 This asset would have a substantially higher value if it were developable for retail or residential uses than for employment. If a developer were, even without the Council's support, to gain planning approval for a retail scheme, it will create issues around accepting what would essentially then be an undervalue for an employment scheme.

9.2 The business case for this disposal/development route is not fully demonstrated at this stage. A better understanding of the planning requirements, development obligations and the site constraints is needed.

9.3 A planning application for a substantial retail development on part of the site has very recently been received by the Planning Authority. The implications of this will need to be considered in all future decision making.

10.0 Background and Options

10.1 This asset, which is part of the former 61MU site, is allocated as an employment site in the saved Macclesfield Local Plan and is located close to the A34 which a key route between north east Cheshire and Manchester.

10.2 The site is approximately 6 hectares and is felt to be commercially attractive, given its proximity to Greater Manchester and Manchester Airport.

10.3 The Council has a clear commitment to promoting growth and employment through the proactive use of its asset base. This site represents an opportunity for the Council to deliver on this commitment and the direct development of this site is completely supported by the emerging growth strategy.

10.4 A soft market testing exercise was undertaken in April 2012 which demonstrated strong interest in the site. During this exercise, a range of uses and development approaches were proposed by developers, agents and landowners.

11.0 Evaluation of Soft Market Testing

11.1 The SMT exercise elicited 26 submissions of general interest from a range of developers and end occupiers. Interested parties were encouraged to respond with details of:

- how much land they would which to take.
- what their requirements would be.
- proposed number of jobs created by their proposal.
- value generated to the Council.

11.2 Ten of the submissions were fully compliant with current planning designations and consistent with the Council's ambitions for this site. Expressions of interest were received from a number of local and regional developers.

11.3 There are several broad conclusions that can be reached from these ten submissions. The general impression created by the responses is that the whole site is likely to be capable of generating in the order of 400 - 800 new jobs and a value of circa £300k/acre could be realised to the Council. The SMT did not drill down enough to understand the market's preference for leasehold versus freehold, or whether a revenue income could be achieved through a lease agreement.

11.4 The site is very attractive to the market for retail use as it is adjacent to an existing successful development and is highly accessible from Stockport, Trafford and Cheshire East. Interest was forthcoming from supermarkets, and other non food uses including fashion and homeware. The value of the site is a factor of the use for which it is developed. The potential capital receipt of the site if given over entirely to high-value food or non food retail uses could be in the order of £12- £20m.

11.5 The market testing cannot give comfort or certainty on values as auditable development appraisals were not generally provided and there is only limited understanding of any potential development constraints and restrictive ground conditions at this stage.

12.0 Appraisal and Development of the options

12.1 There are a number of approaches available in order to bring this site to market all of which will impact on the quantum of the capital receipt and on the extent of the control that the Council is able to maintain over the final development.

12.2 Delivery routes potentially are:

- A straightforward disposal of the freehold with no obligations upon a future developer (Council rely on statutory controls i.e. planning).

- A joint-venture with a development partner (split costs and receipts according to a pre agreed formula).

- The Council developing the site out in serviced plots (disposed of on a leasehold basis with the infrastructure provided by the Council - similar to the approach at Crewe Business Park. Council controls outcome, timing and delivery method).

12.3 From a Cheshire East as landowner perspective, the preferred use for the site is for B1 type development (offices, research & development, and light industry) with the priority being to attract a flagship or blue chip headquarters to the site. In policy terms, B2 (General Industrial) and B8 (Storage & Distribution) uses would also be considered suitable.

12.4 It would be prudent for the Council to set out a delivery route that provides sufficient control to ensure an outcome which promotes quality jobs and economic growth.

The best mechanism to deliver this outcome would be for the Council to provide site infrastructure (e.g. spine road and utilities) and subsequently dispose of serviced plots i.e. deliver the development by direct intervention.

An alternative option would be through a robust development agreement with a third party developer. However, this will require an EU compliant procurement process which is complex and time consuming and the Council will inevitably lose an element of control over cost and timing due to the presence of a partner organisation whose drivers may be different.

13. Options for Development

13.1 There are perhaps three primary options for delivering B1 employment uses on this site.

a) Dispose of the whole site via an OJEU compliant competitive process (on a leasehold or freehold basis) with requirement for B1 uses. This route would take over 12 months and consume considerable resources.

Expected receipt: Circa £3m.

Variables: Unknowns deductable costs due to abnormals such as contaminated land remediation, utility supply, highway works.

b) Act as lead developer creating serviced plots for known and future demand.

Expected receipt: Potentially £4million (on the basis of 9 x 1 acre plots) plus uplift in value is achievable from installing services, spine roads, resolving highways issues etc.

Variables: Unknown utility costs, sub-station, costs of remediation of former munitions and car parking uses, cost of prudential borrowing, unknown newt mitigation and other nature conservation issues (bats, trees etc).

c) Joint Venture in which developer funds infrastructure (such as remediation and spine road) and CEC contributes the land asset.

Expected receipt: Depends on the basis of the joint venture agreement.

Variables: As above. Time consuming and expensive process to select a delivery partner.

14.0 Preferred Approach, Costings and Timetable for delivery

The future work programme is as follows:

December 2012:
Site investigation (habitat/newt/bat/tree survey, contaminated land survey, highways assessments, utilities review, ground conditions etc).

January 2013
Recruit Project Manager, assemble Project Team, detailed resource mapping.

Commence marketing exercise to select preferred occupiers.

April 2013:
Reaffirm preferred Delivery Strategy – Commercial appraisal of the direct development route as preferred strategy.

Development Brief & Agreements – Building on site knowledge, understanding of the planning requirements and commercial issues.

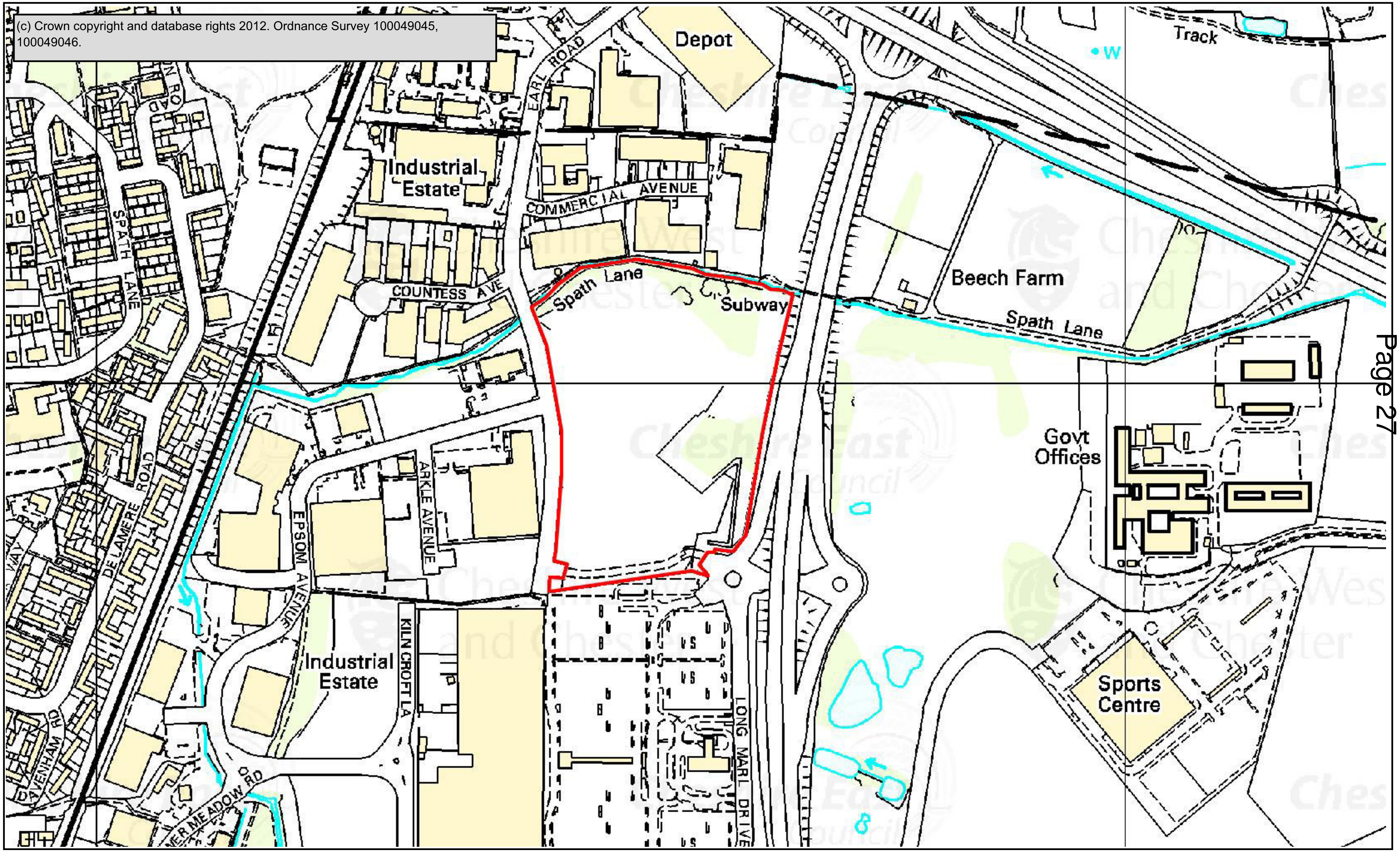
August 2014:
Commence development on site.

15.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Caroline Simpson
Designation: Head of Development
Tel No: 01270 86640
Email: caroline.simpson@cheshireeast.gov.uk

Cheshire CC WebGIS



This page is intentionally left blank

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting:	7 January 2013
Report of:	Shared Services Joint Officer Board (Lisa Quinn)
Portfolio Holders:	Shared Services Joint Committee (Cllrs David Brown, Barry Moran, Peter Raynes)
Subject/Title:	Shared Services Separate Legal Entity

1.0 Report Summary

1.1. This report concerns the future of the key Shared Services between Cheshire East Council (CE) and Cheshire West and Chester Council (CWAC), namely the ICT and HR and Finance Shared Services.

1.2. It proposes that a Teckal compliant Separate Legal Entity (SLE) be established to enable greater efficiency, improve service quality and expand commercial opportunities. The creation of the SLE is the critical first step to drive the desired cultural change, service improvement and future business optimisation.

1.3. The Shared Service Joint Committee and Joint Officer Board have considered and debated an extensive Options Appraisal of shared services models and the viability of an SLE. The Joint Committee have agreed with the Joint Officer Boards' recommendation that an SLE is the optimal delivery model for the future of the Shared Services under consideration and requesting the Executive Bodies from each Council to agree to this as the recommended way forward.

1.4. The Strategic Options Appraisal and High Level Business Case are contained in Appendix 1. An analysis of the current market is also attached as Appendix 2.

1.5. This report will also be presented to Cheshire West and Chester Executive on 9 January 2013. The project can only proceed if both Councils agree to the recommendations set out below.

2. Decision Requested

2.1. That the Cabinet / Executive support the Shared Services Joint Committee's recommendations and agree:

2.1.1. The transition of the ICT Shared Service and HR and Finance Shared Service to a Separate Legal Entity (SLE) as the future delivery model.

2.1.2. The establishment of a Teckal compliant SLE as a company limited by shares wholly owned and controlled by the CE & CWaC Councils.

2.1.3. The development of the SLE on a phased basis (as detailed in Section 10).

- Phase 1: Change Programme
- Phase 2: Commercialisation

2.1.4. The dedication of resources to the establishment of the SLE as detailed in Section 7. The pump prime funding required for the one-off set up costs are estimated at £198,000 for each client Council. This funding is in part to recruit the essential skills including an interim Managing Director to lead the company. In Phase 1 there are additional on-going running costs of circa £125,000 for each client Council largely relating to pensions and additional salaries.

2.1.5. The decisions as set out in Section 8.12 regarding the SLE to be delegated to, and undertaken by, the Joint Officer Board, in consultation with the Chairman and Vice Chairman of the Joint Committee on behalf of the two Councils but with regular reports being submitted to appropriate monitoring groups within each authority (Cheshire East Executive Monitoring Board; Cheshire West Capital Operations Programme Board).

3. Reasons for the recommendation

3.1. CE and CWaC have been sharing services for over 3 years and have realised savings of in excess of £6.7m. It has built solid capability and intellectual capacity during that time which can be capitalised upon. There is now considerable scope to drive further efficiencies and create future value.

3.2. The creation of an SLE facilitates a clear separation between client and supplier, enables capacity growth, and generates savings whilst retaining Council control. Some modest start-up costs are involved, but savings can be realised early and are not vitiated by a private partner. Furthermore, the Teckal exemption permits parent Councils to commission services from the SLE without going through a competitive procurement provided the parent Councils retain ownership and strategic control of the SLE.

3.3. The Teckal exemption also allows the company to bring in another public sector partner without undertaking a lengthy procurement and incurring the sizeable associated costs.

3.4. The SLE is free to commercialise and market its services to customers, as long as this remains the subsidiary portion of its activity in compliance with Teckal. A properly developed SLE can provide all the benefits of commercialisation without the loss of local government control.

3.5. The SLE can be mobilised reasonably quickly. Before an OJEU level procurement exercise can be completed the SLE can start to create value through:

- Implementing an overarching business model
- Developing a customer focused commercial culture

- Implementing the full target operating model
- Exploiting opportunities to achieve further efficiencies by adding new business units (factories)
- Developing commercial value propositions to generate additional income streams
- Securing an additional partner

4.0 Wards Affected

4.1 This report relates to Shared Services that operate across both Cheshire East and Cheshire West & Chester, so all wards are affected in both Councils.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Carbon reduction
- Health

6.1 The report provides an overview of the Joint Officer Board recommendation following an extensive review of alternative service delivery models as summarised in Section 10. The outcomes from the review have determined that the SLE is a viable delivery model which will enable the quality of service provision to increase, whilst at the same time reducing costs and adopting national best practise.

6.2 A full Equality Analysis (formerly known as Equality Impact Assessment) will be carried out on the proposals to ensure due account is taken of the potential impact on equality and diversity.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The following table depicts a five year view of the gross expenditure of SLE without any Phase 2 developments.

It assumes that the financial impact will commence mid financial year in 2013/14 and that any current overspends will be dealt with before "go-live".

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Gross expenditure (excl pensions impact)	9,985	19,971	19,971	19,971	19,971
Less: Synergies from the implementation of a single TOM for HR/Finance/ICT	-50	-100	-100	-100	-100
Pensions impact					
Staged increase in employer's future service contribution	42	168	252	335	419
Less: Budget adjustment to reflect historic pension deficit retained by the Councils	-500	-500	-500	-500	-500
External income and charges	-2,369	-4,738	-4,738	-4,738	-4,738
Net charge to client councils	7,109	14,801	14,885	14,969	15,053
Current budget provision					
Charges to capital	1,121	2,241	2,241	2,241	2,241
HR/Finance budget	1,616	3,232	3,232	3,232	3,232
ICT revenue budget	3,887	7,774	7,774	7,774	7,774
Est Transfer from corporate budgets	736	1,471	1,471	1,471	1,471
Less: Budget adjustment to reflect historic pension deficit retained by the Councils	-500	-500	-500	-500	-500
Total current budget provision	6,859	14,218	14,218	14,218	14,218
Net impact of establishing the SLE	**250**	**583**	**667**	**751**	**834**
Add: One-off set up costs	395				
Total Year 1 impact of establishing SLE	**645**				

7.2 Phase 2 developments are estimated to produce the following impact:

7.2.1 Adding an additional business unit (factory); for illustrative purposes only the Revenues Service:

7.2.1.1 Projected one off costs(including CR & VR) of £500k
7.2.1.2 Year on year efficiency saving of £360k

7.2.2 Initial high level estimates of a partner joining is projected to realise a further year on year efficiency of approx £1.477m.

7.2.3 A robust marketing strategy & plan will identify additional revenue streams which will seek to generate surpluses for the shareholders.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 Final legal advice is being commissioned from external legal advisors who are being recruited jointly by the two Councils to scrutinise and validate legal decisions and documentation.

8.2 **Legal Powers**

The Localism Act 2011 introduced a general power of competence which gave local authorities power to do anything that individuals may do. The legislation was designed to remove uncertainty as to what local authorities may do and to enable them to explore innovative solutions to deliver services. The power includes the right to charge for discretionary services. However, charges must be based on actual costs incurred by the Council in providing the services and cannot include a profit element. Commercial trading must be carried out via a company. As with the exercise of any local authority powers, the Council is under a duty to act fairly and reasonably.

8.3 **Local Authority companies**

Part V of the Local Government and Housing Act 1989 and the Local Authorities (Companies Order) 1995 introduced categories of local authority companies and controls which apply to each type. For the purposes of Part V, the SLE would be a “controlled” company given that the Councils will jointly own more than 50% of the voting rights and so certain proprietary controls will apply to the SLE. In addition the CIPFA/LASAAC Code of Practice on Local Authority Accounting requires all local authorities that have “material” interests in a company to produce Group accounts that will take and recognise the Councils share of the results, assets and liabilities of the SLE.

8.4 **State Aid**

State aid involves giving financial assistance which may be seen as distorting competition and could include granting leases rent free and providing guarantees and other financial benefits which are not available to other market providers. State aid which is above the de minimis level (E200, 000 over a 3 year rolling period) and not otherwise exempt is unlawful. The rules around state aid are very complex and further specialist advice will be sought to ensure the rules are not breached.

8.5 Employment Perspective

8.5.1 If the decision to proceed with the SLE is made, then essentially those staff providing the services immediately before transfer will follow the work and transfer from both Councils to the SLE under the Transfer of Undertakings (Protection of Employment) Regulations 2006

8.5..2 Approximately 330 staff (FTE) will be affected. They would transfer on their current terms and conditions and continuity of service would be preserved. Given the scale of the transfer being considered, there may be staff within support services who could be within scope of a TUPE transfer but further work is required to assess this potential impact. The Council will ensure it complies with its information and consultation requirements set out in the Regulations and allows sufficient time for this process to be completed.

8.5.3 A full consultation exercise will be carried out with all staff involved to comply with statutory requirements, the Councils' policies and best practice.

8.6 SLE & Pensions

8.6.1 Local authority staff are entitled to pension protection under the Best Value Authorities Staff Transfer (Pensions) Direction 2007. The protection is such that a new employer must provide all transferring staff who are members of the LGPS or entitled to join with continued access to the LGPS or to a broadly comparable pension scheme. Where a broadly comparable scheme is provided it must be certified as such in accordance with guidance published by the Government Actuary's Department and accrued benefits will transfer on a day for day basis.

8.6.2 As discussed above, as a company wholly owned by the Council the SLE will be able to join the LGPS. In accordance with the Fund's Admissions Policy, the SLE would be required to provide either a pension bond or guarantor to protect the Fund and the other employers within the Fund against the consequences of pension default by the SLE. It is proposed that the Council act as guarantor during the phases of the SLE's development (for so long as the SLE is owned and controlled by the Councils) therefore removing the need for the bond. Initial estimates are that a bond in the region of £4m would be required, but the councils will need to take actuarial advice before this figure can be confirmed.

8.6.3 Each employer within the Pension Fund pays a standalone contribution rate which reflects the demographic profile e.g. age, gender, salary, and accrued LGPS service of their workforce. When a service ceases to be part of a Council either through outsourcing or the establishment of a new SLE, the Pension Fund's Actuary will calculate a stand alone employer contribution rate for the new body. The calculated employer's contribution rate may vary (up or down) from that of the two Councils as it will refect the actual demographic profile of the SLE's workforce, which may differ from the demographic profile of the two Councils' wider workforces. At this stage the actual demographic profile is not known.

8.6.4 The Councils' current employer contribution rates in payment were last formally reviewed and set at the 2010 triennial valuation. These are due to be reviewed again in 2013 with any revisions to the rates coming into effect from 1 April 2014.

8.6.5 When the Fund's actuary calculates a new stand alone contribution rate for new employers, they will make certain assumptions regarding the expected returns from the Fund's assets. These assumptions are derived objectively from the financial markets at the date of staff transfer. The financial markets and hence the actuary's assumptions for investment returns are currently significantly lower than those assumed as part of the 2010 valuation.

8.6.6 This has the effect of increasing the employer contribution rate to compensate for the reduced investment returns. This would result in the SLE paying a different rate to that currently paid by the two Councils, and recent experience is that the employer contribution rate for transferred staff can be substantially higher over the short to medium term than the rate currently paid by the Councils. All things being equal, the Councils' own contribution rates will face the same upwards pressure when they are reviewed in 2013. However, the key difference is that local authorities will have more flexibility than a limited company (even one wholly owned by local authorities) in terms of the phasing of increases in contribution rates. Typically, a local authority could phase large increases over a 20 year period, while a limited company would be expected to move towards the correct contribution rate more quickly.

8.6.7 To avoid pension costs distorting the overall business case to establish an SLE, the intention is to phase in any increase in equal instalments over the development phases. All things being equal this approach is likely to result in the creation of a further pensions deficit over the transition period as the phasing in of the increased future service contribution rate means that the SLE will have been underpaying compared to the full assessed rate.

8.6.8 However, as the Councils themselves are still paying contribution rates set at the 2010 valuation, the phasing of any increases to the SLE's rates would put the Councils in no worse position than if staff had remained in-house.

8.6.9 It is proposed that the Council will support the SLE during the incubation period by retaining the pension deficit accrued up to the date of transfer.

8.6.10 The financials set out in section 7 do not include any benefit from either closing the LGPS to new members or the Hutton review. These options have the potential to produce significant savings over the long term, and are covered in more detail below:

8.6.10.1 The SLE could decide to close access to the LGPS to new employees. Typically the LGPS would be replaced by a defined contribution scheme with a matched employer's contribution of a minimum of 6%.The rate at which savings were achieved would depend on the level of staff turnover. In the short term, closing the LGPS to new members could marginally increase costs as the existing membership profile matured and the SLE had less time to benefit from investment returns before paying pension benefits.

8.6.10.2 The impact of changes to the LGPS based on the Hutton recommendations for public sector pensions which are due to take effect from 1st April 2014 are currently unclear. The potential level and timing of savings from this review are still uncertain as this will depend heavily on the final protection arrangements and the demographic profile of the staff in the SLE.

8.7 SLE & Procurement

8.7.1 The procurement of goods, services and works by the Councils are subject to EU procurement rules. The regulations require certain services to be procured via a competitive procurement process and in a manner which is open, transparent and demonstrates equal treatment. However, the SLE will be established to operate under the Teckal exemption meaning that the Council will be able to award the contract for ICT and HR/Finance services without a procurement exercise.

8.7.2 The Teckal exemption has developed from an ECJ decision in 1999 and is sometimes referred to as the in-house exemption. For Teckal to apply, two conditions must be satisfied; the contracting authority must exercise over the service provider control which is similar to that which it exercises over its own departments; and the service provider carries out the essential part of its activities with the contracting authorities.

8.7.3 In respect of the control test it is not enough to simply own the SLE. The Councils must retain the same degree of control as they have over their internal departments such that they have "a power of decisive influence over both strategic objectives and significant decisions" of the SLE. The SLE must remain wholly owned by the Councils or the control test is not satisfied. The Councils will therefore between them own 100% of the shares in the SLE. Whilst the fact of ownership tends to indicate sufficient control, it is not decisive and additional provisions will be included within the company articles which reserve certain decisions to the Councils as shareholders. The control test may be satisfied by the reservation to the Councils (as shareholders) of the decisions listed below;

- Appointment and removal of directors
- approval of annual budgets and business plans
- Approval of reserves strategy (for example covering policy on distributing and retaining profits)
- Approval of strategic objectives

- Changing the articles
- Varying the share capital
- Creating a charge
- Issuing debentures
- Creating or selling subsidiaries
- Selling parts of the business
- Entering into a contract which is not in the normal course of business
- Changing the name or the registered office
- Changing the nature of the business
- Remuneration policies & pension matters

8.7.4 The Councils’ Section 151 Officers will recommend what other decisions will be retained by the Councils such as approval of early or ill-health retirements, the acquisition or disposal of material assets and a decision to enter into partnership arrangements. Whilst the SLE is council owned we may wish to put some limits on increases the company make that affect future pension liabilities e.g. significant pay rises.

8.7.5 To meet the second test to the Teckal exemption, the SLE must carry out the essential part of its activities for the Councils’ and other activities must be of only marginal significance. The rationale is that EU public procurement law remains applicable to an entity which is active in the market and therefore likely to be in competition with other undertakings.

8.7.6 There is little case law on what is meant by marginal significance but it was considered in the case of Tragsa, in which the ECJ concluded that a company which carried out 90% of its activities for the owners and 10% of work for third parties satisfied the Teckal exemption, as the 90% constituted the essential part of its activities. "To trade more extensively could lead to the SLE losing the benefit of the Teckal exemption and potential procurement challenges."

8.7.7 In terms of the geographic area of operation of the SLE, activities carried on outside of the Councils’ administrative area would not amount to activities on behalf of the Councils. It is likely that such activities would be viewed as commercial activities within the 10% of marginal activity.

8.8 Shareholder agreement

8.7.1 As ownership of the SLE will be vested in the two Councils, the way in which they deal with each other will be set out in a shareholder agreement The matters covered by the shareholder agreement could include:

- The issue of new shares – for example, to a new partner

- Exit arrangements including provision for what happens if one shareholder wants to sell their holding

- Management of the SLE – for example rights to appoint directors (although this will usually be covered in the articles as well)

- Appointment of external auditors and rights of access for the Councils' auditors
- Financial reporting arrangements
- Future funding
- Confidentiality
- Deadlock provisions

This is a key area for discussion between the two Councils.

8.9 Property and Assets

8.9.1 The management of assets including ownership of the network will require careful consideration taking into account any state aid issues and the Councils' exit strategy. Further work is required to develop an agreed approach by the Councils.

8.9.2. The heads of terms of the licenses/leases in respect of premises required to provide the service will be based on legal advice and will be agreed by the Head of Property and Regeneration and on such detailed terms or conditions as deemed appropriate by the Head of Legal and Democratic Services.

8.10 Corporate Support services

As parrt of its agreed corporate framework to SLE's, the starting point for corporate support services would be to require the SLE to purchase services back from the Council for a large proportion of its support services unless there is a compelling business case /reason to otherwise do so. However, this requires further discussion and agreement with CE. Further work is required on corporate services buyback and any additional requirements the SLE will need to meet as a separate entity.

8.11 Tax & VAT

8.11.1 The Council does not pay income or corporation tax and there are special statutory provisions that enable it to recover all its VAT. These benefits are unlikely to be available in full to the new SLE. In particular, unless the SLE is a registered charity it will have to pay income tax or corporation tax on its taxable profits. Therefore any liability to tax would need to be included in the business case.

8.11.2 HMRC have recently introduced new rules known as cost sharing arrangements. The effect of these rules is that if certain conditions are met, then the Teckal company cannot recover its VAT paid on purchases, potentially increasing the company's cost base. The cost sharing exemption only applies to arrangements between two or more organisations. Further guidance is being sought before a final assessment of the impact can be made.

8.11.3 Specialist external advice is being sought in relation to the SLE's position on Tax & VAT.

8.12 Other decisions

If the decision to create the SLE is made then the Section 151 Officer in consultation with the Head of Finance and Head of Legal and Democratic Services and the Chair & Vice Chair of the Shared Services Joint Committee be authorised to do all things necessary to establish the SLE including but not limited to the following:

8.12.1 To finalise the business case for the SLE.

8.12.2 To recruit and appoint an interim Managing Director for the SLE and commence recruitment as soon as is practicable for the rest of the board of Directors.

8.12.3 To finalise the form and structure of the company (including board of Directors) following detailed legal and financial advice.

8.12.4 To develop the operation of the client side functions within existing resources.

8.12.5 To agree the memorandum and articles of association based on the principles outlined in this report including those matters to be reserved to the Councils as shareholders.

8.12.6 To agree the scope of services to be commissioned from the SLE, the performance management framework, the contract length, price and payment mechanism.

8.12.7 To agree the terms of the shareholder agreement.

8.12.8 To oversee the completion of the due diligence work taking external advice as appropriate.

8.12.9That the terms of the licenses/leases required be agreed by the Head of Property and Regeneration and such detailed terms or conditions as deemed appropriate by the Head of Legal and Democratic Services.

8.12.10 To agree the principle of the buyback of corporate services.

8.12.11 To agree the following financial provisions:

8.12.12.1 To agree in principle to guarantee pension liabilities for the wholly owned company for the duration of the Contract in respect of Council staff transferring to the company. The scale of the guarantee is likely to be in the region of £4m.

8.12.12.2 To agree in principle to provide such financial guarantees as the company may reasonably require for the duration of the Contract subject to the approval of the Head of Finance (and subject to Standing Orders) on a case by case basis including Parent Company Guarantees and bank guarantees.

9.0 Risk Management

9.1 Taking the step to an SLE is a low strategic and financial risk. The high risk is the loss of opportunity by taking a different route.

9.2 Set out below are some of the key challenges and risks to externalisation of Council services:

9.2.1 **Leadership** – a key objective will be to develop the business and develop new markets. Experienced commercial managers with sound leadership skills will be required to drive the business forward and may need to be recruited.

9.2.2 **Staff –** a major success factor will be winning the support of employees and trade unions and managing the transition to the new organisation.

9.2.3 **Competition –** the SLE may find itself unable to expand by winning new work or it may lose the initial contract with the Councils.

9.2.4 **Risk of failure –** as with any new business there is a risk of failure because, for example, its business case is not robust enough, it does not have sufficient resources or it develops poor relationships with clients and suppliers. The Councils would have to consider whether they would guarantee the company financially, at least initially.

9.2.5 **Loss of Teckal exemption -** If a significant number of the currently maintained schools converted to Academy status, the 10% limit on external trading income would be exceeded

9.3 Any of the above may lead to service failure and the need to run an emergency procurement to put alternative arrangements in place at increased costs and reputational damage.

9.4 An analysis of major risks associated with the SLE together with the proposed mitigations is detailed in Appendix 1 - Section 4.9 pages 55 & 56.

10.0 Background and Options

A Separate Legal Entity is an appropriate delivery model where there is a desire to trade commercially for a profit with other public & private sector organisations. It involves establishing a separate legal entity (SLE) – i.e. a company - which will deliver services back to the contracting authorities. There are a number of different forms a company can take such as:company limited by shares or guarantee (either of which may be charitable);

- community interest company (CIC);
- industrial and provident society (IPS).

10.2 The most suitable structure depends on the key aims and objectives of the SLE. A company limited by shares will tend to be appropriate where the SLE is commercial in nature. A company limited by guarantee is the traditional model for a non-profit distributing company where the intention is to reinvest profits into the business. A CIC is designed for social enterprise which operates as a business. An IPS is a form of employee mutual.

10.3 The most suitable structure for Cheshire Shared Services is a company that is limited by shares and is Teckal compliant (Teckal is further explained in Section 8.7).

10.4 The key drivers for creating an SLE are:

- To create future value for the authorities that requires modest investment and represents a low financial risk

- Exploiting the Teckal exemption allows the shared services company to be more agile in partnering with other local authorities

- Desire to trade commercially for a profit with other public and private sector organisations.

10.5 The desired outcomes / objectives for the SLE are:

- To be the leading public sector shared company in the UK providing a high quality, customer focused services, demonstrating value for money and high levels of customer satisfaction.

- To grow the shared service business by bringing in new partners and customers to realise economies of scale and by trading key services on a fully commercial basis with other organisations.

- To meet and exceed client expectations of service delivery and quality driven by internal transformation and standardisation of processes and adoption of new technologies.

10.6 In order to ensure success the Councils will need to:

- adopt a commercial business model which will exact commercial behaviours (a proposed business model is explored further in Section 4.3 of Appendix 1). The SLE will need to be successful at "realising capacity or releasing capacity". The model needs to be aligned with a Business Plan so as to constant flex to levels of growth, reinvestment opportunities through efficiency realisation and management of risk.
- invest in the current management structure which fully implements the current Target Operating Model, to build a solid culture for the business

to move forward. (the current target operating model is presented in Section 4.4 of Appendix 1)

- focus on Strategic Marketing activity, to develop & monetise the company offering & propositions (a proposed approach is included in Section 4.5 of Appendix 1)

10.7 Building upon the Options Appraisal & High-Level Business Case (Appendix 1), and the recommendations of the Joint Officer Board, the Joint Committee requested that the implementation of the SLE commence, provided it be developed via a phased change programme, the details of which are summarised as follows:

10.7.1 **Phase 1: Change Programme**. This entails the creation of the company, Shareholder Board and Management team. The new company will be the change catalyst to drive the correct commercial behaviours between Shareholder (client) and Company (Shared Services SLE) – essentially building the structure, culture, and skills on both sides. The business focus in this initial phase will concern improving the quality of service provision within the new structure and in accordance with the new culture – whilst continuing to develop the future commercial company propositions.

10.7.2 **Phase 2: Commercialisation Programme**. Value is monetised as services are evaluated and marketable packages take concrete form. The company has a robust business plan detailing how it will grow the business. Change management and cultural adaptation are implemented and proposition branding is further developed. As the SLE operates on a commercial basis, marketable service packages are distilled and Unique Selling Points developed. The Council clients will begin to feel the service benefits born of the greater commercialisation of the SLE.

10.8 In summary, the Joint Committee recognises that unlocking the success of the Shared Service is a lengthy change process. The creation of the SLE is the critical first step, forging the vehicle in which the desired cultural change and business optimisation can take place.

10.9 As set out in section 7, establishment of the SLE will incur some additional on-going costs. Given the financial pressures facing both councils, this cannot be an open ended commitment. Therefore, both councils will be closely monitoring progress of the SLE against its business plan. If it becomes apparent that the commercial objectives are not going to be achieved, or will not being achieved within an acceptable timescale, the alternative approaches set out in section 10.10 would need to be reconsidered.

10.10 Options Appraisal

In August 2012, the Shared Service Joint Committee requested that the Joint Officer Board revisit the range of strategic delivery options to determine whether an SLE remained the best delivery option for the future of Shared Services. The conclusions of this options analysis were presented to the Joint Committee at the workshop on 25 October 2012. These conclusions can be summarised as follows:

10.10.1 **Do nothing**: Not considered a viable option for the future of CSS. Prevailing negative perceptions surrounding the quality and parity of the shared service arrangement could be compounded, whilst business focus remains strained and core business continues to decline. The boundaries between client and supplier remain obscure, and shared services cannot drive expansion of customers or capacity, lacking commercial grounding. **Not recommended.**

10.10.2 **Disaggregation:** This option is both costly and time-consuming. It forfeits savings as efforts and infrastructures are duplicated, and sacrifices accumulated experiential and intellectual assets. **Not recommended.**

10.10.3 **Transfer Model:** In this option, hosting is balanced but the target operating model is fragmented. A transfer model could represent either a holding pattern or proto-disaggregation. Hosting equity will be achieved but perceived bias could become realigned according to reorganised service location. Would potentially involve protracted and arduous decision-making. **Not recommended.**

10.10.4 **In-House Trading:** This option requires a similar level of investment to an SLE with decreased scope to monetise offerings, forge partnerships and trading opportunities, and create value. This model will be more difficult to market to prospective customers and partners, and could easily become a holding pattern. **Not recommended.**

10.10.5 **Outsourcing:** Allows access to private sector acumen and delivery capability, but entails forfeiting control and exposing the Councils to rigid contracts and 'one size fits all' solutions. Moreover, whilst some predictable efficiency can be achieved early, the true depths of savings are largely handed over to the private partner and offset by a costly procurement. There are plentiful examples in the market that reveal tensions between client/supplier when the outsourcer fails to deliver on the authority's change agenda during a long-term tenure arrangement. **Not recommended.**

10.10.6 **Joint Venture:** The assessment of 'Outsourcing' above equally applies to Joint Ventures, but the latter have a few unique caveats. Though they pledge open accounting, Joint Venture private partners can still hide their costs, with some major providers having a 48% profit margin on Joint Venture deals. This is often discovered as a partnership develops, but the length of contract and the infrastructural entanglement of the private partner makes 'step-out' from the contract costly and arduous. Conflicts of interest can also emerge if the local authority wants to move the Joint Venture into a market that the private partner already dominates. A recent spate of high-profile Joint Venture collapses have highlighted the many pitfalls of this model, where once it was regarded as a silver bullet to shared service savings and quality. **Not recommended.**

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writers:

Name: Sharon Barclay
Designation: Transformation Project Manager
Tel No: 01244 972005
Email: Sharon.Barclay@Cheshirewestandchester.gov.uk
Name: Jackie Gray
Designation: Shared Services Manager
Tel No: 01270 685868
Email: Jackie.Gray@cheshireeast.gov.uk

THE FUTURE OF CHESHIRE SHARED SERVICES

STRATEGIC OPTIONS APPRAISAL & HIGH LEVEL BUSINESS CASE

Updated 13 December 2012

CONTENTS

DOCUMENT CONTROL

Version Number	Date	Comments	Author	Approved By	Approved Date
0.1	Sept	Draft Structure & doc build	Sharon Barclay	JOB & JC	28 Sept 12
0.2-0.6	17 Oct 12	Various iterations of content	Sharon Barclay	Mark Wynn / Chris Mann	18 Oct 12
0.7	19 Oct 12	Marketing & Financials included	Sharon Barclay		
0.8	19 Oct 12	Draft for approval	Sharon Barclay	Lisa Quinn	21 Oct 12
0.9	22 Oct 12	Final draft for circulation	Sharon Barclay	Lisa Quinn	22 Oct 12
1.0	13 Dec 12	Updated financials	Sharon Barclay	Lisa Quinn/ Chris Mann	13 Dec 12

DOCUMENT APPROVAL

		Date
Julie Gill	Senior Responsible Officer/ Co-Chair of Joint Officer Board Director of Resources, Cheshire West & Chester	
Lisa Quinn	Senior Responsible Officer/ Co-Chair of Joint Officer Board Director of Finance & Business Services , Cheshire East	
Joint Committee		

1. Executive Summary

Since their creation in 2009, Cheshire East (CE) and Cheshire West & Chester (CWaC) Councils have been successfully sharing services and to date has achieved significant savings of £6.7m in the areas of ICT and HR & Finance.

With the formation of two new local authorities, each with their own cultures and identities, combined with the impact of an economic recession and austerity measures, it is understandable that the development of shared services has been of one of learning and maturity. There have been teething troubles, and difficulties along the way, but what has been achieved is remarkable. Both authorities have been able to fully depend on back office shared services to deliver high quality services to their citizens while reducing costs.

Over the last 18 months Cheshire Shared Services have been on a journey of continuous improvement to ensure the Councils receive the level of service they expect. These shared services have been benchmarked against peers to understand their market position. This baseline position have been used to inform new ways of working including operating models, financial and performance management, governance, and culture change to raise customer satisfaction and promote confidence in service delivery.

Through shared service governance, it was recommended in November 2009, pending outcome of further investigation, that these shared services are developed into a company which has the capability to reduce costs and generate income. Achieving this aim requires a change in the business model from one of constitutional governance to a commercial company model referred to as a separate legal entity (SLE). As an SLE, “The Company” will have greater autonomy to run its business affairs, but will be accountable to the local authorities as shareholders and also as a supplier of goods and services.

In 2010 Price Waterhouse Coopers (PWC) were commissioned to assist in this analysis. A programme of comprehensive research was undertaken and the following key outputs were produced; Strategic Options Appraisal for Shared Service [1]; Collaboration & Trading – High Level Business Strategy [1]; Market Analysis for Shared Services [1]; Due Diligence Outputs [1].

This document does not seek to replace this detailed analysis, but to review the original decision to provide reassurances that this remains credible given the passage of time. It is intended to provide a high level summary of the strategic delivery options that are available for the councils to take; the strengths, weaknesses and implications of each option; and to examine in closer detail the recommended way forward proposed by the Joint Officer Board – to create a separate legal entity (SLE).

A key objective of this document is to establish the basis for the council to take the decision on whether to proceed with the externalisation of these services. A formal decision is scheduled for early January 2013. It is also intended to confirm the scope and phasing of any externalisation option and authorise officers to commence implementation activity.

[1] These are large documents and can be made available on request

2. Strategic considerations for Externalisation

There are numerous national drivers for change and an increasing focus on Local Authorities to externalise service provision. This section does not attempt to provide an exhaustive list of external drivers. It merely seeks to serve as a reminder of two of the most current drivers for change.

Localism Act 2011

The Localism Act 2011 introduces a new General Power of Competence (GPC), which explicitly gives councils the power to do anything that an individual can do which is not expressly prohibited by other legislation and to carry out activity for a commercial purpose and could be aimed at benefitting the authority, the area or its local community. By giving councils the flexibility to act in their own financial interests, the GPC will allow councils to do more than was previously sanctioned under wellbeing powers. Councils, on their own or working with other public bodies, can be enterprising by increasingly trading and charging. However activities for a commercial purpose must be carried out through a company.

Public Sector spending

[In the decade ahead public services will need to adjust to significantly lower levels of central funding than in the past. The Chancellor of the Exchequer confirmed in Budget 2012 that significant cuts to departmental spending can be expected at least through to 2016/17. As it is, local authorities are absorbing a 28 per cent cut to their core funding while facing mounting pressures across service areas like adult social care, safeguarding children and waste management. Cuts to Government grants have been further exacerbated by a loss of revenue from existing fees and charges.

At the same time, councils are facing tough decisions about their council tax rates. Given that all services are effectively paid for by the taxpayer, the service user or both, it makes sense to consider whether it would provide more fairness to the taxpayer to ask those who benefit from a service to cover part or even all of its costs.

Across councils, officers and members are becoming more and more commercial in their acumen, outlook and skills to meet future funding challenges. **Trading (i.e. to generate efficiencies, surpluses and profits) and charging (i.e. to recover the costs of providing a discretionary service)** are important options on the menu of innovative ways of working to meet local needs through delivering value for money, sustaining communities and providing choice.

Councillors are playing a critical role, providing leadership to their councils and local partners during these much tougher times. In this context, there are no easy choices. But where choices have to be made they are best made locally by elected representatives who are in daily contact with the people they serve.]

[Reference Source: Local Government Association (LGA) paper - Enterprising councils - Getting the most from trading and charging 2012 edition]

3. Future Delivery - Options Appraisal

Background

In August 2012, the Shared Service Joint Committee requested that the Joint Officer Board revisit a wide range of strategic delivery options to ensure that the Joint Committee had all the pertinent facts and information to make an informed decision on whether an SLE was the best option for both authorities to take.

This Section 3 of the document looks at the baseline position (Do Nothing) and contrasts this with 6 other delivery options.

1. Disaggregate
2. Transfer Model (split hosting)
3. In House Trading
4. Outsource
5. Joint Venture
6. Separate Legal Entity

The appraisal for each option includes the following detail:

- What the option entails
- What this means for CE & CWaC Councils
- Assumed drivers for each option
- Examples of each of these Delivery Models (where appropriate)
- Analysis of the Strengths, Weaknesses, Opportunities & Threats (SWOT) associated with each option
- Financial Illustrations
- High Level Risks
- Summary Overview

3.1 Do Nothing (stay as is)

This option is included to provide a baseline position in which to consider future delivery options.

3.1.1 Baseline Position

The current constitutional model for shared services has delivered significant financial and efficiency savings in back offices services - £6.7m to date, but it has not been without its challenges.

There are a number of issues that need to be addressed which drive the decision to move forward with a different delivery option that is examined in this document.

A significant issue facing the current shared service arrangement is the limited opportunities to "deliver more for less". Other issues that need to be addressed in a future delivery model can be summarised as follows:

- The gradually reducing level of core business
- Developing a commercial client focused culture within local authority context.
- Perception that the host Council has undue influence on the shared service.
- Time consuming financial management arrangements. A full cost recovery model needs to be implemented
- Staff are seconded and employed on different terms and conditions.
- Governance is perceived as costly & bureaucratic and an alternative governance structure would be required when working with additional partners.
- Perceived lack of control and trust by client services.
- Lack of unique identity – disparate services corralled under single branding.

3.1.2 Examples of Delivery Models

Other examples of successful constitutional shared services do exist, most notably LGSS, a sharing arrangement formed by Cambridgeshire and Northamptonshire County Councils in 2011. Primarily focused on the sharing of core systems this shared service offers a range of corporate services (HR, Finance, Audit, Legal, Pensions, Procurement, Asset Management and transformation). LGSS are now offering their services to District Councils in the area.

3.1.3 SWOT Analysis

Strengths	Weaknesses
• Minimal disruption. • Clear ownership. • Not governed by contract – in control.	• Retains separate T's & C's. • Continues perception of poor service. • Lack of revenue opportunities. • Duplication of roles and responsibilities. • Lack of commercial acumen. • Fosters perception of lack of transparency and equity between authorities within sharing arrangement.
Opportunities	**Threats**
• Does not preclude the addition of extra factories into the current arrangement. • Permits a focus on standardisation to achieve savings/efficiencies. • Able to provide certain services to other public bodies	• Represents a missed opportunity to develop and exploit asset. • Doesn't attract talent • Does not address the retraction of income into the shared services

3.1.4 Financial Considerations

Key factors contributing to the existing position & future forecast of income:

- The income from schools and academies significantly contribute to the overall cost of network & payroll to both councils. There is evidence of some schools not buying back from the current SBSA Proposition notably when schools move to Academy status.

- Declining headcount across both authorities as budget pressures continue to unfold reducing the level of support activity required

- With both councils strategy to move to commissioning delivery models and exploring other SLE/Outsourcing/Joint Venture opportunities, the existing staff establishment which will in turn reduce the core business of the shared service and increase the cost per unit for each council

3.1.5 High Level Risks

If we maintain the status quo it will present the following risks.

- Continuation of the downward volumes of core business
- Danger of focusing on doing the 'wrong things' for example cost cutting -v- developing propositions to generate income commercially
- Quality of service deterioration
- Increases cost per unit

3.1.6 Summary Overview

For the reasons set out above, "do nothing" is not a recommended option. Other strategic delivery options must be considered.

3.2 Disaggregation

This option involves dissolving the current sharing arrangements to allow CE & CWaC to autonomously decide on the future delivery models to recreate the existing and future service provision. There is a 12 month notice period to withdraw from the current arrangements. This is the most costly and potentially disruptive of all the delivery models assessed.

3.2.1 What this means for the councils

In this event CE & CWaC will need to "replicate" the service delivery for each authority – essentially duplicating the current business model.

The key areas to be that would need to be replicated by each Council are:

- Service Desk and field engineers (there are diseconomies of scale issues associated with disaggregation and an assessment of skills gaps that this option would create is essential to understand true impact/costs to each authority
- Application Support: including Microsoft Infrastructure
- Oracle Infrastructure
- Networks (noteworthy of mention: we are currently committed to jointly procuring a Public Sector Network solution along with other partners)
- Data Centre, servers and storage equipment and on-going management
- Key line of business systems
  - Small number of these are joint
  - Some are same product but different instances
  - Majority are different products e.g. CRM's, Revs & Bens, Social Care
- 3rd Party spend

Undoubtedly each authority would consider different delivery options for different services e.g. consider collaboration with different partner, enter into outsource/JV for some or all of service delivery.

3.2.2 Assumed Drivers for this Option

- A desire for sovereignty & independence
- Simplified governance & commissioning processes to assist in decision making
- Alignment of future service delivery models to own organisational strategy
- Control of change agenda & risk management

3.2.3 SWOT Analysis

Strengths	Weaknesses
• Independence/sovereignty. • In control of own destiny. • Simplified decision-making process. • Avoid commissioning process.	• Substantial one-off and on-going costs. • Split of existing TOM into two authorities – duplication of current position. • Loss of opportunity for new developments during transition. • Staff morale.
Opportunities	**Threats**
• Potential for service redesign. • Opportunity to remove management layers. • More responsive to own organisational and local stimuli. • Less complex governance.	• Delivery costs increase – rebuilding to pre-LGR level. • Staff attrition. • Loss of skills/talent. • Potentially lengthy and acrimonious process. • Perceived as sharing failure – negative reputation and political cost.

3.2.4 Financial Considerations

Disaggregation would incur high one-off and on-going costs as set out below to duplicate the infrastructure and to create separate instances of current shared systems. There is also significant loss of economies of scale.

YEAR									
1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	8 £000	9 £000	10 £000
2,406	**2,899**	**5,082**	**5,082**	**4,831**	**4,831**	**4,831**	**4,831**	**4,831**	**4,831**

Using a discounted cashflow mechanism the 3, 5 and 10 year position is:

No of Years	£000
3	9,117
5	16,753
10	31,959

It concludes that there is no financial business case to support a decision to disaggregate.

3.2.5 High Level Risks

- Highly disruptive to service delivery and to staff

- High degree of staff attrition which leave the authorities vulnerable to loss of key operational skills to run & manage critical business systems. Covering skill gaps at short notice is highly likely to come with significant additional costs.

- The huge costs associated with this option will provide budget challenges elsewhere in the organisation to fund this option.

- A negative perception of sharing failure could potentially damage any future sharing options/arrangements. Other partners may exploit perceived vulnerabilities – the authority's negotiation leverage may start from a weak position as there will be a need to quickly replace the current arrangements.

3.2.6 Summary Overview

This option is (highly) not recommended for the following reasons:

- Huge cost
- Creates unnecessary duplication
- Highly disruptive
- Reputational damage - potentially undermines any future sharing plans

3.3 Transfer Model / Split Hosting

The current Cheshire Shared Service arrangements for ICT and HR and Finance are "hosted" by CWaC underpinned by a formal Administrative Agreement and Financial Memorandum both of which are legally binding. The costs of these services are shared on a 50:50 basis and there is a 12 month notice period to withdraw from the sharing arrangement.

At LGR there was no appetite to transfer employees destined for the shared services to the host authority. Therefore staff working in the shared services are currently employed by either CWAC or CEC under the auspices of a formal Secondment Agreement with associated cost being equally shared. In effect this arrangement means that each employee retains the Terms and Conditions (T's & C's) of their employing authority. However in practice it has been necessary to develop a series of HR Scenarios to help manage day to day HR issues arising in the shared environment. The scenarios aim to ensure consistency in the treatment of individuals and a balance of employees between the councils

The current operations for both ICT and HR/Finance are located in Chester, where the majority of staff are based (there is a small presence of staff in Winsford). This situation predominantly reflects that pre-LGR and therefore relocation of staff and jobs was not an issue when setting up the sharing arrangements between the two new councils.

Since the shared services were set up both Councils have reviewed T's & C's of employment and it is evident that the consequent divergence is having an impact in shared services. An example of a material and vexatious issue is the policy decision CE has taken to freeze incremental pay increases, whereas CWaC have continued to award. This is estimated as an avoided cost for CE in 12/13 of £42,822.

3.3.1 What this means for the councils

The implementation of a transfer model would require that one or other of the Councils become the lead authority and effectively employ all the staff working in a shared service therefore putting everyone on the same T's and C's. However it is considered unlikely that either Council would be in a position to take on the lead for **both** the ICT and HR and Finance functions and all that this entails. Therefore splitting the functions and assigning a lead authority for each service might be considered as a workable way forward.

The Lead Authority (transfer) arrangement would require a new Administrative Agreement and Financial Memorandum but the Secondment Agreement would no longer be necessary as TUPE regulations would apply. The new arrangements would need to be drawn up to reflect the changes and the delegation of functions between the councils e.g. buy back from the lead council would need to be agreed through a contractual relationship with SLA's.

However a transfer situation is not an immediately fix to the T's & C's issues in the current shared services. The financial quantification of the differences in T'S & C's is estimated at (based on actual spend to Sept 12):

Expenditure	HR / Fin £000s	ICT £000s	Total £000s
Staff Mileage (excl relocation)	4	24	28
Overtime	3	17	20

The real issue is the dissention within the ranks which differing T's & C's creates, which impedes the creation of a solid base to create one culture. A Transfer Model will not eradicate this issue, in fact both councils will inherit staff on differing T's & C's and will need to undertake a review of the workforce terms and conditions or operate with a two-tier system.

The key to the success, or otherwise, of this being a viable delivery option is to reach an amicable & timely decision on which service transfers to CE. CE would be likely to want to reserve the right to exit current buildings and to relocate staff within the CE borough but it should be recognised that such a move will build in cost e.g. relocation expenses.

3.3.2 Assumed Drivers for this Option

- To provide equity in a future sharing arrangement
- To eradicate the perception that the current host has undue influence on the current shared service
- Provides clarity of ownership and service delivery as it presents an opportunity to create a unique identity and strong culture for the service.

3.3.3 Examples of this Delivery Model

Whilst there are examples of staff transferring through Joint Venture or Outsourcing arrangements none appear to exist in public sector sharing arrangements. One of the primary reasons for this appears to be a reluctance (although perhaps unfounded) to be seen to be moving jobs out of one area to another.

3.3.4 SWOT Analysis

Strengths	Weaknesses
• Clarity on Shared Service ownership/responsibilities. • No procurement issues if functions properly delegated • Relatively flexible • Public sector ethos, rules and procedures	• Represents a holding pattern. • Not appropriate for partnership working with private sector • Can be bureaucratic
Opportunities	**Threats**
• Politically acceptable.	• Threat to staff morale as differing T's & C's continue. • Fragmentation of Target Operating Model. • Duplication of client functionality. • Realignment of perceptions of bias in-line with recalibrated service hosting. • Danger that services become viewed as internal departments of and driven by the host authorities organisational agenda.

3.3.5 Financial Considerations

The following financial profiles look at two options for split hosting and comprise mainly of redundancy and relocation costs. The figures do not include any future costs that the current host may incur due to unoccupied office space.

Net impact per year based on ICT moving East

YEAR									
1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	8 £000	9 £000	10 £000
0	**429**	**252**	**252**	**0**	**0**	**0**	**0**	**0**	**0**

Net impact per year based on HR/Finance moving East

YEAR									
1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	8 £000	9 £000	10 £000
0	**986**	**188**	**188**	**0**	**0**	**0**	**0**	**0**	**0**

Using a discounted cashflow mechanism the 3, 5 and 10 year position is:

	HR East	ICT East
No of Years	**£000**	**£000**
3	1035	593
5	1184	793
10	1184	793

3.3.6 High Level Risks

- Potential for staff attrition if staff relocate – plus associated costs of VR and CR.
- Potentially protracted decision-making - who decides which service goes where?
- Each council would have TUPE issues and differing Terms & Conditions issues to resolve.

3.3.7 Summary Overview

This option is not recommended for the following reason:

- There is a significant imbalance between cost/risk and benefit that can be achieved.

3.4 In-house trading

This type of delivery model entails setting up a joint In-House trading operation similar to the former Direct Services Organisations (DSO) which operates as an 'arms length' part of the council. It is effectively a pooling of staff, resources and support services. The In-House trading service is still legally part ofthe Councils for approval of its activities and the setting of its targets, fees and charges. The Councils still provides the revenue budget for which officers are responsible and accountable. The budget – income and expenditure – is ringfenced to the DSO and is not used to sustain other Council budgets or activities.

3.4.1 What this means for the councils

This can be quickly delivered with a modest level investment. The clear limiting factor with a DSO type delivery model is that it cannot be truly commercial to external clients. It cannot act as a trading company (SLE) that is wholly owned by a council and cannot generate any profits to pass back to the council through dividends or service charges. Surpluses cannot therefore be used to hold down council tax and/or be invested into frontline services.

A DSO provides potential to generate additional income from selling additional discretionary services but it is restricted to full cost recovery. A DSO can trade with other public bodies but commercial/for profit trading with the private sector must be via a company.

Pooled budgets can be established to add a new partner to the arrangement to share costs and revenues with another public sector organisation.

A DSO would have complete flexibility to create its own identity & brand and it does not prevent the removal or addition of other in-house business units.

Commercial or contractual framework/incentives could be applied to the DSO including notional penalties to make the relationship feel more commercial.

The DSO has complete flexibility to change scope & service standards at short notice; subject to normal rules such as staff consultation.

The DSO could also use existing corporate services and to commission on a more commercial basis through use of Service Level Agreements (SLA's).

All current and future employees have the right to join the Local Government Pension Scheme (LGPS).

3.4.2 Assumed Drivers for this Option

It would provide minimal disruption to business as usual service provision.

It could be seen as an incremental step change to drive more commercial culture behaviours and culture.

There is complete flexibility to change the legal structure. Service would continue indefinitely until the councils decided to:

- Outsource some or all of the service

- Convert to an SLE owned by the Councils
- Convert to a staff mutual or Joint Venture

3.4.3 Examples of this Delivery Model

Essex Cares is an in-house company operated by Essex County Council providing Adult Social Care services. It generates income for non-discretionary services which are then re-invested to improve services. The opportunity to work on a more commercial footing has created greater responsiveness and accountability. Essex Cares competes with Private Sector providers whilst safeguarding frontline services from cut-backs or the loss of control associated with outsourcing.

3.4.4 SWOT Analysis

Strengths

- Move to a commercial charging model – full cost recovery basis.
- Transparency of full cost recovery.
- Creates a more customer-focused culture.
- Set-up cost low.
- Clear ownership.

Weaknesses

- Negative perception born of awareness of full-cost.
- Legal restrictions to trade commercially.

Opportunities

- Repeatable process; we have done this before e.g. CBS.
- Development of own branding.
- (Limited) trading opportunities.

Threats

- Harder sell – prospective clients see real cost and withdraw.
- Danger that this model becomes a permanent holding pattern.

3.4.5 Financial Considerations

This shows modest investment requirement with relatively low set-up costs which will in turn provide a return on investment in the medium term.

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
115	**727**	**-283**	**-333**	**-333**	**-333**	**-333**	**-333**	**-333**	**-333**

Using a discounted cashflow mechanism the 3, 5 and 10 year position is:

No of Years	£000
3	518
5	6
10	-1,042

This can be seen as a low risk option which will deliver financial benefits over the medium term providing the income targets ca n be achieved.

3.4.6 High Level Risks

- Achievement of softer benefits such as improved staff motivation, attendance, creativity and commercial focus may prove difficult as staff will remain Council employees.

- No opportunity to transfer risk from the Councils.

- Ability to trade may be limited by lack of expertise, unless an investment is made at a similar level to what is required to set up an SLE.

- A jointly owned DSO will require similar levels of governance to those we have now.

3.4.7 Summary Overview

This delivery option is not recommended.

It requires similar investment levels to that of an SLE but does not offer the same commercial opportunity as an SLE to monetise offerings; partnering and trade opportunities to increase income and achieve efficiencies & economies of scale; or provide the opportunity to create value.

3.5 Outsource

For outsourcing, an external private sector partner is paid to provide the service to or on behalf of the Councils.

3.5.1 What this means for the Councils

Outsourcing the shared service would require an OJEU procurement following the competitive dialogue process as this type of procurement would be almost certainly deemed to be complex procurement. A particularly complex contract means a contract where the contracting authority is not objectively able to define 'the technical means' in terms, or specify and identify the legal/financial make up. As there is the potential for several phases of dialogue with three or more participants, the time taken can vary significantly from one project to another. The resource available to the project will also impact on the time taken, as updating and controlling the versions of schedules; documenting and responding to points of clarification; and arranging, attending and following up actions taken from meeting, are resource intensive activities. Where limited resource is available the time taken to move through the phases of dialogue will be protracted.

Based on experience, the time expected for a potential outsourcing of this kind would be 12 to 18 months from the publication of the notice to contract signature. It should be noted that a considerable amount of work is needed pre-procurement to base line the current position. The costs of a procurement of this scale, particularly given the specialist nature of ICT services are estimated at £490K, approx 50% of this is notional as the councils' do have some in-house expertise. However, due to the complexity of the ICT service it may be necessary to retain specialist technical expertise from an external source at an additional cost in the region of £80k.

In terms of potential to add other business units within the final arrangement, this is possible with the agreement of the outsource company, but potentially restricted if not included in the scope of the original procurement. Similarly a new partner cannot be added to the arrangement unless this was covered in the OJEU notice.

3.5.1.1 Illustrative approach an outsource company would take

Outsourcers would assess the viability of the shared services in 3 key stages and carry out levels of assessment, due diligence and negotiation:

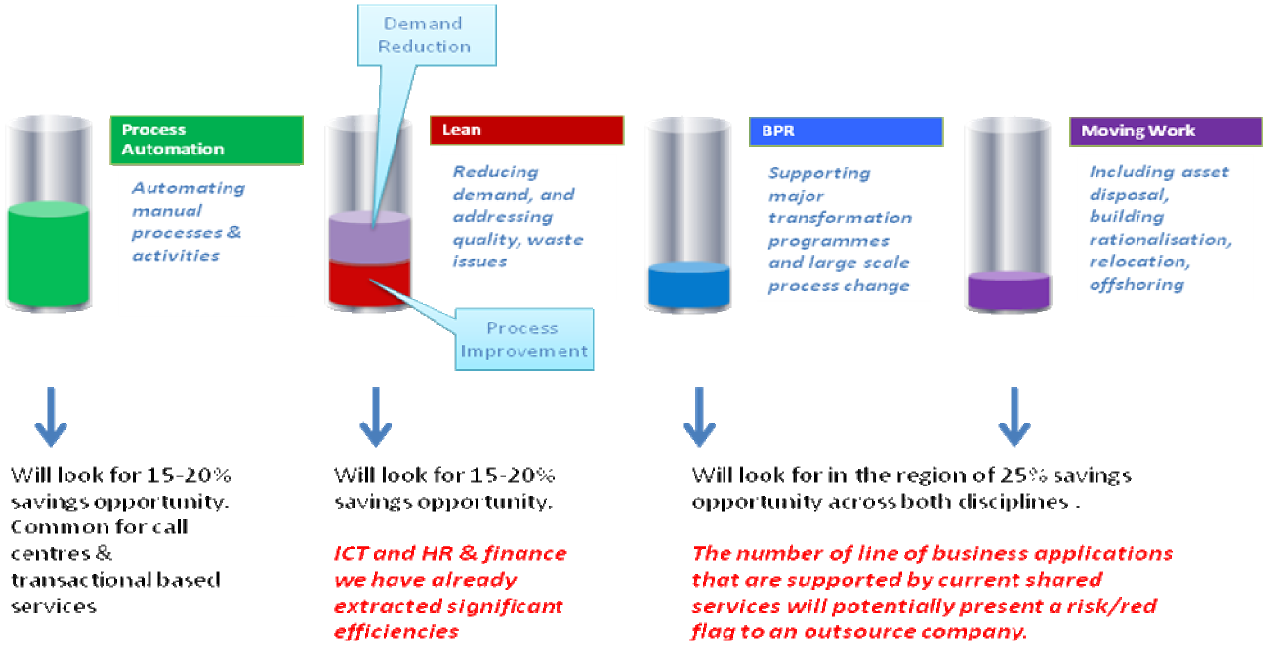
- Bid team (often called the Black Team) – to respond to the ITT
- Contract Team (often called the Red Team) – to make the full & final offer
- Post award – a team carries out detailed due diligence

Outsource companies will assess:

Area of Assessment	Typical approach
Assets	A relevant example would be the approach to People. They typically will cherry pick people, likely to only TUPE management team and staff considered to be key knowledge holders. Look to agree a secondment model for remainder of staff for an infinite period likely until the end of contract. (subject to the Legal Position on TUPE)
Age Profile - All assets including people	Looking for tenure liabilities and end of life risks. Noteworthy of mention is the approach to staff retention. High staff retention is viewed as a poor risk, whilst high staff attrition is attractive so as to provide more future flexibility to the outsourcer.
Liabilities	Likely to only underwrite any buildings liabilities for a short period but will seek to reserve right to exit our existing properties
Budget Structure	Looking for savings/realignment opportunities within their organisation
Associated overheads	Looking for savings/realignment opportunities within their organisation
Existing contractual commitments	They will factor these into the "pot" – particularly will be looking at the impact of any change/transformation commitments will affect their bottom line targets.
Operational Assessment	They will look for a % improvement gains in productivity and cost

To ensure that there will be sufficient margin of opportunity between cost & price, Outsource companies will use an Operational Assessment model similar to that shown below:

A typical example of an Operational Assessment approach:



Outsourcers will operate a gain/share mechanism in realising savings opportunities e.g. they will underwrite a % of the predicted savings and they will seek to achieve the remainder of the savings in a risk/share basis, often resulting in outsourcers retaining 50%.

3.5.1.2 Disciplines used to drive cost improvement

In terms of cost improvements Outsourcers will use the following disciplines:

Cost savings: The lowering of the overall cost of the service to the business. This will involve reducing the scope, defining quality levels, re-pricing, re-negotiation, cost re-structuring. Access to lower cost economies through offshoring called "labour arbitrage" generated by the wage gap between industrialised and developing nations

Cost restructuring: Operating leverage is a measure that compares fixed costs to variable costs. Outsourcing changes the balance of this ratio by offering a move from fixed to variable cost and also by making variable costs more predictable

3.5.1.3 Typical Pricing Structures

Outsource arrangements use cost savings/restructuring disciplines described above to determine Output & Outcome pricing structures.

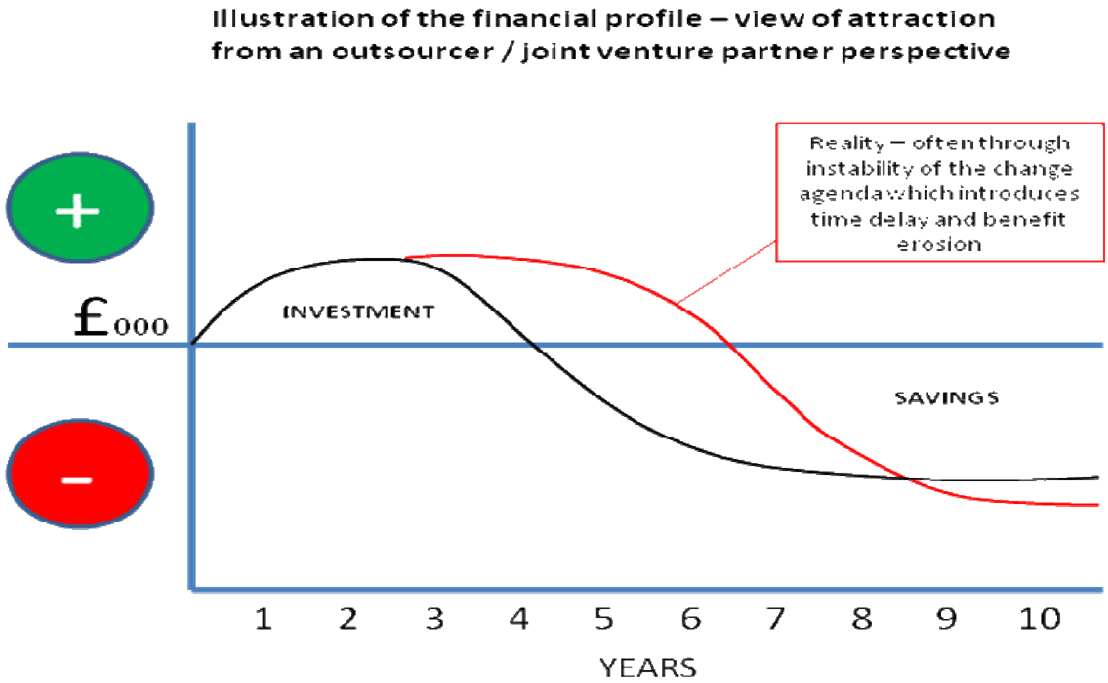
Output Pricing: Fixed/tangible unit costs – tends to be based on known usage; e.g. Network, data, utilities, volume metrics such as no of payslips.

Outcome Pricing: Intangible costs based on an agreed outcome e.g. merge revenues services. The approach will look specifically at People, Systems and Processes with the view of generating same output with fewer people; or, generating higher output as capability is optimised. Outcomes will need to be clearly defined at the outset of the contract.

Negotiating Outcome pricing is attractive to an outsource company as it is a way for the outsourcer to further drive the “change” agenda. It is often how outsourcers incentivise organisations to extend deals by constantly renegotiating the goalposts and shifting the “honeypot” further out as “change” introduces time delay and benefits erosion.

3.5.1.4 Typical Investment & Savings profile of Outsourced arrangements

The purpose of the model is to illustrate from an Outsourcers point of view (black line) the attraction of a contract that provides investment up front with planned savings based on contractual obligations based on no changes to the contract. The red line is introduced to depict the often “reality” as outsourcers drive the change agenda to push out savings realisation.



If an external partner is contracted to both CE & CWaC via an outsource or JV, they may well bring partially or fully constructed solutions (assets) with them to perform the change – but still at a cost. They will also need to secure a profit from their work, as well as fund their own staff to manage the contract. The sum of these costs forces the realisation of return / cash savings for Cheshire much further into the future

3.5.2 Assumed Drivers & Expected Benefits from this Option

- **Cost Savings & cost restructuring:** predictability of returns
- **Improved quality** - Achieve a step change in quality through contracting out the service with a new service level agreement.
- **Knowledge**: Access to intellectual property and wider experience and best practice knowledge.
- **Contract**: Services will be provided to a legally binding contract with financial penalties and legal redress. This is not the case with internal services.
- **Operational expertise**: Access to operational best practice that would be too difficult or time consuming to develop in-house.
- **Staffing issues**: Access to a larger talent pool and a sustainable source of skills.
- **Capacity management**: An improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier.
- **Catalyst for change**: An organisation can use an outsourcing agreement as a catalyst for major step change that cannot be achieved alone. The outsourcer becomes a Change agent in the process.

- **Reduced time to market**: The acceleration of the development or production of a product through the additional capability brought by the supplier.

- **Commoditisation**: The trend of standardising business processes, IT Services and application services enabling businesses to intelligently buy at the right price. Allows a wide range of businesses access to services previously only available to large corporations.

- **Risk management**: An approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.

3.5.3 Examples of this Delivery Model

Many outsource models of service delivery are evident across the public sector e.g:

- Avarto / Bertlesman providing IT, Revs and Bens and front office support to East Riding and Sefton Councils
- BT providing IT, consulting, business process services to ,Rotherham, South Tynside, Suffolk and Sandwell councils
- IBM providing IT, consulting, business process, outsourcing services to South West One and Essex CC
- Serco providing consultancy and facilities management to Glasgow City Council
- Steria providing back office services to the NHS

Suffolk CC have been the most ambitious in this area with a vision to outsource the majority of services and to propel them into becoming the ultimate commissioning council. However the vision lacks public support has been slow to materialise.

3.5.4 SWOT Analysis

Strengths	Weaknesses
• Can utilise companies with proven track records – access to private sector delivery capability. • Risk transferred. • Immediate return on investment/asset. • Aligns with local governmental commissioning models. • Highly predictable returns (but they may be under-ambitious).	• Cost of OJEU – plus at least 18 month timescale. • Potentially rigid contract – hard to renegotiate, lengthy – typically 5-8 years. • 'One size fits all' solutions – not locally bespoke or imbued with public sector ethos. • Outsourcers tend to sweat assets – client becomes outdated and slow to change. • Client/customer dissatisfaction grows over time – frustration levels at lack of change/competitive edge.
Opportunities	**Threats**
• Opportunity to create a core vender management skill base within client. • Improved quality of service. • Opportunity to remove legal and cultural issues out of the organisation.	• Already cashed in significant – potentially not an attractive proposition to an outsource company. • Likely to operate an aggressive revenue generation/saving model to achieve targets. • Danger that revenue generation culture supplants public representation/service. • Governance purely contractual. • Outsource company will respond to most active/lucrative client – we could be neglected. • Political sensitivities to pure outsourcing – trend of in-sourcing evidence. • Success dependant on financial stability of the outsource company.

3.5.5 High Level Risks

The risks below are not by any means exhaustive but are presented as the key high level risks to consider.

3.5.5.1 Handing over efficiencies

The current "package" of ICT and HR & Finance services will more than likely be viewed as a limited opportunity for Outsource companies to make an acceptable return. They are likely to seek a long term tie-in and include other services. Their interest would undoubtedly lie in transactional services which are ripe for transformation/automation. CE & CWaC's Customer Contact Centres and Revenue Collection services would be seen as lucrative areas for Outsourcers to make their returns as there is scope for removal of duplication, downsizing capacity and standardisation. To illustrate this, the estimated savings from merging two Councils' Revenues services is circa £360k, which the Councils would in effect be "handing" to an outsourcer as part of a deal and they are likely retain at least 40% as contribution to their profit target. It is important to note that this is an, informed, illustration. Accurate % retention can only be determined via a competitive dialogue process and subsequent due diligence phases.

3.5.5.2 Dissatisfaction & loss of control

In outsourcing arrangements there is a high degree of risk that is particularly pertinent to ICT as it is usual practice to novate existing contracts to the Outsource Company. The Outsourcers tend to push one of two agendas; to sweat assets or push for standardisation. The former has a high degree of risk of products going beyond "end of life", the latter may not provide satisfaction in the medium/long term as the Outsourcer will not be driven by the councils change agenda. Evidence shows that dissatisfaction and loss of control of the change agenda are key factors in why a number outsource arrangements are deemed to be failing. This position could be improved by the councils through robust commercial and contract management skills and practices.

3.5.5.3 Approach to assets & liabilities

It is crucial to understand the structure of the long term contract and the approach the Outsource Company intends to take with future investment of assets and mitigation of liabilities. Key areas of risk for the councils are:

- Outsourcers are minded to only TUPE senior management team and "key knowledge" staff and push for a staff secondment model over an infinite period. Future liabilities for staff remuneration, redundancy and pensions would therefore remain with the employing authorities. They would also seek to ensure that the unfunded deficit of the pension fund remains with the councils.
- Outsourcers will more than likely factor in existing property liabilities but would seek to limit their underwriting, typically for no longer than 2 years, and reserve the right to exit existing property/locations. This would leave the councils with properties to sell/lease/sublet in the future.

3.5.5.4 Step in rights & Exit Arrangements

It is critical to agree robust step-in rights within the contract and clear exit arrangements & associated costs. This is often the maximum point of leverage between the customer/outsourcer. There are a number of arrangements we could learn from, notably the arrangement between Sainsbury's Bank and Bank of Scotland where the exit costs run into £100m's.

Failure of the arrangement would require either transfer of service and staff in-house and re-tender. Or, sourcing new provider at short notice at, potentially, higher cost.

3.5.6 Summary Overview

This option is not recommended for the following reasons.

There is evidence that there is a "honeymoon" period with these arrangements unless there is a high degree of flexibility in the initial procurement & subsequent contract. In the honeymoon period there is a high degree of satisfaction when predicable "knowns" are delivered. Dissatisfaction tends to appear later down the line when the outsourcer fails to deliver to a Council's change agenda. This is particularly pertinent for ICT service delivery.

Other high level reasons why outsourcing is not a recommended option for the current shared services:

- In the time it takes to undertake a competitive dialogue process and OJEU procurement, the plan suggests that SLE delivery option would have started realising same level benefits.
- Inability to create future value for the councils
- Handing over efficiencies to a third party – we could redesign our approach to capacity / contract management and keep 100% of the savings.
- Lack of commercial control
- Difficulty in identifying qualified and reliable suppliers (there is a lot of evidence of insourcing & negative publicity of failure of these arrangements for complex service delivery).
- Disruption of supplies
- Potential security problems associated with the push to offshore work

Worthy of mention is that there is nothing preventing the proposed SLE to outsource some of its current provision to optimise efficiency e.g. PSN, Cloud based solutions.

3.6 Joint Venture

For Joint ventures, a legal entity is setup between the parties to jointly deliver the service for a finite period of time. Typically, the private sector partner is the majority shareholder in these arrangements. Contract tenure is a longer term tie-in, typically 8-10 years. An OJEU level procurement, including a competitive dialogue process will be needed.

3.6.1 What this means for the councils

There are a great many similarities between Joint Venture (JV) and Outsource arrangements and the methods and approach that potential partner will take.

Rather than repeat section 3.5, in this section we will look at the key differences of a Joint Venture arrangement.

JV partners will still use output / outcome based pricing (as described in the outsourcing section 3.5).

3.6.1.1 The key difference between Outsourcing & JV arrangements

Transparency in accounting

Joint Venture organisations use Open Book / Open accounting methods

> **Open book**: e.g. income, expenditure & charges (e.g. reserve against a risk)
>
> **Open Accounting**: Councils will see the construction of the all production costs. However, what isn't seen is the cost of the parent company (Costs charged between JV partner and its parent company).

To illustrate this: A Parent company currently have a 48% profit margin on their outsourcing deals – the JV partner typically realise 12-14% margin.

The perceptions of open book can be a very vexatious and learning's from the marketplace indicate that it is big cause of tension in JV arrangements when renegotiating planned delivery within the contract. As customers feel they have full transparency but actually they don't.

Tenure & Outcomes for the JV

The tenure of the contract usually has a long tie-in, often 8-10 years. In terms of shareholding it is normally 49/51 and the partner would often want the casting vote (highly dependent on financial/taxation model agreed). Also dependent on the structure of the deal dividends may be paid at different ratios – a typical model, after realising the minimum commitment in the contract, is on a 50/50 share basis.

Areas of potential future conflict are typically:

- Timing of investments – availability of funding / conflicting priorities driven by council pressure from budget cuts and wanting to postpone planned events and/or planned investments often lead to compromises being made that fuel lack of trust in the relationship.

- Conflict of interest in external market planning – Cheshire choose to sell their contact centres to SME, sales effort (introducing competition the parent company may not approve of)

- Approaches to the management of risk

3.6.2 Assumed Drivers for this Option

Undoubtedly a Joint Venture would present opportunities and it is the delivery model of choice if the key strategic drivers are:

- Diversification
- Growth
- Improvement

3.6.3 Examples of this Delivery Model

"Service Birmingham" is a joint venture between Birmingham City Council and Capita providing ICT, Customer Centre, Learning and Knowledge and project services with a view to expanding into HR and payroll services. Based on sound systems and operating models and built around investment in the local economy and job creation this successful partnership is set to continue until 2021 with a total worth of £1 billion

Edinburgh City Council recently renewed its contract with BT until 2016 after it achieved 88% of its improvement targets. The Council stands to profit from £22 million in savings. This joint venture has focused on standardising infrastructure to drive out efficiency to be reinvested in the project.

South West One is a joint venture set up with Somerset CC, Taunton Deane BC, Avon and Somerset Police and IBM providing a range of corporate services. Savings were projected at £1.7m year which enabled Somerset CC to levy below average council tax increases. However poor consideration of the commercial offering and the failure to attract additional partners have led to reported losses of £31.5m and allegations that South West One is trying to hide the extent of its bail-out of IBM, the dominant partner in the venture.

Liverpool Direct is a joint venture with BT offering customer contact support, ICT solutions and management, HR and Revenue and Benefit services. Employing 1,100 people with a net turnover of £80m p.a. it is the largest public-private joint venture in the UK. Liverpool Direct started in 2001 and despite initial problems is now attracting new partners, most notably Lancashire County Council. Its success is in delivering desired outcomes e.g. retained jobs, security & expansion in terms of high speed networks across Liverpool.

3.6.4 SWOT Analysis

Strengths	Weaknesses
• Access to commercial skills & value proposition development. • Access to private sector delivery capability – finance, talent, change management. • Early commercial dividend. • Risk transfer to partner. • Staff perceive venture as an opportunity, tapping into experiences of large, private sector organisation. • Corresponds to local governmental strategy to adopt commissioning models. • Access to experienced mobilisation and management teams.	• Cost of OJEU – plus at least 18 month timescale. • Loss of control of sales destiny • Handing over efficiencies to partner. • Difficulty of negotiating terms mid-contract. • Lengthy tenure of contract – usually tied-in for 5-10 years. • Pension deficit remains with local authority. • Current negative perception of JV's, e.g. South West One, Cornwall Strategic Partnership.
Opportunities	**Threats**

• Attract additional business more easily.
• Sales and marketing methods & disciplines including:
    ○ Proposition development
    ○ Sales
    ○ Bid management
    ○ Contract management
• Potential to increase employment in local economy (depending on deal structure).
• Downsizing local authority staff numbers.
	• Revenue growth will not be on the JV partner's agenda.
	• JV partner will be more focussed on scope change agenda to increase profits/dividends
	• Loss of control via novation.
	• Need to invest in strong retained vendor management – possibly have to 'buy in' in the short/medium term.
	• Danger that profit generation culture supplants public representation/service.
	• Contractual difficulty of 'stepping in' should the authority not be content – need clear exit strategy.
	• Political sensitivities if deal involved job losses in local economy.
	• Stakeholder buy-in is critical – staff/unions.

3.6.5 High Level Risks

- Term of the contract – a JV is likely to have a longer tenure due to the levels of transformation & change

- Exit arrangements are extremely costly & disruptive.

- Overhead expense is likely to higher than an outsource arrangement as there is more of a requirement to have joint projects & management boards

- The councils will experience loss of control of the change agenda.

3.6.6 Summary Overview

This is not a recommended option for the same reasons as noted in the Option Appraisal for Outsourcing - section 3.5.7.

3.7 Separate Legal Entity

This model is appropriate where there is a desire to trade commercially for a profit with other public and private sector organisations. It involves establishing a separate legal entity (SLE) – i.e. a company - which will deliver services back to the contracting authorities. There are a number of different forms a company can take such as

- company limited by shares or guarantee (either of which may be charitable);
- community interest company;
- industrial and provident society.

The most suitable structure will depend on the key aims and objectives of the SLE. A company limited by shares will tend to be appropriate where the SLE is commercial in nature. A company limited by guarantee is the traditional model for a non-profit distributing company where the intention is to reinvest profits into the business. A CIC is designed for social enterprise which operates as a business. An IPS is a form of employee mutual.

The most suitable structure for Cheshire Shared Services is a company that is limited by shares and is Teckal compliant [2]

3.7.1 What this means for the councils

Creating a Teckal compliant SLE limited by share requires:

- adoption of a commercial business model which will exact commercial behaviours (a proposed business model is explored further in Section 4.3). The SLE will need to be successful at "realising capacity or releasing capacity". The model needs to be aligned with a Business Plan so as to constant flex to levels of growth, reinvestment opportunities through efficiency realisation and management of risk.

- investment in the current management structure which fully implements the current Target Operating Model, to build a solid culture for the business to move forward. (the current target operating model is presented in Section 4.4)

- focus on Strategic Marketing activity, to develop & monetise the company offering & propositions (a proposed approach is included in Section 4.5)

3.7.1.1 Background to the Teckal exemption

If the SLE is to be established to operate under the Teckal exemption the Councils will be able to contract with it without a procurement exercise. The Teckal exemption was established by the ECJ in the case of Teckal SSRL v Commune de Viano and Azienda Gas Acqua Concorzial (AGAC) di Reggio Emilia and is sometimes referred to as the in-house exemption. For Teckal to apply, two conditions must be satisfied;

(1) The contracting authority must exercise over the service provider **control** which is similar to that which it exercises over its own departments; and
(2) The service provider carries out the essential part of its **activities** with the contracting authority.

[2] A more detailed briefing document which explains the different SLE structures and Teckal exemption can be produced upon request

Control test

In respect of the control test it is not enough to simply own the SLE. The Councils must retain the same degree of control as it has over its internal departments such that it has "a power of decisive influence over both strategic objectives and significant decisions" of the SLE. There can be no private ownership of the SLE as this would mean the control test is not satisfied. The Councils will therefore own 100% the shares in the SLE between them. Whilst the fact of ownership tends to indicate sufficient control, it is not decisive and additional provisions will be included within the company articles which reserve certain decisions to the Councils as shareholders. The control test may be satisfied by the reservation to the Councils (as shareholder) of the decisions listed below;

- Appointment and removal of directors
- changing the articles
- varying the share capital
- creating a charge
- issuing debentures
- creating or selling subsidiaries
- selling parts of the business
- entering into a contract which is not in the normal course of business
- changing the name or the registered office
- adopting or amending the business plan
- changing the nature of the business.

Governance & shareholder considerations are further explored in Section 4.7

Activities test

To meet the second test to the Teckal exemption, the SLE must carry out the essential part of its activities for the Councils and other activities must be of only marginal significance. The rationale is that EU public procurement law remains applicable to an entity which is active in the market and therefore likely to be in competition with other undertakings.

There is little case law on what is meant by marginal significance but it was considered in the case of Tragsa, in which the ECJ concluded that a company which carried out 90% of its activities for the public sector owners and 10% of work for third parties satisfied the Teckal exemption, as the 90% constituted the essential part of its activities.

In terms of the geographic area of operation of the SLE, activities carried on outside of the Councils administrative areas would not amount to activities on behalf of the Councils. It is likely that such activities would be viewed as commercial activities within the 10% of marginal activity. It is proposed that the articles reflect this geographic limitation.

3.7.1.2 Advantage & Disadvantages of Teckal

The "teckal exemption" allows an authority to award contracts to a company without a procurement exercise on the basis that the company

- effectively operates as a department of the council and
- carries out the essential part of it activities for the council.

Control can be exercised by more than one local authority although it is not clear how many "partners" there can be before control is diluted to such an extent that teckal no longer applies.

As a teckal exempt company, this model has scope for more than one local authorities to participate in the company such that they can also procure services from it without going through a tender exercise. The key drawback is the limited ability to carry out activities for any organisation other than the partner authorities beyond those which are of "marginal significance" to the main activities of the company. The case law in this area is limited but it is generally thought that non-essential activities should be kept within 10% of overall activity. To trade more extensively could lead to the SLE losing the benefit of the Teckal exemption and potential procurement challenges. Trading with third parties could, however, be undertaken by way of a separate trading company (as opposed to a subsidiary). Consideration would be required as to how such a trading company would be resourced and managed.

It is possible to operate a teckal exempt SLE and have a separate trading SLE with commonality of management but the two must not cross subsidise each other. This "trading arm" could be used to provide services to the private sector or to other public bodies who do not wish to participate in the teckal exempt company.

It is not the case that "once teckal, always teckal" – the SLE can move to operate outside of authority control as a longer term objective which frees it up to trade in a commercial way. This could be the case upon the expiry of the initial contract between the Authorities and the SLE.

The teckal exemption gives the Authorities and the SLE the financial certainty of a contract for services while it beds in and develops as a separate legal entity so that upon the expiry of the initial contract it could be in a position to bid for contracts without the teckal exemption on a commercial basis.

The nature of the relationship between the Authorities and the SLE would allow the Authorities a significant degree of control over the company to ensure it meets the strategic direction set by the Council.

Any services procured by a teckal exempt company would be subject to EU procurement directives and the Regulations since the Company would be regarded as an extension of the Council for procurement purposes.

If the SLE is not reliant on the teckal exemption then it would be free to carry out more general trading activities.

3.7.2 Assumed Drivers for this Option

- Desire to trade commercially for a profit with other public and private sector organisations
- To create future value for the authorities that requires modest investment which is low financial risk.
- Exploiting the Teckal exemption allows the shared services company to be more agile in partnering with other local authorities.

3.7.3 Examples of this Delivery Model

Compass Point was created to provide shared back office services for East Lindsey and South Holland District Councils with anticipated savings of £30m. Private sector involvement in providing one off services ensured that any savings realised would be retained by the owning councils. The creation of the company cost £4.65m largely spent on redundancies, new systems, legal and change advice. Compass Point is the first company to implement Microsoft Dynamics AX system which is specifically designed for the shared service environment. The Company Board consists of eight councillors and the Chief Executives of the two councils thereby ensuring council control and a strong public ethos. Compass Point has proved successful in consolidating shared service arrangements between the two controlling councils but as yet has not attracted any new partners.

Norfolk Property Services (NPS)is a limited company wholly owned by Norfolk CC. Set in 2002 the company now delivers a comprehensive and flexible range of property services to both the pubic and private sector across the UK. NPS is an attractive prospect to partners who largely receive bespoke services. With 10 subsidiary companies around the country NPS generates a turnover of approximately £40m.

Local Authorities retain a direct influence on the strategic direction of the company through representation on the Board of Directors. This, along with, Norfolk County Council's total ownership of the parent company, means that NPS appeals as a public-sector specialist, evidenced in that the majority of its partnerships are with other councils.

The profits of the company (including those from external clients) are shared between NPS and the partner authorities.

All of the commercial risk in establishing the joint venture company is taken by NPS who also provide the capital for investment in service improvements.

Financial independence allows the company to borrow for investment, and enables more effective cash management. A programme of continuous improvement seeks to strip out inefficiencies and unnecessary overheads and provides economies of scale.

Acivico was a company constructed by Birmingham City Council to provide and sell property management and planning services. However, on the day of its recent launch the company had to be pulled because of incomplete VAT submissions

3.7.4 SWOT Analysis

Strengths	Weaknesses
• Opportunities to trade. • Agility to optimise business model and efficiency through economies of scale in terms of partnering (insofar as the Teckal exemption requires no procurement.) • Low financial risk. • SLE model requires modest investment. • Asset retained by local authorities and future options are in local authority control. • Move to unified T's & C's – staff morale, standardisation. • Minimal disruption to existing governance. • Retains public sector ethos and control. • Remains in Cheshire economy. • Maximises and retains all cost benefits. • Quick to implement upon decision. • Represents a continuation of three year investment into Shared Services and retains intellectual capacity generated in this process.	• No immediate dividend. • Harder to sell SLE outside of Cheshire – no partner as of yet. • Needs commercial focus – particularly in terms of shaping business propositions and marketing, e.g. £6.7 million of savings thus far needs heralding.
Opportunities	**Threats**
• Attractive to other partners. • CSR may create target opportunities. • Exit strategy easier and clearer. • Does not prevent individual local authorities doing their own things – precludes very little in terms of development. • Additional income will ensure reinvestment in physical and intellectual assets. • Capacity for other factories: revenues, customer contact centre, procurement etc • Step to full outsourcing or floating possible.	• Lack of current commerciality could impair adoption of commercial ethic. • Conversely, danger that shareholder behaviours are not retained.

3.7.5 High Level Risks

Set out below are some of the key challenges and risks to externalisation of services;

- Funding – externalisation can be expensive especially if external advice is required.
- Leadership – a key objective will be to develop the business and develop new markets. Experienced commercial managers with sound leadership skills will be required to drive the business forward and may need to be recruited.
- Staff – a major success factor will be winning the support of employees and trade unions and managing the transition to the new organisation.
- Competition – the SLE may find itself unable to expand by winning new work or it may lose the initial contract with the Authorities.
- Risk of failure – as with any new business there is a risk of failure because, for example, its business case is not robust enough, it does not have sufficient resources or it develops poor relationships with clients and suppliers. The Authorities would have to consider whether they would guarantee the company financially, at least initially.
- Loss of Teckal exemption. If a significant number of the currently maintained schools converted to Academy status, the 10% limit on external trading income would be exceeded.

Any of the above may lead to service failure and the need to run an emergency procurement to put alternative arrangements in place at increased costs and reputational damage.

A more detailed Risk Assessment for the SLE option is included in Section 4.9

3.7.6 Financial Illustrations

The following figures are based on investment in the Management Structure with a fully implemented TOM; focus on proposition development; marketing and putting in place opportunities for strategic partnering and income generation.

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
645	**583**	**667**	**751**	**834**	**918**	**876**	**834**	**793**	**793**

Using a discounted cashflow mechanism the 3, 5 and 10 year position is:

No of Years	£000
3	1,687
5	2,905
10	5,571

The high level business case to follow examines the financials in more detail.

3.7.7 Summary Overview

This is the **recommended option** from the Joint Officer Board, for the Authorities to take.

The following section provides a more detailed analysis of the recommended option.

4. Recommended Delivery Option

It is requested that the Shared Services Joint Committee support the Joint Officer Board recommendation to transition the shared services to a Separate Legal Entity be approved

4.1 Rationale for Recommendation

- Most of the advantages that an outsource arrangement or joint venture can bring can be achieved by the SLE, with the advantageous position that the SLE can retain all of the benefits.

- The SLE can be mobilised reasonably quickly. Before an OJEU level procurement exercise was complete the SLE can start to:

  - implement an overarching business model:
  - implement the full target operating model
  - execute the marketing plan to begin to create value, generate income, and exploit partnering opportunities.
  - It is within the authorities' gift to exploit efficiencies that adding new factories would achieve, generate additional income streams and find an additional partner within 2 years.

- CE & CWaC have been sharing services for over 3 years and have realised savings of in excess of £6.7m. It has built solid capability and intellectual capacity during that time which can be capitalised upon. There is plenty of scope to drive further efficiencies and create future value.

- The investment is modest and the financial risk is low.

4.1.1 Desired Outcomes / Objectives for the SLE

- To be the leading public sector shared company in the UK providing a high quality, customer focused services, demonstrating value for money and high levels of customer satisfaction.
- To grow the shared service business by bringing in new partners and customers to realise economies of scale and by trading key services on a fully commercial basis with other organisations.
- To meet and exceed client expectations of service delivery and quality driven by internal transformation and standardisation of processes and adoption of new technologies.

4.2 Strategic & Financial Business Case

Taking the step to an SLE is a low strategic and financial risk. The high risk is the loss of opportunity by taking a different route.

The measure of strategic success lies in the delivery of non financial benefits & outcomes during the first 24 months of the SLE.

The financial business case (shared 50:50 CE/CWaC) provides scenario based illustrations and the likely return over a 10 year period; based on essential investment in:

- Business Model
- Skilled Management Team
- Robust proposition development
- Creating the commercial culture

This business case is centred on creating future value in addition to providing a return.

4.2.1 Set-up Costs

The set up costs can be viewed on a range between best and worst case scenario. This is largely due to the approach we can take with setting up Oracle to produce a set of trading books. The best case scenario involves risks around the security of the AR/AP functions. However, whilst the SLE is wholly owned by CE & CWaC a best case scenario is acceptable with mitigation through a data sharing protocol.

External one-off set up costs	£000s
Legal advice on legal structure, shareholders agreement and contract between SLE and Councils	75
Pensions advice from fund actuary	25
Financial advice on tax	20
Chief Executive: 4 months in advance of company set up	40
Director of Corporate Services: in advance of company set up	25
External recruitment cost of Chief Exec (25% of first year salary)	30
Other costs	15
Sub-Total	230

Internal Opportunity Costs – Oracle Set up	£000s
Best Case Scenario	71
Worst Case Scenario	473

TOTAL SET UP COSTS	£000s
Best Case Scenario	**301**
Worst Case Scenario	**703**

4.2.2 Potential Grant Funding Opportunities

Worthy of mention is that Officers are looking at possible Grant Funding opportunities – there is potentially some funding (circa £100k) available from the Cabinet Office for mutual's which is thought to flexible enough to apply to this SLE.

4.2.3 Proposed treatment of Pensions liabilities

The assumptions underpinning the employers pension contribution are set out below. The objectives underpinning these assumptions is to ensure that the SLE is in a similar position to a 3rd party outsource operation so that it can eventually compete for the Councils work on a comparable basis, while giving some time during the incubation period to allow the SLE to move from a local government to commercial operating model. To achieve these objectives the assumptions are:

- The element of the pension deficit that relates to past service will be fully funded by the two councils. This is an approach that would be used if the shared service was being outsourced.
- The increase in the future service employer contribution rates, which have been experienced in other recent outsourcings, will be phased in over a 5 year period in equal instalments- probably of around 1.5% pa, rather than having to pay the full increase immediately as would be the case with a traditional outsource. Recent outsourcings have seen the employers future service pension rate increase from around 16% to 25%.

The implication for the councils is that the deficit that relates to future service will continue to increase, but that the deficit is likely to be less than if the service had been retained in-house based on current assumptions.

4.2.4 Scenario Based Financial Illustrations

The following scenarios illustrate the incremental financial build up of the SLE from a starting point, illustrating the impact of viewing the SLE as an investment case only through to the return on investment from exploiting efficiency opportunities, achieving economies of scale through strategic partnering and maximise income generation.

Scenario A

Standalone SLE for CE & CWaC – without any partnering, additional factories or additional income.

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
645	583	667	751	834	918	876	834	793	793

Not representative as the purpose of creating an SLE is to exploit further internal efficiencies partnering & income generation

Scenario B

Add additional factory - Scenario is based on merging Revenues services

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1,444	223	307	391	474	558	516	474	433	433

Scenario C

Add additional factory and generate income

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1,394	73	107	191	274	358	316	274	233	233

Scenario D

Add additional factory, generate income and add partner - Scenario is based on an authority with a similar size to that of Trafford BC

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1,394	73	107	-1,286	-1,203	-1,119	-1,161	-1,203	-1,244	-1,244

Scenario E

Add additional factory and generate income as per scenario C. This scenario uses a more aggressive income profile as shown in red below

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
0	*-150*	*-300*	*-500*	*-750*	*-1,000*	*-1,200*	*-1,200*	*-1,200*	*-1,200*
1,394	-77	-193	-309	-476	-642	-884	-926	-967	-967

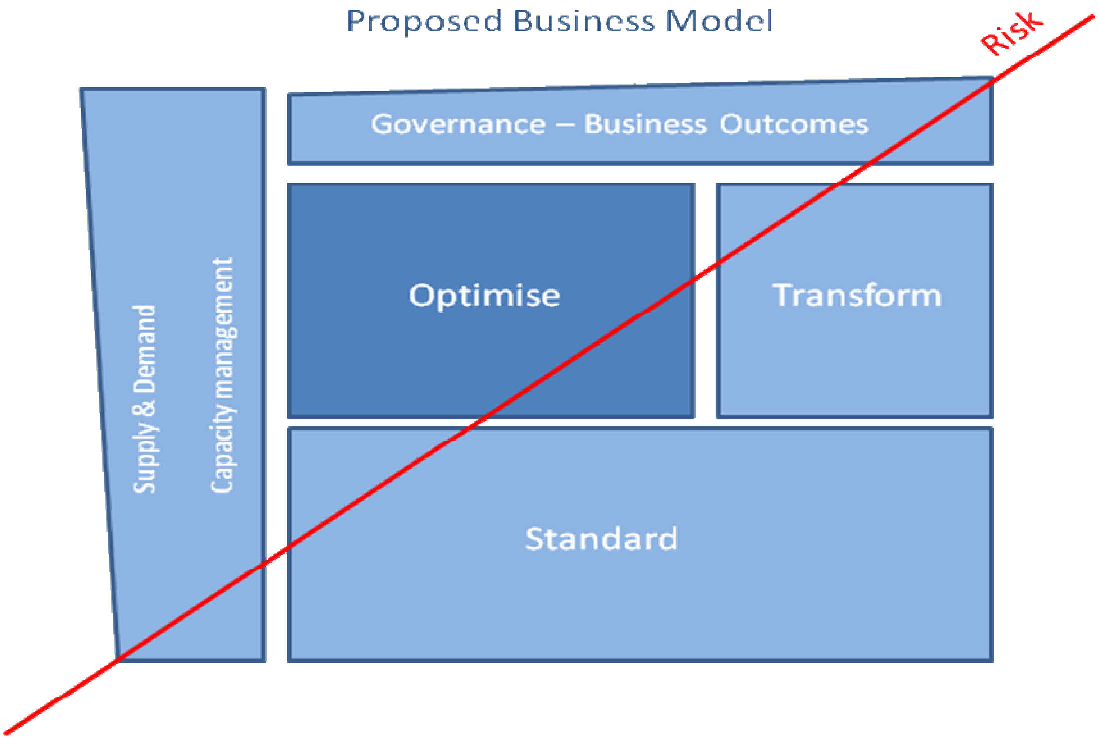
Scenario F

Add additional factory, generate income and add partner as per scenario D. This scenario uses a more aggressive income profile as shown in red below

YEAR									
1	2	3	4	5	6	7	8	9	10
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
0	*-150*	*-300*	*-500*	*-750*	*-1,000*	*-1,200*	*-1,200*	*-1,200*	*-1,200*
1,394	-77	-193	-1,786	-1,953	-2,119	-2,361	-2,403	-2,444	-2,444

4.3 Proposed Business Model

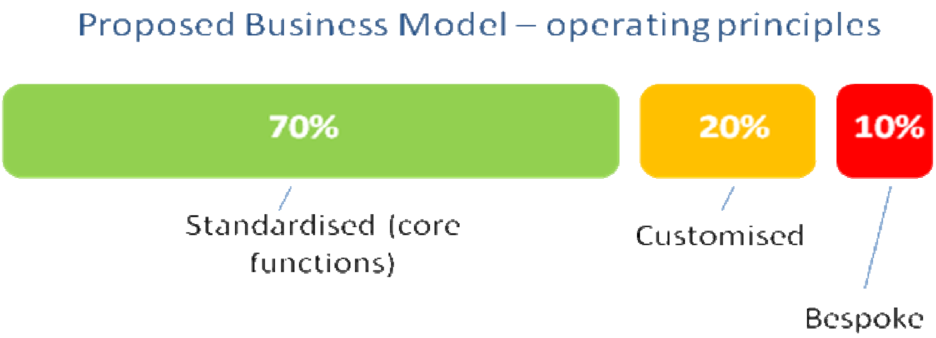
When establishing an SLE, its work (its business model) should be ideally divided into 5 disciplines and all executed at the same time.



The work it is performing aims to comply with a 70 / 20 / 10 model. Standard process and tasks should represent 70% of work done, most of which can then be easily priced and risk assessed for external sales. 20% of work will need to be optimised to fit with each business users' way of working "uniques" such as location, working practices or cost challenges. Only 10% of work undertaken should be one off "bespoke" in order to keep the cost of management for unique ways of working to a minimum. Examples of bespoke work may be language, front end (web) systems, user interface devices etc.

The risk line demonstrates the level of risk management attached to each of the disciplines.

The following diagram further articulates the principles that need to underpin the business model:



This model (as referred to in the business model commentary) applies to both the provision and improvement of services to Cheshire East and West as well as the development of external sales for the SLE.

The model focuses on the following principles;

Standardisation focuses the mind on least cost, best quality and highest degree of efficiency. The resultant model contains high degrees of certainty as to how the work is performed, what the true costs are and the most effective ways of scaling such work. It is therefore logical that Cheshire East and West will expect the SLE to achieve c 70% standardisation across their work in order to reduce budget costs as fast as possible. As sole shareholders in the SLE, it is also logical that Cheshire will support external revenues from work / capability that is highly standard as it will be very low in terms of risk.

Customised focuses the mind on change in order to gain greater efficiency, performance or pace. It is a discipline that leaves underlying cost and ways of working quite standard but applies some extra capability (like wrapping a parcel) in terms of automation, different front end presentation, different ways of gaining access to data – the options are numerous, but the principle is that the underlying process remains very standard. When looking external this is profitable work for the SLE, providing technology or work solutions that will customise someone's environment and provide them low cost, high quality base services

Bespoke focuses everyone on something new, high customised – where most underling procedures have changed. In this area design costs are high, risk of failure is high and overall benefits will be long term in the sense of being realised. Hence the low percentage of focus – the discipline of applying bespoke solutions must be mastered for the good of the Council and the good of the SLE, but volume of such work kept to a minimum in order to hold risk to a containable level.

4.4 Target Operating Model

As part of the ongoing development of the Shared Service, taking on board the learned experience of operating to date and to comply with the guiding principles for operation, a new Target Operating Model (TOM) has been developed.

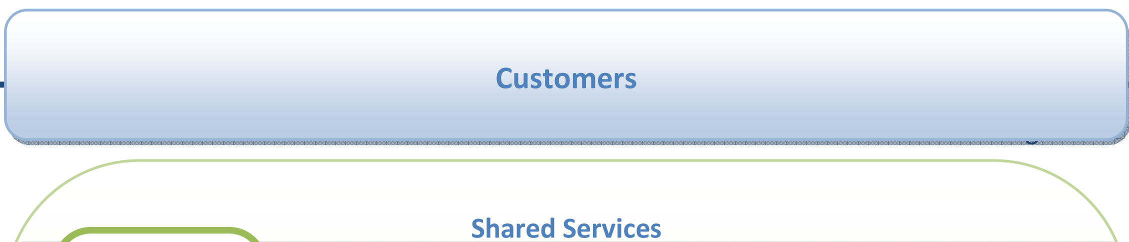
This has resulted in the TOM design work being focused on the best approach to simplify and standardise the interactions with the shared services both currently and when the shared services becomes an SLE.

The new TOM recognises that the current structural ways of working are complex and inefficient, leading to frustration in both the client and shared service functions. As such the TOM design work has focused on the best approach to simplify and standardise the interactions with the shared services both currently and when the shared services becomes an SLE. It is envisaged that the TOM will remove areas of duplication.

The new TOM also recognises the need for the shared service to be given a greater degree of operational autonomy therefore enabling it to effect changes more effectively.
The new TOM allows each shared services customer to determine the best operating model for their respective Client functions and provides an opportunity for new Client operating models to monitor all services provided by the shared service.

The new TOM also recognises the need for the shared service to be given a greater degree of operational autonomy therefore enabling it to effect changes more effectively.

The following diagram is a functional representation of the new TOM



4.4.1 Target Operating Model processes

The proposed shared services operating model is based on service delivery through four specific process functions namely **"Support"**, **"Customer"**, **"Run"** and **"Change"**. It is also designed to act as an **'acquisition engine'** to incorporate any future customers' services maximising the opportunities for standardisation of processes and avoiding duplication or replication of functions. Each of these are considered in more detail as follows:

Support

The purpose of support is to manage the operational effectiveness of TOM. Specific responsibilities include ensuring finance and resource management processes are in place and provision of oversight of all key activities in Shared Services. Finally, support will be responsible for leading and managing the risk and compliance agenda.

The business support processes will be sourced, where possible from existing East and West corporate functions including Procurement, HR and Training and Finance thus ensuring a neutral impact on headcount.

Customer
The purpose of customer is to manage the shared services customers' business relationship management, the customer's business change portfolio and associated demand funding. Key responsibilities include ensuring the shared services are investing in the right strategic area and that associated benefits are being delivered via the production of business cases and value based quality of service reporting. This function is the face of shared services to each of the main customer business areas and will have the additional role to help shape and develop new business development opportunities.

Run
The purpose of run is to deliver the customers shared service sourced business services in contract with the business expectations for all application, infrastructure and transactional service levels. Key responsibilities are to manage the service processes (aligned to service management methods) that will support multiple vendors and using where possible 'factory processes' to ensure the most effective use of resources. Run will also manage the supplier relationships involved in supporting the shared service delivery.

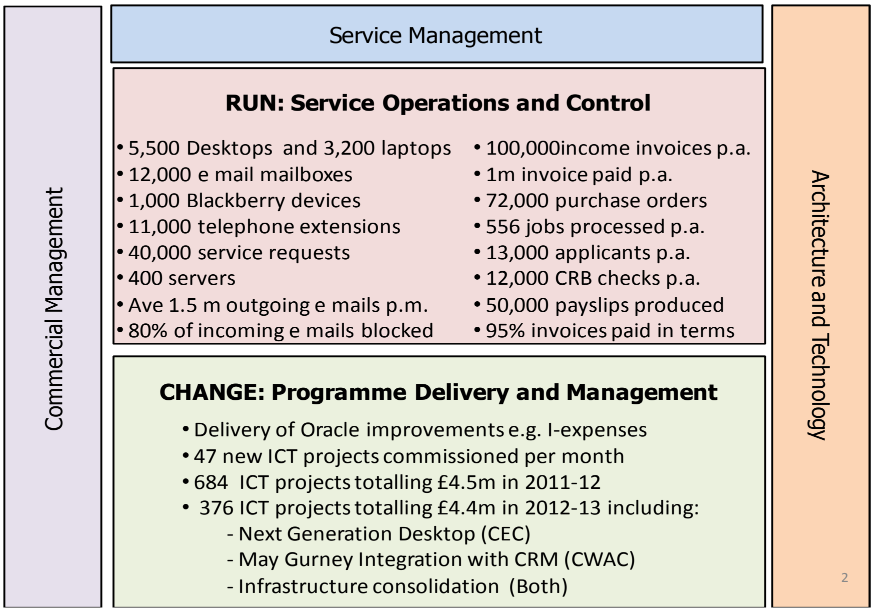
Change
The purpose of change is to manage all of the change delivery processes with, as much as possible, all resources coordinated. Key responsibilities include owning the shared services roadmaps for strategic direction as well as operating to simplified and standard project and programme management processes.

Any non-core processes will be considered for strategic sourcing in all of the TOM functional areas e.g. in the ICT service this would potentially include; desktop engineer support, network WAN and LAN and data centre management. Change would also be responsible for direction and innovation.

Target Operating Model – adding new services "factories"
New potential services e.g. revenue and benefits or customer contact centre would be added as discrete new 'Run' service factories utilising the single support, change and customer services which would only scale based on new service volumes or likely change portfolios. Any new customer wishing to utilise existing ICT or HR and Finance services would be subject to adopting the standard operating procedures of the TOM thus avoiding the risk of service factory duplications. Due diligence by both the shared service and any new customer would establish the transition approach and timelines.

4.4.2 The current shared Services Target Operating Model (Top Level)

The following diagram put the current shared service operating model in context and provides an insight into the level of activity in each of the functions. There is currently a 320 FTE establishment across the Shared Service (ICT and HR &

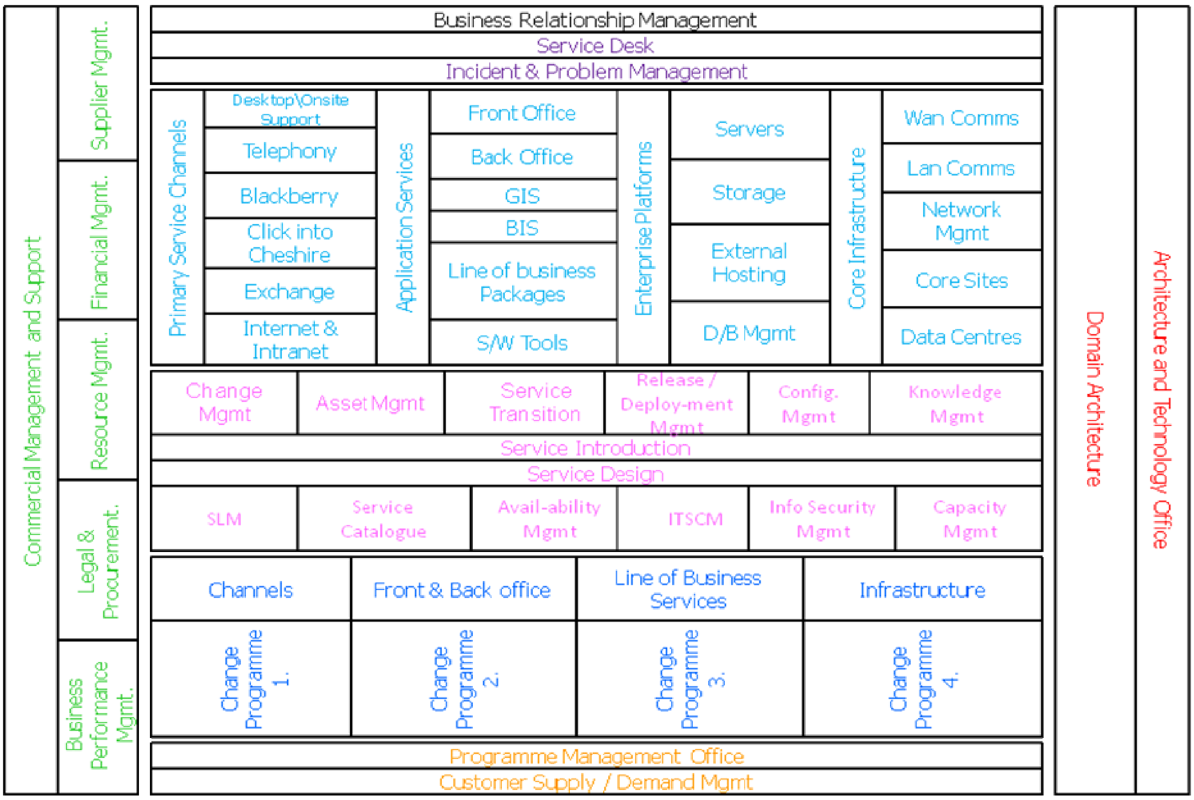


Finance).

4.4.3 Current position – moving towards full implementation

The ICT Operating model is shown in detail below.

ICTSS Operating Model (Detail)



During 2011 / 2012 a significant amount of restructuring has taken place in the ICT Shared Service resulting in savings of 76 posts.

There are key areas of the overall TOM that have yet to be implemented namely:
- Commercial Management & Support
- Business Relationship Management (new sales / market)
- A Managing Director to drive the business forward.

These posts are new and as such not included in the overall 320 FTE establishment. These new posts and are part of the business case investment requirements.

Worthy of note is that there are currently 16 vacancies across the ICT TOM, 6 vacancies of which are being held back to address current budget challenges.

4.5 Approach for Proposition Development & Strategic Marketing

The Joint Officer Board have recently commissioned a short term resource to establish a robust approach to proposition development and strategic marketing. The work is in early stages and is scheduled to be discussed at the Shared Services Joint Committee on 25th October. The output of which will further define this business case.

A brief overview of the approach is as follows:

Objectives

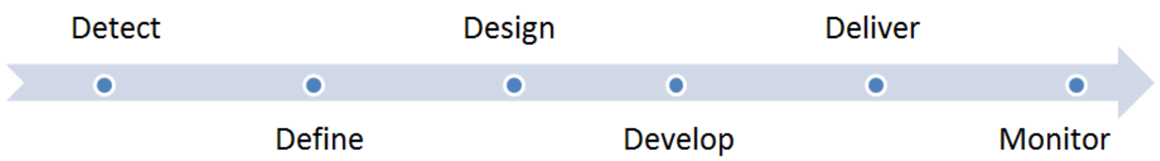
1. To maximise the opportunity to generate profitable and sustainable income from the physical and intellectual assets that have been built over the last 3 years in Shared Services.
2. To minimise the risk of wasting significant time, effort and money developing and marketing a set of offerings that no-one will buy.
3. To explore the potential for additional offerings that could be developed as a result of introducing further service lines to the Shared Services portfolio.

Deliverables

1. A clear recommendation as to which, if any, potential offerings should be taken to market.
2. For those that are recommended to 'go to market', a proposition development plan that will include:
   - Market Analysis: The market demand that we're trying to satisfy.
   - Solution Design: What will be delivered and how.
   - Commercial Model: How we will make money out of it.
   - Marketing Communications: How we will communicate, position and brand the offering.
   - Selling Approach: How we will take it to market.

Activity

Each potential market offering will be progressed through the proven offering management approach shown below.



Detect	Define	Design	Develop	Deliver	Monitor
Seek out the pain point, the unmet need...	Put some flesh on the bones. What would we offer, how would we deliver it, why would they buy?	Fully fleshed out with costed proposition development and launch plan & Business Plan	Invest in people, process, technology, infrastructure to develop the offer.	Test the market followed by full launch	Is the proposition delivering what it set out to do?

At each stage, the strength of the potential offering will be assessed by addressing a number of questions, including:

- Strategic Alignment:
- Market Attractiveness
- Competition & Differentiation
- Technical and Operational Feasibility
- Risk v Return

Only if the proposition is judged to be strong enough will it progress to the next, more detailed phase of activity.

Scope

To explore and assess the commercial potential of:

- Three existing Shared Service assets: ICT, Finance, HR
- Two potential Shared Service assets: Revenues, Customer Services

Timeline

To complete the proposition design by end March 13 – this timeline may vary depending on how strong each potential proposition is. Any significant change will be monitored through the Programme planning early reporting through current governance arrangements.

4.6 Market Analysis

A thorough review of the current shared services landscape has been undertaken and has helped inform this report. This Market Analysis accompanies this report.

It is clear that since starting our journey to establish a potential alternative model for Cheshire Shared Service the market opportunities have shifted from those originally anticipated. Analysis suggests that a good cross-section of local authorities' are already involved in sharing arrangements of one kind or another and there is no immediate prospect of a partner from this cohort.

Whilst attracting another local authority as a partner is still an option and efforts continue to do so this has not been as easy as anticipated. The key reasons for this have been the difficulty in establishing a clear proposition and our assumption that we understand the needs of that particular market place. These issues and the learning to be taken from this situation are fully explored in the accompanying document but in short the research suggests that the net will need to be cast further than the immediate geographic vicinity.

However what has become clear is that other marketing opportunities can be exploited which could benefit an SLE. This would involve a shift of focus to local SMEs with propositions being developed to stimulate and support the local economy through the provision of core back office services at a scalable and competitive rate. The development of a proposition for the SME market is considered as an essential part of the future SLE 's core business plan.

4.7 Governance Arrangements & Shareholder Considerations

There is a Shared Services Joint Committee workshop planned for 25 October, the output of which will further inform the business case. The following is provided to provide members with some background information ahead of the workshop.

The relationship between the Councils and the SLE, for so long as it operates within the Teckal exemption, should be similar to that which operates between the Councils management teams and in-house service departments.

In practice the management of a company is divided into two parts. A board of directors manage the day to day business of the company. Shareholders are the company and have control over how it is run to protect their investment. Whilst directors are required to act in the best interests of the company, shareholders can generally act in their own best interests. The articles of association define the relationship between the board of directors and the shareholders and most commercial companies are based on a model form of articles (previously known as Table A) which generally give the directors wide powers to manage the day to day affairs. As mentioned earlier in this note, it is recommended that certain powers traditionally reserved to directors are retained by the Councils as the shareholders, to ensure that the control test necessary for Teckal to apply is satisfied.

Directors

A director is defined by the Companies Act 2006 as "any person occupying the position of director, by whatever name called" and this definition is intended to cover both directors formally appointed in accordance with the company's rules and also those who behave as directors without a formal appointment.

The liability of directors for the company's debts and liabilities is usually limited (as long as they have not acted in breach of their duties) and their duties are codified in the 2006 Act. A director is required to act in the best interests of the company, (irrespective of who appoints them) which will be important for those Council officers with dual roles in both the Councils and the SLE. Directors are not necessarily employees although a director who works full time in managing the company will usually be an employee under a service contract.

Directors are sometimes referred to as **“executive”** and **“non-executive”** directors, although these terms have no statutory meaning. An executive director usually spends all of their working time managing the company and is employed by it whereas a non-executive director will tend to devote only a small part of their time to the company and so will not be involved in day to day management. Their function tends to be to monitor the activities of the executive directors and provide an independent voice on the board. This split is more common in larger companies, especially listed public companies. Whatever their title, all directors have the same obligations and liabilities.

When looking at the structure of the board it will be important to bear in mind the following;

Size – the size of the board needs to such that there are enough people with the skills and expertise to manage the SLE without it becoming so big as to be unwieldy.

Skills –the composition of the board should be based on the skills and expertise necessary to manage the business. This could include a full time commercial manager equivalent to a head of service and may also include a Finance and an HR director. It is highly recommended that a communications expert with a background in new markets.

In addition the Councils may wish to consider appointing employee and /or a customer / service user representatives as directors. This can have advantages in that stakeholders have a sense of ownership;

- involving employees can be good for staff morale and reduce staff turnover;
- services can be better tailored to user/customer needs where there is greater opportunity to feed back directly.

Weighed against this;

- stakeholder representatives may find it difficult to reconcile the interests of those they represent with those of the SLE
- close day to day involvement in running the company may be burdensome
- stakeholders may not want to be involved – stakeholder apathy.

Input from stakeholders does not necessarily have to be a director level and there are other ways in which they may be engaged. If stakeholder director appointments are considered then the Council may wish to restrict the sort of decisions in which they may be involved and or voting rights.

For a local authority owned company non-executive directors could also include elected members and those public spirited individuals with sector specific knowledge willing to give their time to develop the SLE.

The right to appoint and remove directors would be retained by the Councils as shareholder. Without wishing to state the obvious, the skills and abilities of the management will be a key factor in its success.

<u>Company secretary</u>

It is no longer mandatory to have a company secretary although it will still be necessary for the role to be performed. At its most basic, the role is administrative and involves tasks such as:

- filing documents at Companies House
- maintaining internal books and registers

- Convening meetings and producing paperwork;
- Taking minutes of board and shareholder meetings.
- Company signs and stationary.

For larger companies the role tends to be more involved and may include advisory and management responsibilities including compliance with the company's constitution, legal compliance by the company and directors and corporate governance. The role can be provided by legal or accountancy firms or procured from a specialist company secretarial consultancy.

Further discussion is required as to whether a requirement for a company secretary should be included in the articles, a proper understanding of what the role entails and options as to how it may be provided.

Shareholder role

The Councils as shareholders will be responsible for the strategic direction and significant decisions of the SLE to ensure the control test necessary to comply with Teckal is met. The Councils will want to ensure the SLE is financially viable and accountable whilst giving it sufficient autonomy to develop innovative services. On the other hand, the SLE will be concerned that it has sufficient flexibility to drive change forward as well as clear parameters as to when and how input from its council shareholder is required.

The Council could consider using an existing management team as the client such as CMT. However, it may be preferable to set up a bespoke client side shared team which, as with the board of directors, includes a broad scope of skills and experience to guide both the Councils and the SLE. The composition and role of the client side team is very much open to discussion and shouldn't be solely driven by legal issues. This is a new area for the Council and we should start to develop ideas as to what this might look like.

Shareholder agreement

There is added complexity for the shared services SLE where ownership is vested in two Councils. The way in which the two Councils deal with each other will be set out in a shareholder agreement and can be used to give shareholders protection over and above that in the company's articles. Whereas company articles are public documents, the shareholder agreement is private.

The matters covered by the shareholder agreement could include

- The issue of new shares – for example, to a new partner
- What happens if one shareholder wants to sell their holding
- Management of the SLE – for example rights to appoint directors (although this will usually be covered in the articles as well)
- Appointment of external auditors and rights of access for the Councils auditors
- Financial reporting arrangements
- Future funding
- Confidentiality
- Deadlock provisions.

The shareholder decisions mentioned under the control test described in Section 3.7.1.1 (a longer list attached as Appendix 1), could be included in the shareholder agreement rather than the articles, with the advantage that the shareholder agreement is private.

4.8 Expected Benefits

The SLE will deliver a number of benefits that directly contribute to achieving the desired outcomes. The benefits are highly descriptive. Further work is required to qualify & quantify the benefits and determine the measures & metrics. The programme plan will ensure focus is on development and implementation of a robust Benefits Realisation Plan.

Strategic

- A company business model which drives savings & efficiencies:
  - Through economies of scale & lower fixed costs
  - Savings through collaboration
  - Savings through standardisation (using the 70/20/10 operating principles model)
  - Proactive utilisation of capacity – create capacity or reduce capacity
- Building a strong brand identity and vision is a catalyst for change, which will drive correct behaviours at all levels, strengthens the market-facing proposition which will in turn derive maximum value for the company.
- A vehicle to stimulate the local economy through strategic partnerships with SME's.
- Opportunity to reinvest savings in the local economy / local public sector
- The SLE will bring into being a company capable of delivering collaborative and trading services.
- Flexibility to change the shape of the company in response to technology changes and business demand
- Ability to deliver services locally, thereby supporting the localism agenda
- Operational independence and not be bound by the same restrictions to which public sector organisations are confined, thus presenting opportunities to generate profit
- The SLE will have the ability to own assets and contracts, and to flex its structure to take advantage of new technology and changes in business demand.
- Shares could be sold to either an existing partner or a third party (public sector) without undue impact on staffing/contractual arrangements
- Able to generate commercial relationships within the industry sector e.g. gold partner reseller

Operational and support

- The company will work to a new operating model, accountable to its shareholders through a robust and transparent governance structure.
- Clear separation of roles and responsibilities between the company and the Councils
- A commercial and customer focused culture
- Ownership of contracts and assets and can therefore be pro-active in driving alternative sourcing decisions
- No competitive procurement process required to deliver services to partners
- Unlock some of the barriers encountered with multi-agency working
- Adoption of Industry best practise
- A robust performance management framework to meet service delivery and quality standards agreed with its clients
- Simplified staff management as a result of single terms terms and conditions
- Transparent governance structure and processes reducing cost and complexity
- Independent business system management
- Ability to reduce costs and support business improvement

4.9 Risks

The establishment of the SLE is a major undertaking and will inevitably involve some risk. A full risk analysis has been completed and High and Medium Level risks are identified in the table below.

Risk Level	Risk Owner	Risk Description	Risk Mitigation
High	Company	Partial implementation of the TOM may have an adverse impact on skills and capacity to continue to deliver existing service to an acceptable standard.	Interim appointments are planned to address this risk. Alternative sourcing methods are being investigated to further mitigate the risk.
High	Company	The existing inefficient business processes between the two ICT client teams and the ICT shared service are not improved. Significant delays in delivering major work programmes continue.	A working group has been established identify improvements to current working practices.
High	Company	Key objectives of the SLE to develop the business and develop new markets is not realised	Recruit MD & Commercial Manager with sound leadership skills and commercial expertise
High	Company	Fail to win the hearts and minds of staff and trade unions	Implementation clear identity & vision together with a strong leadership team and robust company plan. The SLE must resolve the current differing terms and conditions issue to form a strong culture
Med	Company	The SLE may be unable to expand or compete in line with the business plan	Essential to develop out propositions, test and refine in the marketplace
Medium	Company & shareholder	Continued outsourcing by both councils reduced in-house demand for the SLE services and as a result unit costs rise due to the relatively high proportion of fixed costs.	SLE is actively seeking new partners and additional business to offset the loss of volume resulting from outsourcing.
Medium	Company & Shareholder	Risk of failure: Business model is not fully implemented; marketing plan is not realised; Insufficient resources; poor business relationships are formed	The authorities consider financial guarantees for the early years of trading. Development of a clear exit strategy and business continuity plan.
High	Shareholders	The Councils are unable to identify an additional new shareholder to join the SLE and therefore savings to offset the additional running costs of establishing the SLE are not achieved.	Discussions continue at a local level but it appears unlikely that a further full partner will be identified in the immediate future. Discussions will be broadened as the SLE develops
Medium	Shareholder	The SLE fails to transform into a commercially minded, customer focused, business operation.	The new operating model should give a clearer focus to customer needs. The Gartner (ICT) and PwC (HR/Finance) benchmarking exercises have identified areas that are not good practice and/or do not show value for money.
Medium	Shareholder	Unforeseen technical issues are	Finance & Audit teams have established

		experienced in setting up the SLE within Oracle. The current budget does not include any provision for external support to resolve any issues.	an acceptable way forward whilst the SLE is in control of the councils. The business case financials are articulated on a range between best & worst case scenarios.
Medium	Shareholder	The SLE loses a significant amount of income from either external or schools contracts (for example as schools convert to academies). These contracts make a contribution towards fixed costs (for example the network) and therefore costs cannot be reduced in line with the loss of income. Academies are not classed as within the 10% threshold of the Teckal exemption.	The Shared Services/SLE is continually exploring new commercial opportunities. Offset "lost" trading income by implementing a robust Strategic Marketing approach to developing propositions and executing the delivery plan
Medium	Shareholder	Significant numbers of staff are unable to cope with/manage the significant change in culture and working methods that will be required by the SLE.	Training/mentoring/guidance will be provided by managers to help staff adapt. In addition, workforce performance measures will be applied to ensure that all staff meet the requirements of the SLE.
Medium	Shareholder	The current "amount £ of headroom" the SLE has to trade to not breach Teckal compliance limits of 10%, is estimated at £1.2m. A separate trading company will be required to be set up at a future date with clear governance and administrative arrangements.	Detailed income generation forecasts need to be established alongside the Business Development & Marketing plan to fully understand the required timings for the need of a separate trading company
Medium	Shareholder	Schools transitioning to academies - academies are not classed as within the 10% threshold the Teckal exemption provides based on the activities and control test with the definition and application of Teckal.	Offset "lost" trading income by implementing a robust Strategic Marketing approach to developing propositions and executing the delivery plan

A robust approach to risk management is undertaken by the Joint Officer Board. It is proposed that above risks will be continually monitored through the SLE Programme.

4.10 Implementation Plan

A summary high level roadmap has been prepared. It consists of 8 key workstreams across 4 key tranches of development, namely:

- Design;
- Construct & Implement;
- Go-Live;
- Operate.

There will be gateway reviews at end of each tranche. The Programme is managed using Office of Government Commerce (OGC) Managing Successful Programmes (MSP) methodology.

The workstreams are proposed as follows:

Workstream	Scope
Blueprint	This key overarching workstream will design & implement working practices, processes & policies including: Business Model; Operational Model; Commissioning Processes; Contract Management
Governance & Legal	Governance, Shareholder agreement; Articles of Association; Contracts
HR – Structure & Staff	TUPE; Consultation; Management & Staffing structure; Recruitment; Appointments; Terms & Conditions
Finance	Options Appraisal; Business case; Oracle Build; Financial Models; Audit; Company Accounts
Strategic Marketing	Proposition Development; Company Development Plan; Analysis; routes to market; exploration of target customers/partners
Communications & Promotions	Branding; Stakeholder management; development & execution of communication plan; promotional material & event support
Change Management – including benefit realisation	Focus on design & implementation of robust change management plan (including culture change) and Benefits Realisation plan.
Business Improvement – including Performance Management Framework	Focus on design & implementation of a Business Plan (including continuous improvement planning); supporting Performance Management Framework; Staff Development Plan (to instil the correct commercial culture & behaviours)

Key tasks & milestones include the following:

- Formation of a legal company to deliver collaborative services to its founder councils and other partners and a legal company to trade services.
- Formation of a new governance structure and appointment of a management team
- Design & implement a blueprint of the new organisation, its working practices and processes.
- Implement a robust company business model
- Implementation of a commercial operating model to drive efficiency savings and to provide the flexibility to bring in new business.
- Robust approach to proposition development
- Development & execution of a commercial marketing plan
- A programme of continuous improvement and staff development to instil the culture and working practices of a commercially minded and customer focused supplier.
- Implementation of a robust performance management framework to meet service delivery and quality standards agreed with its clients.
- Transfer of assets and contracts (to be defined).
- TUPE of shared service staff to the SLE
- Create a business case & Economic, Technical or Organisational (ETO) reason that entails changes to the workforce e.g. TUPE
- A review of boundaries between clients and the SLE.
- A scope assessment of other operational units (factories) which could be transferred to the SLE i.e. Revenues and Benefits.
- Further benchmarking current ICT operations.
- A revised charging structure to demonstrate full cost recovery.
- Introduction of new partners to join the SLE.
- The exploration of new markets to trade services and generate income, thereby increasing the customer base.

5. Assumptions

Assumptions used in the financial calculations are as follows:

5.1 Discounted Cashflow

The Discounted Cash Flow (DCF) is a well established mechanism to reduce the value of future cashflows to reflect that £1 received in the future is worth less than £1 received today. The discount is based on the Councils long term cost of capital of 6%.

5.2 Internal Trading

- Minimal Oracle set up required (450 hours). Limited security over AP and AR modules.
- One additional "factory" is added to the SLE
- Business Development Manager generates £200k of additional sales pa from as yet unidentified sources using existing capacity.

5.3 Transfer Model

2 options:

HR/Finance move to CEC

- Staff physically transfer from Chester to Crewe
- 30% of staff take VR and 70% opt to move to new location
- Relocation travel costs paid for 2 years

ICT shared service move to CEC

- Staff physically transfer from Chester to Crewe
- 5% of staff take VR and 95% opt to move to new location
- Relocation travel costs paid for 2 years

5.4 Disaggregation

- All parts of the ICT/HR/Finance are disaggregated
- Full physical separation of all assets including separate data centre, networks, servers and storage
- Shared applications such as Oracle are split into two separate instances
- Development Unit in HR/Finance replicated so that each council has its own development capacity.
- The new disaggregated services are provided in the same way and to the same service standards as the former shared service
- Existing commissioning arrangements between the ICT shared service and clients are removed as an offsetting saving

5.5 Joint Venture / Outsourcing

- 2 year procurement process to source a new supply partner. Contract commences in Y3.

- Supply partner is not able to deliver significant savings in parts of the business which are mainly staff-related e.g. service desk/field engineers and technical architecture.
- Savings of 15% pa can be achieved on network and server and storage costs, after initial upfront investment by the supply partner. As a result savings in this area will not be delivered until year 5 of the contract.
- Savings are shared between the councils and the supply partner 50/50.

5.6 Separate Legal Entity (SLE)

- Substantial Oracle set up required (7,500 hours -Worst Case Scenario)
- Pensions – future service contribution rate increases from the Councils stabilised rate of 16% to 25%. Increase in employers' contribution phased in over 5 years. Councils stabilised rate increases at 0.5% pa (current level of increase).
- Pensions – historic service deficit retained by Councils.
- SLE closes the LGPS to new members. New employees are provided with a stakeholder pension with an employer contribution rate of 6%. Staff turnover is assumed to be 4%
- Business Development Manager generates £200k of additional sales pa from as yet unidentified sources.
- A new, as yet unidentified partner is added to the SLE. New partner pay all integration costs. Partner keeps 66% of future savings to cover upfront investment costs. Savings start in Y5 following a 2 year period for integration, rationalisation of systems.
- Operational efficiency of the partners HR/Finance function is broadly similar to that of the Shared Service.
  Business Development Manager generates £200k of additional sales pa from as yet unidentified sources using existing capacity.

6. Appendix 1

MATTERS RESERVED FOR SHAREHOLDERS

Without the prior written consent of all of the shareholders, the Company shall not:

(Note: The following clauses 1.1 – 1.5; 1.10; 1.15; 1.17; 1.33; 1.35; 1.36 & 1.37 – are viewed as essential to the shareholder agreement)

1.1 alter its memorandum or articles of association or adopt any articles or pass any resolutions inconsistent with them;

1.2 vary its issued share or loan capital or create or grant any options or other rights to subscribe for shares or to convert into shares;

1.3 reduce its share capital or reduce any uncalled liability in respect of partly paid shares or purchase or redeem any of its shares;

1.4 issue debentures, securities convertible into shares, share warrants or options in respect of shares;

1.5 create or acquire a subsidiary or dispose of shares in a subsidiary;

1.6 appoint or dismiss a Director;

1.7 terminate the membership of a participating member; [CLG only]

1.8 unless required to do so by law, do or permit to be done anything as a result of which it may be wound up (whether voluntarily or compulsorily), [except as provided for in this agreement];

1.9 enter into a scheme of arrangement within the meaning of S.895 and Part 26 of the Companies Act 2006;

1.10 create a fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over all or part of its undertaking or assets, except to secure its indebtedness for sums borrowed in the normal course of the business;

1.11 borrow amounts in excess of a maximum aggregate sum outstanding at any time of [£10,000], excluding borrowings in the normal course of the business;

1.12 except where a matter is included in the budget, make a loan or advance or give credit (other than normal trade credit);

1.13 give a guarantee or indemnity to secure the liabilities or obligations of any person other than in the normal course of the business;

1.14 factor or assign any of its book debts;

1.15 sell, lease, create an interest in or otherwise dispose of the whole or a material part of its undertaking or assets, or contract to do so;

1.16 except where a matter is included in the budget, enter into a contract orarrangement involving expenditure on capital account or the realization of capital assets if the amount or the aggregate amount of the expenditure or realization by the Company would exceed [£10,000] in any year. For the purpose of this sub-clause, the aggregate amount payable under an agreement for hire, hire purchase or purchase on credit sale or conditional sale terms is deemed to be capital expenditure incurred in the year in which the agreement is entered into;

1.17 enter into a contract or arrangement which is not in the normal course of the business or makes any material change in the nature of the business;

1.18 terminate or make any material amendment to the Service Agreement (including any ancillary agreements);

1.19 enter into a contract or arrangement which is not on arm's length terms;

1.20 enter into or vary a contract or arrangement (whether legally binding or not) with a shareholder or director of the Company or with any person as nominee for any of them other than as permitted under the Service Agreement (including any ancillary agreements);

1.21 take or agree to take or dispose or agree to dispose of an interest in, or license over, land;

1.22 acquire shares or securities of a person;

1.23 enter into a partnership, profit-sharing or joint venture agreement;

1.24 adopt a pension scheme or similar arrangement;

1.25 appoint or remove the Auditors;

1.26 change its accounting or taxation policies, or operating and management procedures, other than as recommended in writing by the auditors;

1.27 commence, settle or take any material decisions relating to legal or arbitration proceedings which involves a claim (including costs) in excess of [£10,000];

1.28 settle any insurance claim which involves a claim (including costs) in excess of [£10,000];

1.29 settle any warranty claim under the Service Agreement which involves a claim (including costs) in excess of [£10,000]

1.30 permit the registration (upon subscription or transfer) of any person as a shareholder of the Company;

1.31 apply for the listing or trading of any shares or debt securities on any stock exchange or market;

1.32 pass any resolution for its winding up or presenting any petition for its administration; [duplicates 1.8]

1.33 alter the name of the Company or its registered office;

1.34 alter the Area in which the Company is to operate;

1.35 adopt or amend the business plan in respect of each Financial Year;

1.36 change the nature of the Company's business or commencing any new business by the Company which is not ancillary or incidental to the business;

1.37 form any subsidiary or acquire shares in any other company or participating in any partnership or joint venture (incorporated or not);

1.38 amalgamate or merge with any other company or business undertaking;

1.39 make any acquisition or disposal by the Company of any material asset(s);

1.40 make any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or grant any credit (other than in the normal course of trading) or give any guarantee (other than in the normal course of trading) or indemnity;

1.41 alter any mandate given to the Company's bankers relating to any matter concerning the operation of the Company's bank accounts other than by the substitution of any person nominated as a signatory by the party entitled to make such nomination;

1.42 give notice of termination of any arrangements contracts or transactions which are material in the nature of the Company's business. For the purpose of this sub-clause, material in nature shall mean an arrangement, contract or transaction which exceeds £10,000 in value;

1.43 materially vary any arrangements, contracts or transactions. For the purpose of this sub-clause, to materially vary any such arrangements, contracts or transactions shall involve making any change to the value of the arrangement, contract or transaction of more than [£10,000], or which significantly increases the risk or liability of the Company;

1.44 grant any rights (by license or otherwise) in or over any intellectual property owned or used by the Company;

1.45 make or permit to be made any change in the accounting policies and principles adopted by the Company in the preparation of its audited and management accounts except as may be required to ensure compliance with relevant accounting standards under the Act or any other generally accepted accounting principles in the United Kingdom;

1.46 establish or amend any profit-sharing, share option, bonus or other incentive scheme of any nature for directors or employees;

1.47 agree to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any officer of or consultant to the Company at a rate in excess of [£50,000] per annum or increasing the remuneration of any such person to a rate in excess of [£2,000] per annum;

1.48 enter into or vary any contract of employment providing for the payment of remuneration (including pension and other benefits) in excess of a rate of£70,000 per annum or increasing the remuneration of any staff (including pension and other benefits) to a rate in excess of £2,000 per annum; or

1.49 make any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent exceeding [£10,000] for tax purposes in relation to the Company or its business.

1.50 approve any applications for early retirements or ill-health retirements

This page is intentionally left blank

1 The Shared Service Market

1.1 Overview

Since the Gershon Review identified the expedience of local authorities sharing services to reduce costs, a multiplicity of sharing paradigms have been born, each endeavouring to cut a swath as best practise in a developing field. These paradigms have disseminated around the United Kingdom, providing models to aspiring authorities looking to opt into the efficiencies offered by sharing services. When CE and CWAC launched their shared service arrangements, and presently started debating the distillation of these arrangements into an SLE, collaborative ventures were undeveloped: time had yet to tell which paradigms and sharing combinations would prove fruitful.

CE and CWAC were frontrunners in their adoption of shared services, but whilst the SLE concept has been refined, the market has had time to percolate. We now have a greater pool of evidence on which to draw when assessing collaborative companies, as early attempts at partnership have played out with variegated success and failure. The repercussions of these ventures have in-turn shaped the market contours; there are new preconceptions and optimal paradigms. For instance, the earlier optimism that bore a glut of Joint Ventures into being has been tarnished; the aftermath of the likes of South West One has left a more guarded legacy, sensitised to the fact that private sector partnership is not a silver-bullet to economic pressure.

As such, the proposed SLE between CE and CWAC has a unique opportunity to build upon the established sharing base between the two authorities as well as learning from the recent vacillations of the shared service market. Crucially, this means understanding and embracing the changes in the market, whilst also recognising that conditions are not the same as they were three years ago when the SLE was first proposed. Different ideas exist and new opportunities, though often with old targets, abound.

This analysis delineates the current market culture and makes some recommendations on that basis. There are two loci of discussion:

- A cross-section of sharing arrangements, providing commentary on compositions, successes, and failures. This is not an exhaustive list but aims to be representational of the range of sharing models.
- Furthermore, this analysis seeks to identify prospective market opportunities and the viability of partners to augment CE and CWAC sharing arrangements. This entails a reassessment of previously entreated agencies in light of recent market developments, as well as a survey of existing UK collaborations to illuminate service trends and future opportunities.

1.2 Existing Shared Services

This initial section concerns itself with the first of our aims: the evaluation of shared service models through indicative examples of their implementation. These arrangements are categorised into a number of broad paradigms for easy assessment and comparison. The section concludes with some summarising thoughts on the motors that inform success or failure in collaborative enterprises.

1.2.1 Constitutional Shared Services

Name/Partners	Description	Lessons Learnt
Adur DC/Worthing BC	In 2007, two West Sussex district councils - Adur District Council and Worthing Borough Council - formally agreed to enter into a joint working partnership for the delivery of their local services using a single workforce and senior officer structure – the first plan of its ilk in England and Wales. The overall initiative was driven by the need of two small councils to preserve essential local services in the face of reduced central government funding and the efficiency demands of the 2007 comprehensive spending review. In terms of services, Adur and Worthing began by sharing refuse and recycling services alongside their management structure. They have gone on to unify their Local Land and Property Gazateer, Geographic Information System, Street Naming and Numbering and the Public Sector Mapping Agreement systems and policies, and web-based services. Since then high level business cases have been developed for each of the new service blocks setting out how teams could be brought together over the next two years: how shared services could be delivered in the future and clear indications of where further savings can be made. It is anticipated that the sharing arrangement will generate a total net revenue saving of £4.4m in the period to 2012/13.	• This early collaborative arrangement helps establish the benefits of jettisoning services into a dedicated shared service arrangement with specialised staff, as council officers in Adur and Worthing were stretched to perform shared service duties alongside their day jobs, as The Audit Commission reported. • Adur and Worthing profited from a thorough review of all services to determine which could be usefully shared, rather than committing uncomplimentary elements. • The degree of success achieved was enabled by the ability to unify systems and policies, which was in turn abetted by the relatively small scope of the integration initiative between two district councils.
LGSS	This arrangement was formed by Cambridgeshire and Northamptonshire County Councils in 2011, and is focused upon the sharing of core systems, namely Oracle and services including:	• Similarly to that between CE and CWAC, LGSS was born when both councils felt they had trimmed as much as possible from their budgets without sharing services. Likewise, LGSS is one of the only other sharing arrangements governed by a joint committee. • This arrangement was originally intended to include a private sector partner;

Page 112

Name/Partners	Description	Lessons Learnt
	• HR, including Organisation Development • Finance (Planning and Operations) • Internal Audit, Risk, and Insurance • Legal Services • Pension Services • Procurement Services • Property and Asset Management • Business Transformation and Change Management Other services, from Slough Borough Council which was supposed to join the partnership, introducing services included Revenues & Benefits and Contact Centre. In November 2008 Slough Borough Council (whom also used the same Oracle system) joined the partnership and a Business Case was put together to form the LGSS in December 2009, but Slough left the arrangement, believing that benefits would take too long to filter through and being unprepared to front capital costs. Negotiations also reached an impasse between LGSS and Lambeth Council. There were concerns surrounding the legal footing of the LGSS venture, following the ruling concerning London Authorities Mutual Ltd in June 2009 (see below) and current practice restrictions that prevent the councils' lawyers being employed by a separate entity. The reversal of this decision has in theory helped pave the way for the LGSS SLE; the meantime they are taking preparatory steps and have formally setup a constitutional shared service in the interim. Subsequently, LGSS has entered into partnerships with Norwich City Council (to whom LGSS provides ICT, finance, and Revenues & Benefits services) and Huntingdon District Council (to whom LGSS supplies HR and payroll services). Moreover, LGSS is in negotiations with Northampton Borough Council and	however, as the 2 councils were only willing to offer a minority shareholding in the venture, no private sector partner was willing to join. As a result, this remains a public sector only arrangement. • Breadth of sharing, harmonised systems: The success of LGSS can be largely attributed to the extent of services that the two councils share, ensuring a broad swath of savings. This in-turn was facilitated by the fact that they shared the Oracle platform, ensuring that transition and harmonisation were not blighted by complex systems conversion. • Unique commercial offer: LGSS' commercial offering focuses on public sector bodies – particularly those wary of entering into a partnership with the private sector – defined by LGSS as 'by public sector for public sector.' LGSS thus promotes a distinct and specifically public sector character to its services and ethos. LGSS operates a 'no detriment' policy, only taking on partners who will not detract from the service quality delivered to the founding authorities. This is combined with a pledge to produce an upper quartile quality offering for a lower quartile price. LGSS are targeting up to three other partners to join the joint committee, preferably from distant locales to prove the viability of a geographically transcendent sharing model. • Transitional model: LGSS considered an SLE from the start, but it was decided that to quickly deliver some of the savings associated with sharing services, and create a strong base for a later transition into an SLE, that the constitutional model under a joint committee was a useful interim option. However, the lack of progress from what was intended to be a transitional stage creates fears that it has become a holding pattern. • Politically balanced governance: The joint committee has three members from each council, with each appointing two from the leading party and one from the main opposition party. • Non-financial benefits: the inter-council sharing has allowed the development of in-house skills and dissemination of intellectual property; this process is exemplified by the number of services - and thus skills - shared, negating the need to utilise expensive private partners. LGSS has also struck the difficult balance of ensuring staff remain motivated and feel secure (by retaining their employment with their parent council) whilst also identifying with the LGSS, seeing it as an opportunity for growth. The LGSS branding was developed quickly, and workers were given vision and values workshops from senior executives early in their tenure. However there

Name/Partners	Description	Lessons Learnt
	provides legal services to the NHS in Cambridgeshire. These collaborations make LGSS one of the few constitutional shared service arrangements in the country to have attracted external, and geographically distant, partners. LGSS has so far been able to deliver its shared services, and the savings complicit in this, with no reduction in customer satisfaction, with a March 2012 survey showing a slight increase to 90% satisfactory responses.	are no LGSS email addresses yet. • Opportunity for expansion: so far savings have been a product of the number of services shared rather than genuinely innovative process refinement. This is one perceived benefit of garnering more partners and converting the arrangement into an SLE, allowing the commercial honing of processes and improved marketability to partners and customers. For LGSS, the question is at what point do they become an SLE. At the minute LGSS has been successful in delivering a concerted market identity, but if it achieves it targets for partners, the dynamic could become too strained to manage outside an independent company. Furthermore, as long as LGSS makes the shift with a strong brand capable of drawing work, it can negate the loss of procurement advantages that come from being a public body.
London Authorities Mutual Ltd (LAML)	This was an attempt by a group of London boroughs to club together to set up a mutual insurance company. The concept of LAML had been financed and encouraged by the Department for Communities & Local Governments London Centre of Excellence – now Capital Ambition.	• This arrangement was ended after the Court of Appeal ruled that the participation of local authorities in an insurance mutual in this manner was beyond their statutory powers despite assurances from central government that the well-being powers were sufficient for their purposes. • However, ministers tabled an amendment to the Local Democracy, Economic Development and Construction legislation allowing councils to form mutual insurance companies. This amendment will allow any principal local authority to "become a member of a body corporate… to do anything that is required by, or is conducive or incidental to, membership of any such body… to provide insurance… or to enter into arrangements under which such insurance is provided". The revision was passed in Supreme Court, representing a major coup for SLE and sanctifying the benefits they offer participant councils in terms of procurement. • Careful scrutiny of legal issues is therefore imperative to ensure any separate entity can engage with public sector organisations within the procurement rules.
Mid-Kent Improvement Partnership	The Mid Kent Improvement Partnership involves Ashford Borough Council, Maidstone Borough Council, Swale Borough Council and Tunbridge Wells Borough Council. It was setup so that these authorities work together as a formal 'cluster' of local authorities to deliver the following services: • HR • Legal • Internal Audit	• A wider partnership of authorities was considered with other boroughs. However, one of the perceived barriers to progressing shared services in the past has been the larger number of authorities that are involved in an initiative and in particular the inability to reach a consensus decision. As such, this arrangement has not grown significantly to date and only modest savings have been achieved in HR and Legal (around £80,000). • The Mid-Kent partnership has thus moved slowly, and aspires to have a dedicated shared services arrangement in 2013.

Name/Partners	Description	Lessons Learnt
	• Revenues and Benefits (Swale does not partake). • ICT sharing is being developed.	
London Tri-Borough Shared Services	In 2011, the chief executives of the Westminster City Council, Hammersmith and Fulham Borough Council, and Kensington and Chelsea Borough Council laid out a plan to share services, back-office functions, and management costs for a combined saving of £33.4 million. Since June 2011 the councils have combined: • Children's services • Adult social care • Library services • ICT • HR Hammersmith and Fulham, and Kensington and Chelsea now have a joint chief executive, a single treasury and pensions team, and a shared environment and leisure team.	• The Tri-borough arrangement is one of the few shared services to collaborate on frontline services, but the model has been wholly successful for them: the local, small scope of the shared service arrangement allowed these frontline functions to survive in the face of reduced budgets, and customer satisfaction has actually increased in that time, rising from 77% to 79%. • The sharing arrangements also allowed the condensation of certain back-office functions and the reduction of middle management across the frontline services, which meant costs were reduced but service provision was not changed. For instance, in children's services, risk assessments were still conducted on a borough basis but specialist functions and management were combined. • The Tri-boroughs thus provide an exemplary instance of shared services enabling the unrestrained continuation of frontline services, and has aptly been named 'Project Overhead', reflecting its aim of primarily reducing things like management costs. • The arrangement has now developed, as the tri-boroughs have put out to tender for the provision of HR, payroll, e-sourcing, property asset, business intelligence, helpdesk, and disaster recovery systems in a contract worth £800,000. This has been done using the pan-London Athena programme framework for systems integration, meaning that up to 17 councils could share in the new service systems. The Athena programme has been a major landmark in ensuring London councils coalesce around a single ICT framework; it serves as a simplified mechanism through which other councils can easily partner. • The tri-boroughs are now on track to save up to £3 million in ICT through sharing things such as data centres and implementing cloud-based technology.

1.2.2 Disaggregated Shared Services

Name/Partners	Description	Lessons Learnt
Buckinghamshire	Buckinghamshire created a two-tier pathfinder project with all districts, establishing shared service contracts which could then be absorbed into a possible cross-county deal including a private partner, covering a range of back-office functions including: • HR • Finance • Payroll • Facilities management • ICT The estimated a cross-county and cross-district deal could save up to 20% of the costs of back-office functions, equating to£40m per annum across the two counties. However, despite starting in partnership with Aylesbury Vale, South Bucks, Wycombe, Buckinghamshire, and Milton Keynes Fire and Rescue, only the county and South Bucks remain.	• Buckinghamshire's shared-services pathfinder project has recently been dissolved after partner councils pulled out of the scheme to outsource the services, stating that continuing with the project was not in the best interests of taxpayers and that the potential risks outweighed the potential savings. • The prospective inclusion of a private sector partner (most probably either Mouchel or IBM) deterred many of the authorities, who baulked at the prospect of an estimated 450 job losses in the local economy. • The fact that savings were projected to take six years to be realised was also unpopular within Buckinghamshire County Council. This highlights one quandary associated with joint ventures with private companies, namely that savings are slow to percolate down to the local authority. However, an SLE, for instance, enables savings to be achieved from day one. • A potential problem was the lack of proposition clarity, as the services shared were not clearly defined and the benefits obscure. • Approach was largely reactive, asking partners (both public and private) how they would want to involve themselves, rather than presenting a menu of services to researched targets and crafting any contracts on the authorities' terms.
Worcestershire Enhanced Two-Tier Programme (WETT)	The WETT programme was not a shared service company but more an awareness initiative, designed to promote the benefits of sharing services wherever possible within Worcestershire and creating a culture conducive to proactive partnership creation. The programme was terminated in early 2011, after Worcestershire's Chief Executive Panel agreed that WETT had achieved its goals: a collaborative ethic has pervaded throughout the county, making the sharing of services an established practise in stymieing the exacting economic climate. WETT's influence is manifest in the creation of a host of sharing companies under its tenure, including:	• The WETT programme provides a unique approach to sharing services: whereas elsewhere sharing arrangements are agreed first and cultural issues addressed within the new containers, WETT sought to incubate a county-wide sharing culture as a priority before channelling this culture into new structures. • Such an approach has helped lay the foundations for shared institutions, easing their inception and identifying future areas of possible growth, including planning, housing, waste, and community services. • However, it could be argued that whilst culture is an important issue in the success of sharing ventures, well-designed structures, contracts, and operating models for the individual sharing arrangements are more critical: these things provide the infrastructure for success, represent the tangible creation of sharing

Page 116

	• Worcestershire Regulatory Services • Worcestershire Property Services • Worcestershire Internal Audit Services	entities, and will create a propitious culture on their own if managed properly. • In sum, WETT is an interesting illustration of a unique mechanism designed to address one of the core obstacles to shared ventures. It represents a holistic approach and illuminates the importance of unifying working culture to achieve success.

1.2.3 In-House Trading Companies

Name/Partners	Description	Lessons Learnt
Essex Cares	In-house company that was the first to commercialise the delivery of adult social care services. Generates income from non-discretionary services which is reinvested in the company to improve services. Council transferred 850 staff at its inception in 2009; it met its efficiency savings in the first year before making 3.5 million in 2010-2011. It has been able to improve outcomes, such as admitting less people to hospital, and has achieved a 99% satisfaction rating.	• Difficulties inherent in such an approach are that trading companies are not teckal exempt, there can be staffing problems regarding transfers, and councils need to be primarily accountable to the public rather than a profit-margin, which is an issue if services are wholly jettisoned. Commercial acumen will have to be injected through commercially-minded appointments, a private-sector partner, or the close association of councillors with business experience. • However, Essex Cares succeeded in negotiating these potential potholes and extracting top performance from the trading company model. Essex Cares combines public sector ethos with private commerciality, standing as a new model to deal with cuts whilst preserving frontline services. ECC remains the sole shareholder and any profits made are used to improve the service quality. • The service benefits from a flattened hierarchy, responsive decision-making and greater employee accountability – all of which are part and parcel of the commercial model. • The trading company model allows councils to compete with private firms, in this case health care providers, where people are increasingly spending their individual budgets. In the age of personalisation, social care services offered by a council have to be competitive, and a commercial model enables this whilst safeguarding services from cut-backs or the loss of control complicit in outsourcing.

1.2.4 Joint Venture (with Private Partner)

Name/Partners	Description	Lessons Learnt
Liverpool Direct	This is a partnership between Liverpool City Council and BT (who own approx 60% of the shared in the venture; LCC hold 40%) that offers support for customer contact, consultancy, change management, and day-to-day operational management of core services including: • ICT solutions and ICT platform management • Web and Geodata Services • Contact centre development and management • Consultancy • Business support services (finance and commercial) • Employee and organisational development • Human Resources • Payroll • Revenues & Benefits Services • Learning and development services Liverpool Direct employs over 1,100 people and has a net turnover of over £80m p.a. – it is the largest public-private joint venture in the United Kingdom. In 2011-12 Liverpool Direct exceeded its targets to deliver £26.2 million total order values. A refresh agreement has recently been agreed, continuing the partnership until 2017. Liverpool Direct started in 2001, and despite initial problems has succeeded in attracting new partners and customers, who include: • Northumbria Police • Reigate & Banstead Borough council	• Liverpool Direct started with a plethora of problems: few initial contract targets were met, systems were slow to be updated or refreshed, and BT were perhaps guilty of taking too much profit early in the venture. However, the enterprise began obtaining desirable results, particularly in turning Liverpool Direct into a regeneration flagship for the city, with many jobs generated. This success has been compounded by more assured systems and contracts, effective incorporation of partners, and an assured marketing offer. • Fluid partnership: Alongside the refresh agreement, a Partnership Framework Agreement is being calcified to compound the nature of the sharing arrangement and the values against which it operates. SLAs were consolidated and reviewed after it was determined that there were too many for a company in which a performance-driven culture was already embedded. These measures highlight the impetus to constantly recalibrate the partnership to ensure continued, adaptive efficacy. The refresh agreement includes a reorganisation of the board to include more representatives from Liverpool City Council. • High-quality marketing offer and visibility: Clear business plans and service reviews exist which quantify the improvements made in every area. This helps acknowledge success and raise profile. • Liverpool Direct was the solution devised to rejuvenate poor or failing council services, as well as rebuilding the image of Liverpool City Council. Its success has been sweetened – and no doubt facilitated – by the defining impulse to better the council service provision and revivify the city of Liverpool.

Name/Partners	Description	Lessons Learnt
	• Vale of White Horse District Council • Knowsley Metropolitan Borough Council • The Security Industry Authority (Home Office) • Building Schools for the Future • London and Quadrant Housing Trust • Liverpool Mutual Homes • Helena Partnership • Gloucestershire County Council	
South West One	Southwest One (SWO) is a joint venture set up by Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police, and IBM. Comprising 660 staff seconded from Somerset County Council, 150 from Taunton Deane and 600 from the police force. The service provides: • HR • IT • Procurement • Property and HM • Customer services, • Revenues and Benefits, • Print and design, • Finance. One year into the decade-long deal, the savings are projected as £1.7 million a year, and Somerset was able to levy below-average council tax increases as a result. However, it made losses of a reported £31.5 million and Somerset council brought many things in house. There are now fresh allegations that South West One tried to hide its losses and the extent of IBM's bail-out. IBM remains the dominant partner	• Lack of consideration of commercial offering: SWO failed to attract any other partners as hoped, with prospective partners Devon and Cornwall reneging. They feared the exportation of jobs from their local economies, the high up-front costs, and IBM's controlling stake in the partnership. • Rigidity of contract: Leader of SCC, Ken Maddock, said that the failings of SWO were down to the lack of flexibility in the contract to react to the company's fortunes. SCC expressed a wish to renegotiate the arrangement, as certain functionality no longer sat comfortably under the SWO umbrella and SCC wanted the prominence of certain partners (Mouchel Parkman and HBS) to be re-evaluated. SCC has thus become embroiled in a contractual dispute as it has tried to bring its functions back in-house and appease tax-payers who have seen the massive losses. • Lack of prior organisational planning: there was no initial management and training plans, which left transferred staff unsure of lines of authority. • Failure of systems planning: Once the company was established, an attempt was made to transfer everything on to the SAP system. However, there were massive complications with the wholesale adoption of the new system. Fixed costs may have been lowered for SCC but they were stung with unexpected costs arising from the failure of the technology. • In the long-term, the weight of these set-backs and performance issues debarred SWO from becoming competitive enough to find work.

Name/Partners	Description	Lessons Learnt
	following its cash injections, which amount to some £20 million.	
ERYC	East Riding of Yorkshire joined forces in 2005 with Arvato Government (part of Arvato Bertlesmann). An 8 year contract was signed t deliver services such as: • Revenues services; • Financial assessments; • Payroll services; • Creditor payments; • ICT services; • Customer service centres; • Print and design; • Training; and • Occupational health. The main objective of this venture, into which 500 council staff were transferred was to create a regional economic centre, improve services and sell services to other public and private sector partners. Through a competitive bidding process, the Joint Venture company, of which the Council is a 20% shareholder, has secured contracts with: • Sefton Council, for 10 years from 2008, to deliver payroll services; • Norwich City Council, for 4 years from 2008 to deliver payroll services. • They subsequently have begun targeting some London authorities who are in the market for the services the Joint Venture provides.	• Between October 2005 and March 2009, a net total of 154 full time equivalent jobs had been created from the contract. It was estimated that these jobs generated a further £6m per annum into the local economy. The focus was never just savings from the collapsing of services, but was designed to be rooted in the local economy and create jobs in Yorkshire. There were no redundancies or redeployment outside of the East Riding, as Arvato accepted all of ERYC's service specifications. • 500 staff were transferred on their existing T's & C's to limit contractual confusion. • In sum, the strategic partnership has been a success thus far, meeting 99% of performance targets in 2010-11. • ERYC gained political credence as a means to counter potentially inimical local forces, as the council looked to address the threat of a regional employment centre being established outside of the East Riding's boundaries.

Name/Partners	Description	Lessons Learnt
Salford Urban Vision	Regeneration and development partnership between Salford City Council, Galliford Try and Capita. The private sector led the commercialisation and developmental facets, but the council retained control. Employees were mostly seconded in from the council, though Capita has the controlling share (50.1%). Went on to sell services to 230 other public-private clients and 130 councils. Services include: • Planning advice • Design • Project management • Landscape design • Architecture • Highway services • Scheme delivery. The overarching benefit behind Urban Vision is that it makes a highly-skilled, specialist group available to SCC. 420 people have been seconded from the council to UV. The Audit Commission recognised UV as the only joint venture in the country to provide a comprehensive development control function through the private sector.	• Sophisticated commercial offering: UV occupies a unique market niche, being one of the only Joint Ventures to specialise in building services and regeneration. UV provides a menu of building services for clients to pick and choose from. Exemplified in the Services4Schools initiative. • Specialist expertise, targeted successes: UV able to meet national targets for planning processing times within 13 weeks (64% in 13 weeks as opposed to 61% annually everywhere else). • Structural planning and maintenance: A lot of focus was placed on having management structure there at the start and then bolstering managers with team development training. • Success in qualifying/quantifying success: For instance, UV appeal to reduced KSI's as a result of better roads. The council sets targets for UV which are refracted through 44 KPIs and measured on a monthly basis in the Partnership forum. • Enduring council control: Despite Capita's controlling stake, it is SCC that sets strategic objectives, stringently monitored through the monthly partnership forum. The board consists of 7 representatives from the three partners, including a non-executive chairman and managing director. • Local utility, commercial clout: UV was born in direct response to a major misgiving of the Salford electorate: the condition of the built environment, which had received a plethora of complaints. UV thus made an expedient move to develop what was a visible and popular initiative into a commercial venture. This helps lubricate the political gears for UV's existence. • Respect for change compatibility: During the vetting process, SCC demanded to see the various applicants' systems and staff in order to base the final decision on how well these elements would complement those of the council.
Cornwall Strategic Partnership	Proposed telecare, telehealth and support services joint venture between Cornwall County Council and one of CSC and BT. Initial plan is to incorporate libraries, payroll, IT, and benefits, and transfer 1000 staff over. Contract was planned for ten years, with the option of a five year	• This case study exhibits a slightly different issue: the potential political divisiveness of Joint Ventures. • The CCC cabinet and CEO Ken Lavery (who used to work for BT and is a published advocate of Shared Services) are keen on the venture, but the members at large feel that such a fundamental decision should go to council vote – so much so that 41 have signed a petition to remove leader Alec Robinson.

Name/Partners	Description	Lessons Learnt
	extension. Was pledged that 500 net jobs would be created as part of the venture. However, the initiative never flowered; it was shrouded in acrimony and became the catalyst for schism throughout the council.	• The members' fears fell roughly into two categories. Firstly, the diminution of member accountability: the proposed board included five of the private firm, the CEO of the council, and one representative from the NHS. Secondly, that the new company would be moved away from Cornwall and deprive its economy of jobs; scepticism that the 500 new jobs promised would materialise under this arrangement. • CCC has been firefighting with a useful FAQS page on their website, explaining the progress and details of the proposed Joint Venture.
Birmingham City Council/Service Birmingham	Service Birmingham is a joint venture between Birmingham City Council and Capita to provide: • ICT • Customer centre • Learning and Knowledge Services • Project Services Despite initial controversies regarding the failure of a new SAP-based e-procurement portal, the strength of the venture's transformation programmes rectified the issue, turning service Birmingham into one the most successful and stable joint ventures in the UK. The success of the partnership has led to the recent extension of the contract with Capita to 2021, upping its total worth to around £1 billion. Atop the joint venture, BCC are keen to extend their shared service portfolio, announcing last year that it intends to expand HR and payroll sharing, the latter of which is already done to a lesser degree with other authorities.	Service Birmingham benefitted from a number of factors: • BCC put infrastructural elements into the joint venture but few frontline services. Infrastructure can flex to broader demands more easily than frontline service provision, which has to be more bespoke given the variegated local contours. • BCC ensured that specialists with commercial acumen from the city council were in the vanguard of those transferred to Service Birmingham, meaning the culture gap between city council and joint venture never became too wide, and service provision in Service Birmingham did not falter at inception. • BCC remained highly open-minded in the planning stage and was happy to embrace change and innovate to turn generated capacity into new functionality. • The systems, assets, and operating models of Birmingham City Council, as the UK's largest authority, were already robust and reasonably unified, providing a stable operating base. • The danger for BCC is the high exit cost (estimated at around £90 million) given the extent of Capita's involvement. • BCC's ability to realise its new shared service expansionism hinges on the flexibility of the contract with Capita, with the council having aspirations to reduce its core supplier costs and bank the savings itself through sharing services with other authorities. This exposes that a joint venture contract can delay or preclude the savings possible through alternative sharing models (such as an SLE); however, this must be balanced with the commercial stimulus a private partner can furnish.
Edinburgh City Council	Recently renewed contract with BT until 2016 after the telecoms company achieved 88% of the its improvement targets. The city stands to profit from 22 million in savings from the deal. The City	Edinburgh prospered by only putting in infrastructural elements into the venture, being careful not to commit too much and retain control. This followed a clear operating model where they approached BT on their own terms and stated what they were willing to

Page 122

Name/Partners	Description	Lessons Learnt
	had recently standardized most of its IT to windows through Microsoft's Infrastructure Organisation Model. The joint venture with BT had previously been renegotiated by Edinburgh, which freed up some 23.3 million in savings over ten years. This money was reinvested in the standardization project with Microsoft.	contribute, rather than being beguiling to hand over more functionality, which would have made contract management, renegotiation, and exit harder.
Rotherham Metropolitan Borough Council	Rotherham combined with BT in 2003, but has pulled out the deal four years early in 2011 after the council expected to generate more than £50 million of savings. The result has left the chief executive, Martin Kimber, to conclude that 'The world has moved on' from private joint ventures, and that Rotherham want to share services with other councils. BT had helped supply: • IT • HR • Customer services • Procurement • Revenues and Benefits	The enterprise was dogged with issues of customer service quality, beset by susurrations of poor delivery and wastage from the shop-floor. Rotherham has come to be regarded as a case of putting too much into a joint venture, resulting in the public partner losing control. The contract proved nonnegotiable and unsuitably managed, leaving Rotherham to ponder a non-existent exit strategy that could cost upwards of £20 million.

Page 123

1.2.5 Outsourcing

Name/Partners	Description	Lessons Learnt
Suffolk County Council/Customer Service Direct	Suffolk county council established a joint venture in 2004 with BT lasting ten years. The arrangement saw BT provide £53 million of up-front costs, whilst obliging SCC to pay BT £301 million over ten years. However, this figure has risen to £417 million. The venture has left a legacy of acrimony, as former employees have lambasted SCC for not negotiating contracts that	• The massive rise in the contract costs have reportedly come from mark-ups on services outside of the original contract. Liverpool Direct had a similar criticism to make of BT in their contract (worth £70 million per year). • The joint venture was to be a cornerstone of Suffolk's radical outsourcing policy, which they believe will propel them to becoming the ultimate commissioning council. However, the cost of CSD has cast a long-shadow on the model, and leaves the council needing to save around £125 million over the next four years.

	represented value-for-money for the Suffolk tax payers. The outsourcing policy has caused public outcry, as constituents have assembled petitions protesting the 'Virtual Council' model in which all services will be floated to private firms.	They seem intent to follow an outsourcing model to make these savings. • Public fears largely revolve around perceived job losses that a comprehensive outsourcing programme would entail. • The idea has now been put on hold and the leader who proposed it, Jeremy Pembroke, has stepped down. However, there are signs that the 'Virtual Council' spectre has yet to be fully exorcised, as Serco was commissioned for £130 million to provide healthcare in Suffolk, despite the SCC's previous exhortations that outsourcing had failed, quoting the failures of Suffolk, SWO, and the transient issues of BCC.

There are several outsourcing deals in existence in local government and indeed this market continues to grow; the key players include:

- Accenture, who provide consulting, IT and business process outsourcing, though are not too involved with local government.
- Avarto/Bertlesman, who provide IT, Revs & Bens and front office support for East Riding and Sefton Councils.
- BT, who provide IT, consulting, business process, outsourcing services to the likes of Liverpool Direct, Rotherham, South Tyneside, Suffolk, Sandwell Councils, and, most recently, Lancashire County Council.
- Cap Gemini, who focus on IT and Outsourcing for the most part.
- Capita, who specialise in public sector outsourcing, consulting and IT.
- Fujitsu, who provide business process and IT services.
- IBM, who provide IT, consulting, and business process outsourcing services; they have arrangements with South West One and Essex County Council.
- Mouchel, who provide outsourcing, consultancy and facilities management to Oldham, Lincolnshire, Middlesbrough, and Milton Keynes Councils. However, they have recently gone into administration, meaning the scaling back of many services they provided to local authorities; notably, Middlesbrough and Milton Keynes responded by returning some services in-house whilst still using Mouchel for ICT, whilst Rochdale nullified their contract with Mouchel.
- Serco, who provide outsourcing, consultancy and facilities management, with ventures including that at Glasgow Council. Deal with Glasgow is quite innovative, being one of the first in which the public and private partners have an equal stake.
- Steria, who provide IT and outsourcing services, including that to the NHS.
- Vertex, who offer predominantly front office services.

Nearly all of the above would be capable of partnering to provide the services in the scope of this analysis and, as the above shows, have the relevant expertise. Also, for the services in the scope of this document, ICT providers are increasingly entering the market. This additional competition is continuing to drive down costs.

1.2.6 SLEs

Name/Partners	Description	Lessons Learnt
Compass Point Business Services	East Lindsey and South Holland District Councils created this company to provide back office services to both Councils from 1 August 2010. Services in scope include: • Customer Services • Revenues and Benefits • ICT • Human Resources • Finance. The anticipated savings are approximately £30m between the Councils, with savings starting in 2011/12. The company has proved successful in consolidating shared service arrangements between the two controlling district councils and completing work within their constituencies, but as yet have not introduced any further partners or delivered services to external clients. Alongside CPBS, South Holland shares a management team with Breckland, and almost secured a deal to share management with Great Yarmouth Borough council, but this fell through earlier this year.	• These Councils have created the new company at the start of the process and intend to drive through fundamental review of the services through the company rather than prior to their transition to the company. • Prior to formation, a comprehensive review of all five participant services was conducted to illuminate weaknesses and areas where commerciality could be transplanted and bureaucracy trimmed. • Private sector partners (Hitachi, Capita, Microsoft) were utilised to provide specific, one-off systems, but were not involved as parent companies or as board members. This ensured that savings belonged entirely to the councils: Capita was employed for £1 million, but only to deliver Revenues and Benefits computer programmes and document management, netting CPBS a 20% saving in their Revenues and Benefits department. CPBS provide an e-calculator for customers to calculate their benefits. The board consists of councillors and the chief executives of the two councils, ensuring council control and a strong public ethos. • Similarly, no private company was contracted to embed themselves in the change management; rather, individuals with commercial expertise were employed to manage or consult the specialist staff. • The creation of the company cost £4.65million, but this was spent largely on up-front costs rather than on-going payments: things such as redundancies, new computer systems, legal advice, and change advice. • In terms of systems, customer specification workshops were held to define the 80% of functions deemed core by CPBS. This means that, whilst offering a small (20%) scope for systems specification, there is a standardised core of systems that is universally shared between partners and offered to customers, rather than a medley of customised applications that might not be relevant to prospective clients. • Lastly, CPBS are the first company to implement the Microsoft Dynamics AX system, which is specifically designed for a shared services environment.

Name/Partners	Description	Lessons Learnt
Forth Valley GIS	Forth Valley GIS Ltd. is a company limited by shares, wholly and equally owned by the three founding shareholders, Clackmannanshire, Falkirk and Stirling unitary councils. The Board of the company currently comprises two Directors from each of the founding shareholders. The shareholding agreement between the members contains specific provisions to increase membership of the company, providing potential opportunities for other local authority, public sector or business shareholders in the future as well as the potential for employee shareholding. Forth Valley GIS Ltd. is a local authority company that provides Geographical information services, consulting, training, and systems support to the public and commercial sector.	• Building on a highly successful local government partnership over the last 11 years, the new local authority company was incorporated in July 2007 and the transfer of existing staff, business and assets was undertaken. The new company promotes delivery of the benefits of shared Geographic Information Services to a rapidly increasing network of public sector customers, its partners and businesses across Scotland and wider afield. • Recently, Forth Valley GIS was awarded the contract to deliver an innovative Enterprise Web GIS platform and applications to two councils in Tayside. Perth and Kinross Council and Angus Council have worked together to define an approach that balances the delivery of new solutions with the ability to maximise benefits from previous separate investments in GIS. The procurement process was rigorously managed by Tayside Procurement Consortium, the shared service procurement organisation for Tayside. This case shows that companies limited by shares can win contracts, though must go through a robust procurement processes for contract provision. • Forth Valley GIS prides itself on delivering a public-service ethic, striving for the best and most accountable service to its parent authorities, girded with a commercial realism as it aspires to win contracts and get maximum value for the investment placed in it. • Forth Valley GIS partly succeeded because it quickly developed a suite of 12 business applications that met the needs of the three constituent authorities and standardised practise. They also created a one-stop access to over 17 property-based systems, achieving operating efficiencies.
Norfolk Property Services (NPS) Group	NPS is a limited company wholly owned by Norfolk County Council, which was operated as an internal business unit until 2002, when the NPS Group was set up as a limited company. The companies within NPS Group are wholly owned by the public sector, with partner authorities enjoying a share in the companies' success. NPS is a national organisation, delivering a comprehensive and flexible range of property services to both public and private sector clients across the UK, using a base in Norwich and providing client services from a network of local offices setup for	NPS has grown significantly after its inception through the creation of a number of joint venture companies with public and private sector organisations. NPS wields a venerated joint venture business model, in which new partners stipulate which services they want to transfer to NPS; any employees working in these services in the partner authority are TUPE transferred into a new NPS company, which, whilst centralised in the new partner's proximity, draws upon the pre-existing NPS management structure and central resource pool. NPS provide the capital for the creation of this new subsidiary. This model ensures that: • Local Authorities retain a direct influence on the strategic direction of the company through representation on the Board of Directors. This, along with, Norfolk County

Page 126

Name/Partners	Description	Lessons Learnt
	each Joint Venture.	Council's total ownership of the parent company, means that NPS appeals as a public-sector specialist, evidenced in that the majority of its partnerships are with other councils. • The profits of the company (including those from external clients) are shared between NPS and the partner authorities. • NPS is an attractive prospect to partners, who receive largely bespoke services, and can readily enter partnerships along well-established and repeatable contractual mechanisms; there are currently ten NPS subsidiary companies around the UK generating a turnover of above £40 million for NPS. • NPS manages to foster a commercial ethic. • OJEU procurement rules do not apply, provided that best value can be demonstrated. • All of the commercial risk in establishing the joint venture company is taken by NPS who also provide the capital for investment in service improvements. • Financial independence allows the company to borrow for investment, and enables more effective cash management. A programme of continuous improvement seeks to strip out inefficiencies and unnecessary overheads and provides economies of scale. Some of the key challenges found by NPS include: • Cashflow, as this is a separate company, it must ensure it is solvent; • Capital for investment was difficult at the start and required a significant cash injection from Norfolk County Council; and • Risk management and culture, where a more commercial attitude had to be adopted in order to grow the business.
Acivico	A company constructed by Birmingham City Council to provide and sell property management and planning services. However, on the day of its recent launch the company had to be pulled because of incomplete VAT submissions.	An attempt by Birmingham City Council, who are one of the most innovative local authorities in the shared service market, to create an SLE to tap the planning and property market – so far relatively underrepresented by public sector companies aside from NPS and Salford Urban Vision. The company represented a venture away from BCC's long-term private sector running-mate Capita.

Name/Partners	Description	Lessons Learnt
		The stalled enterprise evinces the importance of commercial competence and assiduous planning, as well as making the case for private sector involvement, whose commercial acumen and investment shoulders the risk burden and largely eliminates administrative transgressions. In short, SLEs must be based on strictly-regulated operating models to succeed – especially when detached from private aegis.

1.2.7 Other Organisations

Name/Partners	Description	Lessons Learnt
DVLA	The DVLA, previously DVLC, assumed vehicular administrative functions from local government forty years ago. It has since converted from paper systems to become a governmental pioneer in electronic service provision. They are responsible for 44 million driver records and collect £6 billion in Vehicle Excise Duty each year. The DVLA has its headquarters in Swansea.	The DVLA represent a good template of the sophistication of a jettisoned governmental function. The agency has succeeded through its adoption of a more commercial model, as well as its willingness to employ increased capacity, born of effective streamlining and modernizing processes, in the development of new services and revenue-generating expedients. For instance, rather than just becoming leaner through the computerisation of its records and services, the DVLA experimented in enhanced functionality; this saw the birth of license-plate customisation. All public bodies can learn lessons from the DVLA in how to firstly achieve efficiency savings, before redirecting the freed capacity into improved service offerings.

1.3 General Conclusions

Our analysis lends itself to a tri-partite grouping of findings. Efficacious management of these three themes will breed success in any paradigm of collaborative venture.

People/Culture	Infrastructure	Operating Model
Dedicated structure: shared service arrangements benefit from having dedicated staff, where officers are not performing shared service responsibilities atop their day jobs. This is achievable through the creation of a separate company. ***Local utility:*** shared service enterprises can be major boons to a local area, addressing popular concerns and delivering jobs. However, if they are seen to be removing employment or curtailing service quality, they can become politically unviable. Tying the successes of a shared service to local improvement is thus an important consideration. ***Right people, right places:*** the likes of Salford Urban Vision and Service Birmingham prevailed because they moved skilled staff into the new companies first. Furthermore, employees chosen for the vanguard were those with commercial or private experience, easing transition. ***Cultural awareness:*** shared services tend to be different beasts to those employees are used to. Identification with the shared brand is important, as is an appreciation of sharing values. Successful enterprises have focused prominently on cultural realignment, through workshops etc., in their infancy – or even in the build-up, in the case of the WETT.	***Effectively integrating systems:*** some of the most high-profile collaborative failures have been due to complications arising from systems unification. Small changes are manageable, but large infrastructural changes frequently hinge on partners already sharing certain systems. ***Systems packages:*** as above, systems pluralism is dangerous to shared services. When considering the offer made to new partners or customers, a concerted and well-defined systems package is needed. This entails a robust, core suite of services that remains unchanged (usually around 70-80% of the functionality offered) with a small scope for customisation based on the partners' needs. A multiplicity of overly-specific applications is a difficult sell. ***Streamlined frameworks:*** the mechanisms by which new partners join can be lubricated and simplified. The Athena project and NPS' contract framework allow for repeatable and standardised expansion; such accessibility is appealing to prospective partners. ***Business Propositions:*** it is important for shared service ventures to enter the marketplace with a set of well-defined business propositions to sell to selected targets, rather than just behaving reactively. ***Asset appraisal:*** some prospective partners may simply benefit from space to host services. Physical location and property holdings are all potential capacity waiting to be tapped, and can act as delimiters to the scope of a shared service initiative.	***Service planning:*** Successful ventures have performed comprehensive reviews of services to gauge their suitability for inclusion; unsuccessful ones have rushed in with n clear picture of which services are fit for incorporation or marketing to customers/partners. ***Representative Governance:*** Ensuring all interests are represented in balanced governance between all partners is critical, rather than having one partner preponderant ***Contract negotiation:*** the rigidity of contracts, particularly in joint ventures, have blighte many shared services. An understanding of potential hidden costs, and in-built agreements for redefinition, can allow market adaptability and ensure continued value fo money. ***Visible success:*** the savings and achievements of shared services have often proved difficult to qualify or quantify, leading to confusion regarding efficacy. Robust communication of successes, both for external sales and internal morale, enables share services to flourish. ***What goes in:*** it is possible to put too much into a shared service venture. Putting in frontline services can be risky, but is highly effective if the scale is reasonably small. Fo larger collaborations, infrastructural functionality can flex more easily to meet broad demands and accommodate more partners. Moreover, the services selected should complement the strengths and capabilities of the local authority in question. All this predicates a thorough definition of scope to achieve success. ***Exit strategy:*** often an afterthought but crucial - especially in light of a number of high-profile collapses, such as Rotherham, where extrication from the venture has been tortuous. ***Capacity growth:*** a shared service does not just have to be about cost-cutting. Capacit freed up from leaner processes can be reinvested to drive profit or growth, rather than just being severed as cost reductions. The smart shared service companies plan how they can utilise this added capacity in advance to enrich the shareholders and the local area. ***Appeal of commercial offering:*** It is one thing having shared services founded on lea principles, but this collaboration may struggle to win partners/business unless it can exude cachet. Shared services may not be able to compete with large, private sector outsourcers in terms of delivery capacity, but can concentrate on the quality or uniqueness of their market offering. This could entail an uncommon menu of services, strong branding and marketing, the ambient sale of services in addition to the search fo wholesale partners, or a specific ethos - such as 'by public sector for public sector.'

2 Opportunity Analysis

2.1 Overview

As outlined above, the courtship of partners, the attraction of customers, and the marketing of a beguiling service offering all determine the horizons of any shared service. However, success in these endeavours is in turn contingent on how well they are mapped to the contours of the shared service market. The decision to pursue a collaborative venture will be largely influenced by the market opportunities that exist; these opportunities must be allowed to inform the business model to optimise its resonance – and thus profitability.

Opportunities can encompass viable partners, who can be incorporated to drive wider efficiency savings; prospective customers, to who tailored services can be sold; and underrepresented products, allowing Cheshire to steal a march with a unique service offering. Thus, this section seeks to delineate the nature of the opportunities that exist, initially surveying prospective partners and customers before segueing into an analysis of market trends to unearth the character and extent of other UK shared service collaborations. Some assessments are made based on direct responses following Cheshire approaches, whilst others are researched targets, identified through their individual circumstances or past engagement in shared services.

2.2 Potential Targets: Local Authorities

Name	Comment
Wirral Metropolitan Borough Council	Historically, Wirral and Liverpool have been more likely to share with each other than look elsewhere; however, Wirral recently renewed contact with Cheshire Shared Services about a potential partnership, being particularly interested in ICT, HR, and payroll.
Liverpool City Council	Liverpool Direct, a Joint Venture with BT provides most of the services within the scope of this analysis. It is not envisaged that this arrangement will cease in the near future, but Liverpool City Council have recently visited CWAC to look at the Oracle systems platform.
Halton Borough Council	Halton schools buy into the current Schools Business Support Agreement offered by Cheshire Shared Services at present, but do so independently of the Council. Halton has also approached Cheshire to join in specific shared services, including Civil Protection and Emergency Planning. Halton have recently joined Warrington and CWAC in a shared youth offending service at the expense of the former sharing arrangement between

Page 130

Name	Comment
	CE and CWAC. CE have decided to go it alone rather than join the pan-Cheshire arrangement.
Warrington Borough Council	Warrington is seeking to actively engage with the existing shared service through the CE ICT strategy team in order to promote closer working for ICT. They have taken up space in the Kelly House data centre. Also, schools in Warrington buy into a number of Cheshire-based services through the Schools Business Support Agreement (SBSA) so have experience of using an external local authority. At present, this is just ‘testing the water’, but due to pressures related to costs and staff retention, this offers a potential opportunity in the short term.
Trafford Metropolitan Borough Council	Trafford is, for the moment considering their internal efficiency programme and as such are not actively seeking to engage with a wider sharing arrangement at this time.
Manchester City Council	No engagement to date.
Stockport Metropolitan Borough Council	Stockport has previously declared that sharing services is an unproven way of generating services; however they have entered into an agreement with NPS for asset services, perhaps implying a growing openness to sharing arrangements. Generally, the Stockport Council is focussing on internal improvements, including: • Re-designing the IT help desk to improve services by resolving more customer problems at the first point of transaction, resulting in a 17% reduction in operating costs, with further efficiencies anticipated; • Re-designing the HR service to improve in productivity, despite being exemplary according to conventional HR benchmarking. Stockport believes that standardisation, which underpins sharing arrangements to a large extent, is not the route to effective low-cost, high-quality services. Services have to be designed according to customer demand, and as such must be intrinsically linked to front-office, non-shared processes. To back this up further, Stockport has taken schools support in-house from Liverpool Direct.
High Peak District Council	Further research/contact needed
Staffordshire County Council	Staffordshire Connects is a sharing initiative between ten councils, centred on Staffordshire. Still in an incipient phase and potentially open to further partnerships. Particularly pertinent seeing the geographical proximity of Cheshire Shared Services. Also mid-way through a five year contract with Kcom to deliver a PSN. Staffordshire has also incorporated with Shropshire and Worcestershire in a sharing arrangement, underlining their emerging resolve to enter the sharing market. Thus far, the triptych of councils has created a new sharing company, but it remains a shell awaiting services.
Newcastle-under-Lyme	Newcastle has displayed tentative interest in enhanced sharing and collaboration. However, it is unclear whether this would be on a contractual or

Name	Comment
Borough Council	partnership basis. CE remains on good sharing terms with Newcastle, having provided support in the form of democratic services in the past.
Shropshire Council	Shropshire is another of the recent LGR Councils and is therefore focused upon harmonisation and completing transitional activity in order to realise the savings projected in the unitary business case. At present, Shropshire is scheduling initial conversations regarding partnership working, though the scope and scale of their proposals and needs are not yet clear – member and senior management meetings are currently being arranged. Shropshire has also incorporated with Staffordshire and Worcestershire in a sharing arrangement, underlining their emerging resolve to enter the sharing market. Thus far, the triptych of councils has created a new sharing company, but it remains a shell awaiting services. Despite this partnership with Staffordshire and Worcestershire, Shropshire recently expressed interest in sharing with Cheshire Shared Services - particularly given the connections inherent in the transfer of Kim Ryley as chief executive.
Wrexham Borough Council	A number of Welsh authorities are currently exploring potential sharing opportunities based around ICT infrastructure.
Flintshire County Council	See above.
Knowsley Metropolitan Borough Council	Further research/contact needed
St. Helens Metropolitan Borough Council	Further research/contact needed
Stoke-on-Trent City Council	Stoke is trying to fuel regeneration and development of the area through new business ventures and partnerships, which includes scope for sharing arrangements.
Cornwall	Cornwall has expressed an interest in sharing arrangements, possibly with LGSS or Cheshire Shared Services, though has previously indicated that it is not willing to join the Southwest One operation. Cornwall remains a possible target following the stalling of it strategic partnership: a planned joint venture with either CSC or BT.
Northumberland	Durham and Northumberland currently share an Oracle system on a semi-formal basis. While Northumberland hosts the system, the Council has previously shown interest in engaging with other authorities to deliver shared services, including the LGSS. However, this did not progress any further, possibly due to the issues associated with job migration out of the area.
Lancashire County Council	The County Council, in association with several other public sector organisations in Lancashire (including Blackburn with Darwen Borough Council, Blackpool Council, Burnley Borough Council, Chorley Borough Council, Fylde Borough Council, Hyndburn Borough Council, Lancaster City Council, Pendle Borough Council, Preston City Council, Ribble Valley Borough Council, Rossendale Borough Council, South Ribble Borough Council, West

Name	Comment
	Lancashire Borough Council, Wyre Borough Council, Lancashire Police Authority, Lancashire Combined Fire Authority, University of Central Lancashire and Lancaster University) recently issued a tender seeking a private sector partner or partners to jointly provide a range of services; BT recently won the tender to be the partner for ten years.
AGMA	While this arrangement is mostly related to procurement activity it is possible that it may expand in the future. Currently concerned with protecting frontline services, and are undergoing a consolidation process before looking to share further.
Somerset County Council	Following their protracted withdrawal from South West One, Somerset are a viable target as it is conceivable they will look for new sharing partners, particularly away from the private sector.
Rotherham Metropolitan Borough Council	Recently exited from a joint venture with BT, with the chief executive stating that, in the shared service climate, joint ventures were becoming anachronistic. Actively looking to partner with other public bodies to share services.
States of Jersey	Low on infrastructural capacity, Jersey could be interested in any arrangement that sees a partner take responsibility for the hosting burden.
Rochdale	Tore up a contract with Mouchel in late 2011 (after only five of the fifteen years of the so-called Impact Partnership) which encompassed highways and property services.
Middlesbrough Council	Recently downsized the extent of its outsourcing with Mouchel, following their administration. Some services being brought in-house that might be targetable for sharing.
Milton Keynes Council	Recently downsized the extent of its outsourcing with Mouchel, following their administration. Some services being brought in-house that might be targetable for sharing.

2.3 Cross-Section of UK Partnerships

Name	Partners Involved	ICT Included	HR Included	Finance Included	Customer Services Included	Revenues and Benefits Included	Payroll Included	Property/ Asset Services Included	Procure ment Included	Other Services Included	Contract Lifespan
Adur Worthing	Adur and Worthing		X							Recycling, management structure, legal	2007 – ongoing partnership
LGSS	Cambridgeshire, Northamptonshire, Norwich City Council, Huntingdon District Council	X	X	X	X	X		X		Internal audit, legal pension, change management	2011 – ongoing partnership. ICT framework deal : 2011 - 2015
Mid-Kent Improvement Partnership (Prospective)	Ashford Borough Council, Maidstone Borough Council, Swale Borough Council and Tunbridge Wells Borough Council.	X	X			X				Legal, audit	Planned 2013 collaboration.
London Tri-Boroughs	Westminster City Council, Hammersmith and Fulham Borough Council, and Kensington and Chelsea Borough Council	X	X	X					X	Children's services, adult services, library services	2011 – ongoing partnership
NPS	Wigan (2004), Wakefield (2004), Stockport (2006), Devon (2007), London Borough of Waltham Forest (2007), Hull (2008), Barnsley (2011), Leeds (2012), Norwich (2012)							X			Series of ongoing subsidiary companies established between 2004 - 2012
Liverpool Direct	Liverpool City Council, BT	X	X	X	X	X	X			Business support, organisational development	2001 - 2017
South West One	IBM, Somerset County Council, Taunton Deane Borough Council, Avon and Somerset police	X	X	X	X	X			X	Print and design	2007 – 2017 (Somerset legally negotiating early exit)
ERYC	East Riding of Yorkshire Council, Arvato	X		X	X	X	X			Occupational health, print and design	2005 - 2013
Salford Urban Vision	Salford City Council, Galliford Try, Capita							X		Highways services, landscape design	2005 - ongoing

Name	Partners Involved	ICT Included	HR Included	Finance Included	Customer Services Included	Revenues and Benefits Included	Payroll Included	Property/ Asset Services Included	Procurement Included	Other Services Included	Contract Lifespan
Cornwall Strategic Partnership (Prospective)	Cornwall County Council, CSC/BT	X			X	X	X			Libraries	Proposed contract was for 10 years with a 5 year extension. Not going through.
Service Birmingham	Birmingham City Council, Capita	X			X					Learning Services, Project Services; HR and Payroll services shortly due for widespread roll-out	2006 - 2021
Edinburgh Joint Venture	Edinburgh City Council, BT	X				X	X				2001-2016
Rotherham Brought Together	Rotherham Metropolitan Borough Council, BT	X	X		X	X			X		Agreed on 2003 – 2015; Rotherham pulled out in 2011.
Customer Service Direct	Suffolk County Council, BT	X	X		X		X				2004 - 2014
Compass Point Business Services	East Lindsey District Council, South Holland District Council	X	X	X	X	X					2010 – ongoing partnership
Forth Valley GIS	Clackmannanshire, Falkirk and Stirling unitary councils									Geographical Information Services	2007 – ongoing partnership
BTST	South Tyneside Council, BT	X	X	X	X				X		2008 - 2018
One Connect Ltd	Lancashire County Council, BT	X	X				X				2011 - 2021
Surrey First	Surrey County Council	X	X					X	X		2010 – ongoing joint committee arrangement
Devon and Somerset Fire and Rescue Authority	Fire and Rescue Services in both counties	X		X							2007 – ongoing partnership
Sheffield Strategic Partnership	Sheffield City Council, Capita	X	X	X		X	X				2009 – 2016; possible six-year extension

Name	Partners Involved	ICT Included	HR Included	Finance Included	Customer Services Included	Revenues and Benefits Included	Payroll Included	Property/ Asset Services Included	Procure ment Included	Other Services Included	Contract Lifespan
Transform Sandwell	Sandwell Council, BT	X	X	X	X		X				2007 - 2022
Sefton Strategic Partnership	Sefton Council, Arvato	X	X	X	X	X	X				2008 - 2018
Cumbria Strategic Partnership	Cumbria County Council, Computacentre	X									2012 - 2017
Staffordshire PSN	Staffordshire County Council, Kcom	X									2010 - 2015
Dorset Working Together	Dorset County Council, West Dorset, North Dorset, East Dorset, Purbeck, Christchurch, Weymouth and Portland					X		X	X		2010 – ongoing pathfinder partnership
Dorset PSN	Dorset County Council, Kcom	X									2011 - 2016
Kent Connects	All Kent and Medway councils, Kent Police, Kent Fire and Rescue Service	X									2002 – ongoing pathfinder partnership
KPSN	Kent County Council, Ashford Borough Council, Canterbury City Council, Dover District Council, Kent Connects, Maidstone Borough Council, Swale Borough Council, Thanet District Council, Tonbridge & Malling Borough Councils	X									2009 – ongoing
Cheshire and Northamptonshire Police	Cheshire Police, Northamptonshire Police, Capgemini		X	X			X	X	X		2012 - 2022
Essex Strategic Partnership	Essex County Council, IBM	X			X					Transformation services; more services to be added as reviews continue	Initially 2009 – 2017 with possible four year extension
Unity Partnership	Oldham County Council, Mouchel, Agilisys (ICT subcontractor)	X	X		X	X		X			2006 - 2016

Name	Partners Involved	ICT Included	HR Included	Finance Included	Customer Services Included	Revenues and Benefits Included	Payroll Included	Property/ Asset Services Included	Procurement Included	Other Services Included	Contract Lifespan
Lincolnshire Strategic Partnership	Lincolnshire County Council, Mouchel	X	X	X				X			2000 – 2015 (now preparing tender for new Joint Venture to run from 2015-2020)
Middlesbrough Strategic Partnership	Middlesbrough County Council, Mouchel	X	X	X			X			Recent five year extension signed until 2016, but many services once provided by Mouchel are being brought back in-house, e.g. property management, procurement	2001 – 2016
LLP (Limited Liability Partnership)	Glasgow City Council, Serco	X								One of first partnerships where public and private partners have joint share.	2008 - 2018
Milton Keynes Strategic Partnership	Milton Keynes County Council, Mouchel	X								Contract was redefined in 2012 as services were brought back in-house	2004 - 2018
Southwark Strategic Partnership	Southwark, Serco	X								Project management	2001 - 2012
Ealing Strategic Partnership	Ealing, Serco	X									2007 - 2017
West Sussex Strategic Partnership	West Sussex, Capita, Serco	X	X	X			X			Pensions, procurement. Capita had an ICT contract from 2010, but this was expanded in 2012 to provide more services.	2012 - 2022

Page 137

2.3 Conclusions

The above cross-section highlights some interesting trends in the UK Shared Service market:

1. Successful Joint Ventures tend to be those in which the public partner invests only a few services. This implies that control and a strong identity are crucial in Joint Ventures - a point that has been made painfully apparent through the acrimonious severance of contracts by disenchanted public bodies. This trend seems to have culminated in the recent development of equal liability partnerships, where the participant local authority has boardroom parity.
2. Conversely, the most successful constitutional models, such as LGSS, are those that can share as many services as possible; the more services shared between multiple public bodies the greater the efficiency savings.
3. The market is replete with ICT, HR, and Finance offerings. Some successful SLEs have instead targeted a market niche (such as property services or GIS) to steal a march on the competition. However, ICT, HR, and Finance services remain marketable for collaborative companies (especially with immediate geographical neighbours) thank to their ubiquitous necessity; any foray into providing these services must be carefully configured, with clear business propositions and consideration of selling points.
4. Many local authorities are contracted to long sharing arrangements, limiting the market for partners. However, there is a prospectively fruitful market in targeting the growing segment of authorities who are divorcing from their private partners but are still keen to share services; the Joint Venture experiences of some have, in fact, catalysed a resolve to share specifically with public rather than private cohorts. Targeting these authorities would require a willingness to partner with authorities outside of the immediate locality.
5. Regarding relatively untapped markets, there is potential scope for targeting SMEs, who historically welcome the reliable provision of back-office business support that they struggle to realise themselves. Such a campaign could be a vehicle for local economy stimulation and regeneration in-line with strategic council goals, and could represent a tangible political boon.
6. Contracts for Joint Ventures and Outsourcing arrangements are getting shorter. The forced schisms between certain local authorities and their private partners in wake of failing operating models have made authorities wary of embarking in long, fixed contracts. Exit strategy and renegotiation have been thrust to the forefront of shared service planning, and this is reflected in the common length of contract shrinking from ten years to five. This means that there will potentially be a greater, recurring swath of partners becoming available, but more competition.

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting: 7 January 2013

Report of: Head of Development

Subject/Title: Crewe Railway Exchange (CRE) Site Assembly and Land in Unknown Ownership

Portfolio Holder: Cllr Jamie Macrae - Prosperity and Economic Regeneration and Cllr Rod Menlove - Environment.

1.0 Report Summary

1.1 The purpose of this report is to seek authority to pursue a Compulsory Purchase Order (CPO) under the Town and Country Planning Act 1990 in order to acquire land to the south west of Weston Road in Crewe and so facilitate the development of part of the former Royal Mail depot and surrounding highway land as a rail exchange (commonly referred to as Crewe Rail Exchange (CRE)) as described later in this Report and its inclusion in a lease between the Council and Network Rail (NR) and to secure remaining funding from the Department for Transport (DfT) to deliver the planned improvements for rail passengers at Crewe Station.

1.2 A report was received by Cabinet on 6 February 2012 and approvals were given to enable the delivery of this key Council initiative following the award of funding by the DfT and NR from the Station Commercial Project Facility (SCPF). The scheme includes a surface grade car park, taxi rank and an improved subway access serving Crewe Station.

1.3 A condition was attached to the award of SCPF funding that on completion of the CRE it will be leased to NR on a 99 year term at a peppercorn rate. The majority of the site is owned by the Council and registered in its name at the Land Registry and can therefore be leased to NR. However, the Council cannot satisfy itself or demonstrate to NR that it owns the subsoil under the current highway edged purple on attached plan and the ownership of that subsoil remains unknown, despite extensive research and enquiry. If this highway land (CPO Land) is acquired by the use of compulsory purchase powers (by CPO) and the highway is then stopped up, the Council will be able to register its ownership of the CPO Land at the Land Registry and to lease the CRE site to NR.

2.0 Decision Requested

2.1 That, taking into account the human rights and equality factors set out in this report, approval be granted to the use of compulsory purchase powers under section 226(1)(a) of the Town and Country Planning Act 1990 to undertake the acquisition of the current highway land and subsoil under that highway and any rights that may exist in relation to that land as shown edged in purple on the plan attached to this Report and, if approved by the Interim Chief Executive under his delegated authority and NR consent to this, part or the whole of the adjoining NR premises (Weston House) shown edged green on that plan.

.

2.2 That the Interim Chief Executive be authorised;

2.2.1 to take all necessary steps to secure the making and confirmation of the CPO (including delegated authority to make minor changes to the CPO), and to decide to include part or the whole of Weston House in the CPO if NR consent to this, including the publication and service of all relevant notices and the presentation of the Council's case at any public inquiry; and

2.2.2 to approve and enter into agreements for the acquisition of legal interests in the (CPO Land and undertakings with any objectors to the CPO setting out the terms for the withdrawal of objections to the CPO; and

2.2.3 In the event that the question of compensation be referred to the Upper Tribunal (Lands Chamber) to take all necessary steps in relation thereto including approving any compensation settlement by agreement; and

2.2.4 To take all necessary steps to secure title and possession of the CPO land including payments of compensation into court; and

2.2.5 In consultation with the Portfolio Holders for Prosperity and Economic Regeneration and Environment, to take all necessary steps to implement the confirmed CPO including through the service of notices to treat and notices of entry and/or through the making and serving of a general vesting declaration; and

2.2.6 To appropriate for planning purposes all the land currently in the Council's ownership (shown edged red on the attached plan) pursuant to section 122 of the Local Government Act 1972 and section 237 of the Town and Country Planning Act 1990; and

2.2.7 To explore the potential to insure against the risk of the CPO Land not being capable of being vested in the Council either due to the failure of the CPO process, or due to a third party claiming ownership of the CPO Land or part of it with cover including actual loss of the monies expended in relation to the CRE project and works undertaken and if insurance is necessary and a policy acceptable to the Interim Chief Executive is offered on sound commercial terms to accept such insurance and

2.2.8 To appoint appropriate consultants if necessary to assist and advise in regard to the above.

3.0 Reasons for Recommendations

3.1 From our investigations it does not appear possible to leave the CPO Land as highway to permit its use as envisaged by the current design plans for the CRE. As such, stopping up of the highway on the CPO Land and the adjacent highway verge is intended and would happen after the CPO is implemented and the CPO Land vested in the Council. Stopping up of the highway and highway verge was authorised by Cabinet on 6th February 2012. The Council would then be able to register its ownership of the CPO Land at the Land Registry and to lease it to NR.

3.2 Delivery of the CRE project will significantly enhance the role of Crewe Station as a major transport interchange on the national rail network and is a key infrastructure priority for the Council. This project will deliver a critical first step towards the Council's ultimate plans for Crewe Station and act as a catalyst for economic regeneration and improved transport in the area – a key driver of the Council's 'All Change for Crewe' programme.

4.0 Wards Affected

4.1 The existing Crewe Station lies within Crewe South and the CRE project site lies within the Crewe East. The enhanced facilities will benefit Wards from across large areas of the Borough.

5.0 Local Ward Members

5.1 Crewe East: Cllr Margaret Martin, Cllr David Newton, Cllr Chris Thorley
Crewe South: Cllr Dorothy Flude, Cllr Steve Hogben.

6.0 Policy Implications including - Carbon reduction - Health

6.1 The completion of CRE will encourage greater use of public transport by providing improved pedestrian access around the station, enhanced taxi and pick up/drop off facilities and increased station parking.

6.2 The increased patronage anticipated with the improvements at Crewe Station will contribute towards reduced carbon from transport use benefiting climate change.

6.3 The completion of CRE is also a fundamental part of delivering the Council's 'All Change for Crewe' strategy, which aims to increase prosperity in the Crewe area, a component which will help to improve the health of the local population.

7.0 **Financial Implications (Authorised by the Borough Treasurer)**

7.1 The estimated costs of undertaking the CPO process, assuming there are no objectors and therefore no public inquiry, are up to £20,000. If there are objections and a public inquiry, then costs will increase, potentially by a further £10,000 - £20,000 in fees and £15,000 for Counsel (assuming a Manchester based barrister is utilised). The reason for the range of costs is that it is uncertain how many objections there would be, how detailed the objections may be, or whether the matter could be dealt with by written representations or whether there will be a public inquiry.

7.2 These figures do not include the costs of any references to the Lands Tribunal (which would only be necessary in respect of compensation which cannot be agreed with anyone who proves ownership to the land). If the CPO is successful and the lease is granted to NR these costs would be recoverable under the SCPF, however if the lease is not granted the Council will be required to meet these costs as scheme promoter.

7.3 As ownership of the CPO Land is unknown the Council may have to pay the applicable statutory CPO compensation into court in order that if anyone proves ownership they can claim from the compensation available. If no one claims the deposited monies they would be repaid to the Council. Property Services will separately advise on an appropriate amount of compensation.

7.4 The costs for preparation of the CPO in the 2012/13 financial year can be met through the LTP resources already approved for this scheme. An allocation for professional fees was included in the funding package submitted to the DfT which was approved in principle in November 2011. However, should the Final Funding Release Approval application be unsuccessful the Council would be liable for meeting any sunk costs from its own revenue funding.

7.5 The intention is that the risk of the CPO being unsuccessful or the risk of a third party claiming ownership of the CPO Land or part of it will be covered by a policy of title insurance and officers are exploring whether an insurance policy is available on acceptable commercial terms. To date one insurance offer has been made subject to conditions and exclusions which are under consideration and the premium quoted is £50,880. Further quotes will be sought. If the CPO is successful and the lease is granted to NR the premium would be recoverable under the SCPF, however if the lease is not granted the Council will be required to meet this cost.

7.6 The actual costs for the CPO and any land acquisition / compensation costs will be included in the overall final funding application for CRE from the DfT.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 In making a CPO, the Council should use the most appropriate and specific power available. In this case that is the power given by section 226(1)(A) of the Town and Country Planning act 1990 as referred to in 10.7 and 10.8.

8.2 In deciding whether to approve the making of a CPO the Council:

(i) must conclude that there is a compelling case in the public interest in acquiring the Land. It is considered that the significant benefits of the CRE scheme (which the CPO would enable) outweigh the compulsory nature of a CPO and the fact that the unknown owners of the CPO Land (if any) will be deprived of their ownership of it (subject to the payment of compensation).

(ii) will also need to be satisfied that funding is available, or likely to be available, to carry out the development. It is considered that such funding is or will be available, as reported previously and in this report.

(iii) will need to be assured that there are no planning, financial, legal, physical or other impediments which might block or delay the scheme. In this case the scheme has planning permission, SCPF monies have been awarded and recent surveys and assessments have been made. There is no longer a concern that the CPO Land could belong to the Duchy and therefore be 'immune' from CPO as Crown land. The Council is not aware of any impediments to the scheme progressing including, after its completion, the lease being granted and the CRE opened for use, other than the requirement for the highway land to be stopped up. It is considered that the case for a stopping up of the highway land is strong (for similar reasons to the CPO, as well as considering the applicable statutory tests for stopping up), and therefore whilst there is a further 'consent' which must be obtained, it is considered that the stopping up is likely to be confirmed. Officers will consider the most appropriate point to seek the stopping up (which may be alongside or after the CPO is made), considering likely timescales for the two orders and for the project overall.

8.3 The CPO will also be subject to the provisions of the Compulsory Purchase Act 1965, the Local Government (Miscellaneous Provisions) Act 1976 and the Acquisition of Land Act 1981. These relate to procedure, acquisition of certain new rights and compensation and the Council will comply with their terms so far as applicable.

8.4 Generally in CPO cases acquisition by negotiation should be attempted – CPO should then only be used as a 'last resort. Here, however, despite extensive research and enquiries, no person with ownership of the CPO Land is identifiable and therefore negotiation is not possible. It is therefore appropriate for the Council to seek to use CPO. The Council will follow statutory procedures requiring advertisement of the CPO – this is designed to ensure that claimants of ownership of the CPO Land (or those with rights over it) are aware of the CPO and can make representations in relation to it if they wish. As noted above, if no owners come forward then the Council may have to pay the applicable statutory CPO compensation into court .Anyone then proving ownership can claim from the compensation available. If no o-one claims it within a set period (generally 12 years), it is repaid to the Council.

9.0 Risk Management Including Human Rights and the Equality Act

9.1 In resolving to make a CPO (and the other decisions set out in the recommendation) the Council must consider the Human Rights Act and the European Convention on Human Rights which the Act incorporated. Article 1 of Protocol 1 protects the rights of everyone to the peaceful enjoyment of their possessions and Article 6 provides the right to a fair trial. No person can be deprived of his possessions except in the public interest and subject to the conditions provided for by relevant national and international laws. It is qualified to the effect that it should not in any way impair the right of a state to enforce such laws as it deems necessary to control the uses of property in accordance with the general interest.

9.2 In determining the level of permissible interference with enjoyment the courts have held that any interference must achieve a fair balance between the general interests of the community and the protection of the rights of individuals. There must be reasonable proportionality between the means employed and the aim pursued. The availability of an effective remedy and compensation payable to affected persons is relevant in assessing whether a fair balance has been struck.

9.3 Therefore, in deciding whether to proceed with the recommendations, the Council needs to consider the extent to which the decision may impact upon the Human Rights of the landowners and to balance these against the overall benefits to the community, which the CRE will bring. Members will wish to be satisfied that interference with the rights is justified in all the circumstances and that a fair balance would be struck in the present case between the protection of the rights of individuals and the public interest.

9.4 In the event that the CPO was to be challenged by way of objection, this would result in a public inquiry taking place, that process (and the ability for the interested parties to potentially challenge through the courts the Secretary of State's confirmation of any CPO) provides a method through which a person's right to a fair trial is protected.

9.5 The Council must also consider its duties under the Equality Act in taking the recommended decisions – officers do not consider that the decisions or their implications will have any negative impact on any particular group or groups of people. The CRE (which will result from successfully implementing the decisions which will enable the scheme to proceed) may in fact improve the facilities and access to them, for instance through easier pedestrian and taxi/car access to the station, improving access to important public facilities for all.

9.6 Despite optimism that the CPO process can be completed before the programmed CRE opening date there is a risk that there will be objectors to a CPO, resulting in a delayed decision. It is also possible that the Secretary of State will decline to confirm the CPO, although Pinsent Masons consider that risk low. In the event of an unsuccessful CPO the Council will retain the land as adopted highway and not proceed with the order for stopping up of the highway on the CPO Land (but would stop up the highway verge) . Changes to the CRE layout (refer to attached plan ref 47050521- PLAN 2 REV A) are most likely to be required to provide all facilities in this circumstance.

9.7 The Council can notify the Secretary of State that it is no longer wishes to use its CPO powers in respect of any interest and request the Secretary of State not to confirm the CPO over those interests at any time if any negotiations are successful or if the Council considers the financial risks to be too great or if an alternative layout would provide greater overall benefit. The Council can also choose not to implement the CPO if confirmed – compensation to owners (or paid into court) only arises if the CPO is implemented. The recommendation therefore provides for implementation of the CPO to be carried out in consultation with the relevant councillors.

9.8 CEC and NR own all frontage land at this location and therefore it is considered to be a low likelihood for any claim of ownership to come forward.

10.0 Background and Options

10.1 The CRE scheme will include a surface grade car park, taxi rank and an improved subway access serving Crewe Station and has been developed following the award of funding from the SCPF through the DfT and NR.

10.2 One of the conditions attached to the award of SCPF funding is that on completion of the CRE it will be leased to NR. The majority of the site is owned by the Council and registered in its name at the Land Registry and can therefore be leased to NR.

10.3 Considerable research and enquiry has been undertaken by the Council to satisfy itself or demonstrate to NR that it owns the subsoil under the current highway edged purple] on the attached plan(the CPO Land) .

10.4 Crewe Corporation bought significant land in the vicinity of Crewe railway station from the Duchy of Lancaster in 1938. Included in the conveyance was the highway verge which will form part of the CRE site. When the Council applied this year to register its ownership of the highway verge at the Land Registry it also applied to register title to the road on the basis that the 1938 conveyance could be interpreted as including that road. The Land Registry would not accept that interpretation and declined to register the road in the Council`s title. The Land Registry`s stance was later shown to be justified as the Duchy of Lancaster has since confirmed that it did not itself ever acquire the road and, so, could not have transferred it to the Corporation.

10.5 The Council then tried to persuade the Land Registry to register title to the road on the basis either that the Council has “owned” and maintained the road for many years or that the principle of “ad medium filum” should apply meaning that the frontagers to the road should own the half of it to which they front. The Land Registry has advised that its current practice is to exclude roads from registered titles, except in exceptional circumstances, and that no application will be entertained for registration of this road unless and until it is stopped up. This has been seen elsewhere to be the Land Registry`s current standard response.

10.6 As a result of the research undertaken it has been concluded that the ownership of the CPO Land is unknown. As the Duchy estate does not have an interest in the CPO Land all, if any, third party interests in the CPO Land arec capable of being acquired by the Council under to a CPO.

10.7 The Council has the requisite powers to effect this CPO under S226 of the Town and Country Planning Act 1990 (as amended) which allows a local authority, on being authorised by the Secretary of State, to acquire compulsorily any land in their area:

a) if the authority think that the acquisition will facilitate the carrying out of development redevelopment or improvement on or in relation to the land,

b) which is required for a purpose which it is necessary to achieve in the interests of the planning of an area in which the land is situated.

10.8 It is considered that the acquisition of the CPO Land will enable the CRE to be brought forward, which comes within a) above as a redevelopment and improvement to the CPO Land (along with surrounding land). In addition, section 226(1A) requires that a local authority must not exercise a power under a) above unless it thinks that the development, redevelopment or improvement is likely to contribute to the achievement of any one or more of the following objectives –

a) the promotion or improvement of the economic well-being of the area;
b) the promotion or improvement of the social well-being of the area
c) the promotion or improvement of the environmental well-being of the area.

10.9 The CRE site at present adds little to the surroundings, and is not used well and does not function efficiently as a space alongside Crewe rail station. Part of the CRE site is old rail / Royal Mail related buildings, which have little architectural merit and are not currently in beneficial use. The benefits that the CRE will bring about, and which are relevant to the Council's considerations of the economic, social and environmental well-being of the area include:

(a) Accessibility is a key aspect of building sustainable communities and the CRE development seeks to improve access to Crewe station by providing an improved public realm and additional car parking (total of 245 spaces) close to the station thereby encouraging increased use of rail as a journey choice;

(b) As noted above, the buildings on the site are in a poor state of repair, and are of limited architectural merit. These buildings are to be demolished as part of CRE and replaced by the development proposals, which have been worked up with the aim of improving access to and the attractiveness of travelling to/from the station;

(c) The accessibility of the station will be improved specifically for:

(i) cyclists through the provision of secure cycle facilities and the re-opening of the subway and improvements to it;

(ii) pedestrians through the re-opening and improvement of the subway; and

(iii) people with disabilities will be specifically improved, with assigned parking spaces in appropriate places close to the station entrance;

(d) The proposals have been designed to ensure that the use, height, massing and scale of the station access and commercial building aspects of it fit with and will improve the local street scene. Whilst some trees are to be removed in order to build the scheme, the planning permission secures an approved landscaping plan which will provide for appropriate landscaping of the site.

10.10 In addition, it is relevant for the Council to consider planning policy support for the CRE project. As noted, planning permission has been granted already (in full for the car park etc, and in outline in respect of the commercial building).

(a) The National Planning Policy Framework (NPPF) is the current national level planning policy. The CRE is considered to be in accordance with a number of the key planks of the NPPF, including the promotion of sustainable transport (which includes rail) and making the fullest possible use of public transport, and the re-use of previously developed (brownfield) land.

(b) North West of England Plan - the Government is committed to abolishing all regional plans, but as yet has not implemented the legislation allowing it to do so. The Plan therefore remains in place, albeit with reduced weight attached to it in view of the Government's stance. The Plan includes policies supporting developments which will generate economic growth (such as DP1), the use of previously developed land (DP4) and those in support of public transport and its increased use and accessibility (DP5 and RT2).

(c) The new Cheshire East Local Plan is not yet in place, and therefore the saved elements of the previous plans are relevant. The Crewe and Nantwich Replacement Local Plan contains a number of policies which support in general terms the CRE project, such as those relating to amenity and design (BE1 and BE2), access (BE3) and public transport (TRAN1).

(d) The Local Plan also includes a specific policy (TRAN7) which specifically supports a modernisation scheme at Crewe rail station to improve access for a variety of users, as well as supporting other improvements to the station and its surroundings. The supporting text notes the stations' "gateway to the North West" role and that it is a "vital interchange for rail users".

(e) The CRE project is also supported by a number of other policies such as TRANS3 – 5 which require development proposals to provide for pedestrians, those with disabilities and cyclists respectively.

(f) Although not part of the development plan, the Crewe Rail Gateway Supplementary Planning Document (SPD) is also relevant. The SPD builds on TRAN7 (and other policies in the Local Plan), guiding development in the SPD area. The CRE, which is part of the Core Station Sub Area in the SPD, will ensure that crucial elements of the SPD's requirements for the Sub Area are brought forward.

10.11 CPO processes can be extremely lengthy. However, our retained external legal advisers, Pinsent Masons, advise that if there are no objections to the CPO and the Secretary of State either confirms the CPO quickly (or permits the Council to confirm its own CPO) or if there are only statutory objectors and they consent to the CPO being dealt with by way of written representations rather than a public inquiry, the process could take between four and six months from the making of the CPO. In this regard, the current programme demonstrates that the Council must commence proceedings immediately to enable lease grant and scheme opening in November 2013. If a public inquiry is necessary, then the timescales for a CPO are considerably longer – likely to be over 12 months from when it is made.

10.12 It is also important to start the CPO process early to give the SCPF Panel and NR confidence that the SCPF funding conditions can be met and the CRE can be laid out and operated in accordance with the design proposals which have planning approval.

10.13 If the Land is acquired by CPO and the highway is then stopped up, the Council will be able to register its ownership of the Land at the Land Registry and to lease it to NR.

10.14 Once Network Rail has a lease of the CRE it will grant an under lease to Virgin Trains (VT), the West Coast Line Franchisee.

10.15 VT has informed the DfT in its Station Change that part of the NR premises adjoining the Land (Weston House) will be within its underlease. It may be possible for the Station Change plans to be modified so as to exclude the Weston Hose land. If not, it may be beneficial to include this land in the CPO so that it vests in the Council and can be let to NR and then underlet to VT, not least because there are doubts as to whether NR will be able to produce paper evidence of title to that land.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Andrew Ross
Job Title: Strategic Highways and Infrastructure Manager
Tel No: 01270 686335
Email: Andrew.ross@cheshireeast.gov.uk

This drawing is for preliminary purposes only and is subject to amendment during design development. UNDER NO CIRCUMSTANCES MUST THIS DRAWING BE USED FOR CONSTRUCTION PURPOSES

Revision Details	By / Check	Date	Suffix
BUILDING LAYOUT ADDED, SHORT STAY ARRANGEMENT ALTERED TO INCLUDE DROP-OFF	MG/ME	20.11.12	A

NOTES

CONSTRUCTION RISKS	MAINTENANCE / CLEANING RISK	DEMOLITION RISKS

In addition to the hazard/risks normally associated with the types of work detailed on this drawing take note of above. It is assumed that all works on this drawing will be carried out by a competent contractor working, where appropriate, to an appropriate method statement.

SAFETY, HEALTH AND ENVIRONMENTAL INFORMATION BOX

Purpose of issue: PRELIMINARY

Client:

Project Title: CREWE RAIL EXCHANGE

Drawing Title: GENERAL ARRANGEMENT REVISED STAIRWELL LOCATION SHORT STAY ARRANGEMENT AND LANDSCAPE STRIP

Designed	Drawn	Checked	Approved	Date
	HB	MG	ME	OCT 2012

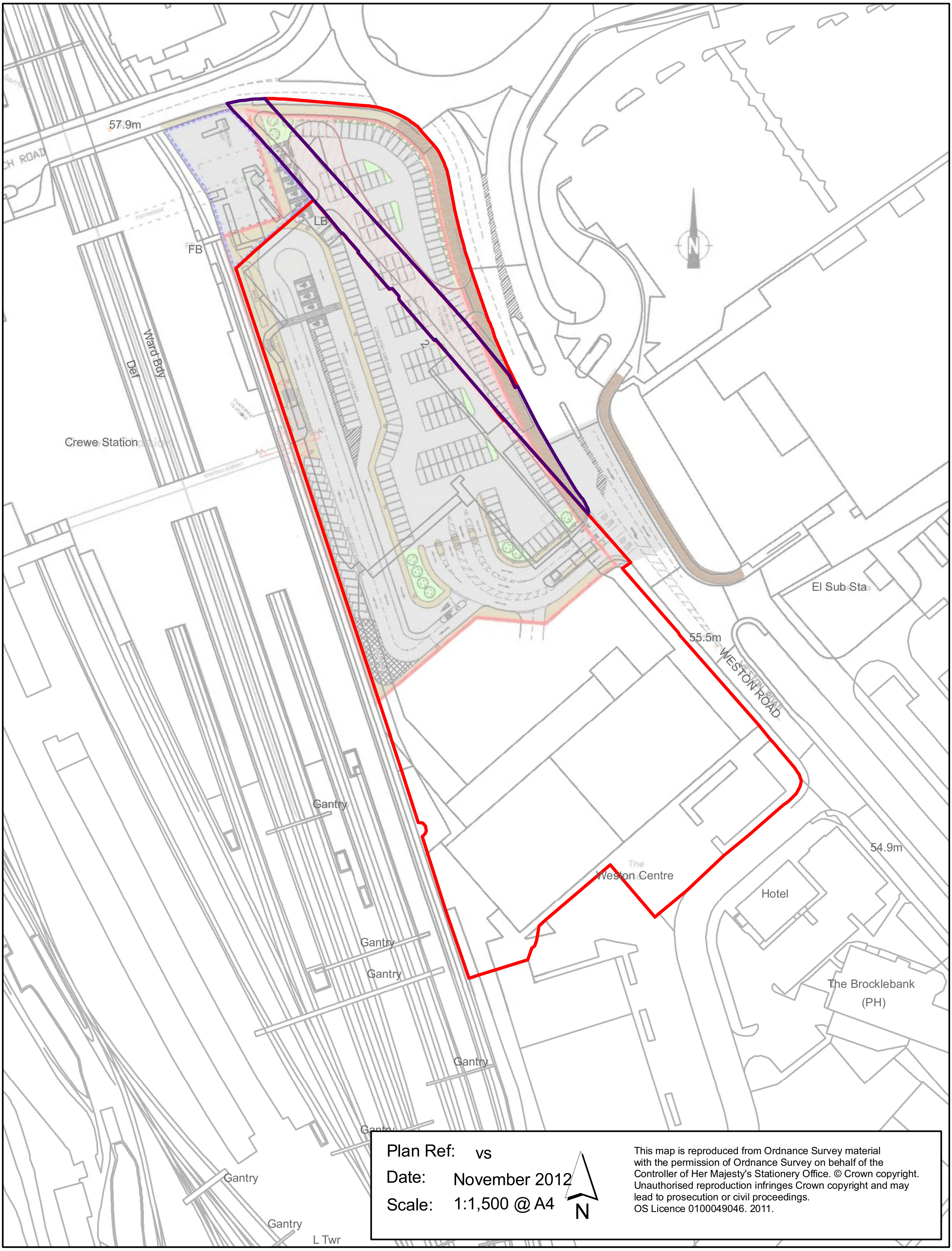
URS Internal Project No.: Project No
Suitability: Suitability
Scale @ A1: 1:500
Zone / Mileage:

URS Infrastructure & Environment UK Limited
ADDRESS_1
ADDRESS_2
ADDRESS_3
TEL_NO
FAX_NO
www.ursglobal.com

Drawing Number: 47050521/SK-20
Rev:

This page is intentionally left blank

Crewe Rail Exchange

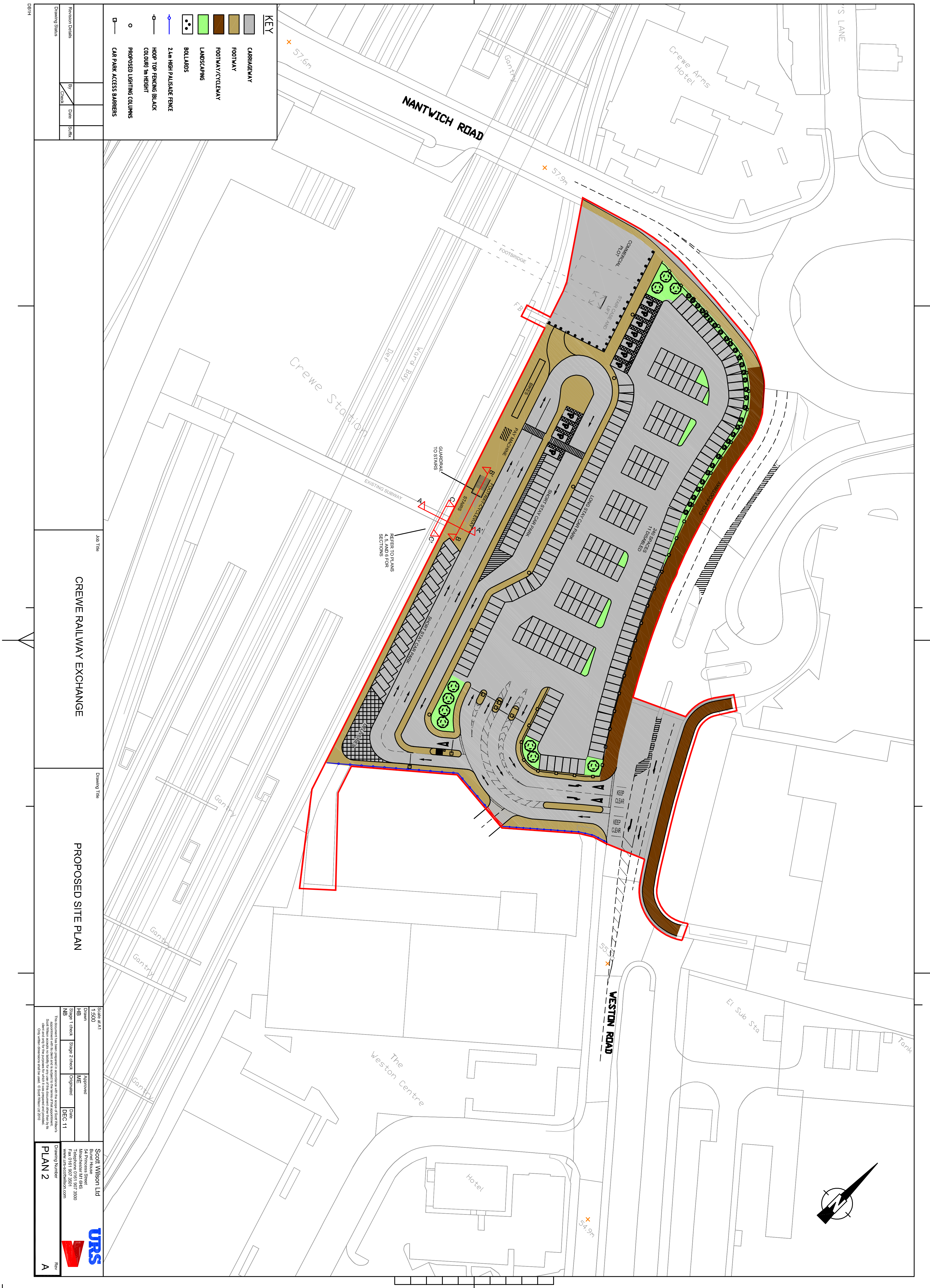


Plan Ref: vs

Date: November 2012

Scale: 1:1,500 @ A4

This page is intentionally left blank


Plot Date :
File Name :
KEY
CARRIAGEWAY
FOOTWAY
FOOTWAY/CYCLEWAY
LANDSCAPING
BOLLARDS
2.4m HIGH PALISADE FENCE
HOOP TOP FENCING (BLACK COLOUR) 1m HEIGHT
PROPOSED LIGHTING COLUMNS
CAR PARK ACCESS BARRIERS
Revision Details
By
Check
Date
Suffix
Drawing Status
NANTWICH ROAD
WESTON ROAD
Crewe Station
Crewe Arms Hotel
The Weston Centre
Hotel
El Sub Sta
Tank
Gantry
Ward Bay
Def
FOOTBRIDGE
FB
EXISTING SUBWAY
COMMERCIAL PLOT
STAIRCASE AND LIFT
PAY MACHINE
GUARDRAIL TO STAIRS
STAIRS
FOOTWAY/CYCLEWAY
SHORT STAY CAR PARK
LONG STAY CAR PARK
240 SPACES
11 DISABLED
CYCLE FOOTWAY
REFER TO PLANS 4, 5, AND 6 FOR SECTIONS
KEEP CLEAR
57.6m
57.9m
55.
54.9m
Job Title
CREWE RAILWAY EXCHANGE
Drawing Title
PROPOSED SITE PLAN
Scale at A1
1:500
Drawn
HB
Approved
ME
Stage 1 check
NB
Stage 2 check
Originated
Date
DEC 11
Scott Wilson Ltd
54 Princess Street
Manchester M1 6HS
www.urs-scottwilson.com
URS
Drawing Number
PLAN 2
Rev
A

This page is intentionally left blank

Agenda Item 10

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting:	7 January 2013
Report of:	Cheshire East Safeguarding Adults Board
Subject/Title:	Personalisation, Quality and Safety for Vulnerable Adults in Cheshire East: a review of the coherence and effectiveness of current arrangements.
Portfolio Holder:	Cllr Janet Clowes

1.0 Report Summary

This report has been prepared by the LSAB (Local Safeguarding Adult Board) in response to the Notice of Motion introduced by Councillors Fletcher and Jones

1.1 The report's primary focus is on the Council's arrangements for Adult Protection and Commissioning but it also describes the complementary roles and responsibilities of the Care Quality Commission (CQC). It goes on to explain Personalisation as it becomes the central highway in the delivery of community care and how, within this Adult Social Care is seeking to ensure that personal safety is not compromised and that the advantages of having greater influence over more individualised support arrangements do not lead to significant additional risk.

1.2 The report concludes with commentary on the coherence, strengths and weaknesses of current arrangements in ensuring quality of care and the safety of vulnerable adults and makes recommendations

2.0 Decision Requested

2.1 That Cabinet receive the report on the Personalisation, Quality and Safety for Vulnerable Adults in Cheshire East: a review of the coherence and effectiveness of current arrangements

2.2 That Cabinet note the current position in relation to the recommendations made in the report.

3.0 Reasons for Recommendations

The following will provide Cabinet with an initial position and response to the recommendations set out in the report.

3.1 The Council should actively promote, as a matter of priority, evidence based commissioning and safeguarding of the kind that is beginning to emerge within Adult Social Care and encourage shared learning and competence building across all its departments.

3.2 The Council together with the Health and Wellbeing Board and the various strategic partnerships in Cheshire East should expect that publically funded local providers in all sectors become more outcome focused so that the public can be confident that local services for vulnerable adults are offering reliable, good quality person centred services that are efficient and effective.

3.3 The LSAB and the LSCB should set a positive example by setting strategic objectives with outcomes that can be measured and against which their effectiveness can be judged.

3.4 The LSAB should ensure that the work of its IIQA sub-committee on the analysis of the scale and nature of abuse, the performance review of Adult Protection practice and the development of valid outcome measures becomes one of the most important strands of the Board's work programme for 2012/13 and 2013/14.

3.5 The Board should expect that reports from partners such as those which are currently prepared annually describing the Safeguarding "landscape" in each agency will provide more quantitative information on performance and outcomes. More specifically CQC should also be expected, periodically to provide accounts of progress made in driving up standards across the local health and social services it inspects.

3.6 Adult Social Care should prepare a summary for the Board of the findings from the reflective reviews that it has under taken over the last 18 months following concerns about the health and safety of groups of vulnerable adults. The lessons being learned from similar reviews in the NHS and the independent and third sectors findings should also be requested on a regular basis.

3.7 The recent Adult Protection case audit review should be complemented by a wider "whole system" open learning event bringing together safeguarding practitioners from ASC's Individual and Strategic Commissioning divisions, providers from all sectors, CQC and community representatives to develop a rich picture of the realities of the system which this report describes as coherent and develop an action plan for its improvement.

3.8 We believe that a study should be commissioned to assess the viewpoints of and a cross section of service users and practitioners about the quality, safety and effectiveness of the services they receive. This would include those with individual budgets, those waiting for this to be agreed and those whose arrangements are not likely to change in the short-term.

3.9 The resourcing of and Adult Safeguarding requires active monitoring and review in the light of increasing population demand and expectations.

3.10 The Board's new statutory status and responsibilities means that it will need to raise its public profile. This will need the active support of the Council and its members.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 The recent Care and Support White Paper outlines the government's vision for personalisation.

6.2 Personalisation is leading to significant change in how services are purchased, increasingly through individuals directly whether through personal funds or if eligible through the allocated resources of Social Care or Health Services. It is anticipated that this approach could be applied to both Residential and Nursing Care.

7.0 Financial Implications (Authorised by the Borough Treasurer)

7.1 That the Councils Medium Term Financial Strategy (MTFS) informs any strategic proposals taken forward by Cabinet and their Officers. The development of the MTFS for 2013/14 and beyond will incorporate any financial implications arising from the above recommendations, once they have been fully quantified.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 The personalisation agenda moves away from the traditional commissioning model where the Council enters into contracts with Service Providers for the benefit of Service Users. When individuals enter into contracts directly the Council loses the ability to monitor and review performance. It is possible for the Council to maintain an element of control over the service delivery if it chooses to procure and then sign post service users to approve/selected providers. This way the terms of the contracts can be pre agreed.

8.2 Reference is made to Partnerships with other agencies. Partnership agreements should be signed. Monitoring provisions and reporting need to be agreed at the outset.

8.3 The drive to improve the quality of service provision, to increase awareness of safeguarding concerns, to respond to those concerns and monitor those responses will be challenging in the current economic climate where there is considerable pressure on the Council, its partner agencies and providers alike, to achieve efficiencies where ever possible. Robust partnership agreements and will enable these conflicting pressures to be shared equally between all agencies and ensure closer working going forward.

8.4 The new Health and Social Care Act 2012 sees the creation of the new national and local health watch and the new statutory health and wellbeing boards which will assist in the quality monitoring of services to adults and the safeguarding of vulnerable service users.

Local Healthwatch

- A local Healthwatch will be an independent organisation, able to employ its own staff and involve volunteers, so it can become the influential and effective voice of the public. It will have to keep accounts and make its annual reports available to the public.
- The Local Healthwatch will enable people to share their views and concerns about their local health and social care services. It will provide people with information about their choices and what to do when things go wrong.
- Local Healthwatch will provide authoritative, evidence-based feedback to organisations responsible for commissioning or delivering local health and social care services.
- Local Healthwatch will be funded by local authorities and held to account by them for their ability to operate effectively and be value for money and will be able to alert Healthwatch England to concerns about specific care providers.

Health Watch England

- Healthwatch England will be a national body that enables the collective views of the people who use NHS and social care services to influence national policy, advice and guidance. It will be a statutory committee of the Care Quality Commission (CQC) with a Chair who will be a non-executive director of the CQC. It will have its own identity within the CQC, but be able to use the CQC's expertise and infrastructure. Healthwatch England will be funded as part of the Department of Health's grant in aid to the CQC.
- Healthwatch England will provide leadership, guidance and support to local Healthwatch organisations.
- Healthwatch England will provide advice to the Secretary of State; NHS Commissioning Board, Monitor and the English local authorities and they must have regard to that advice.

- Healthwatch England will be able to escalate concerns about health and social care services raised by local Healthwatch to the CQC.
- There will be a requirement for the CQC to respond to advice from Healthwatch England.
- Healthwatch England will have a strong principle of continuous dialogue with local Healthwatch, keeping communication lines open and transparent. This will facilitate Healthwatch England's responsibility to provide national leadership and support.
- The Secretary of State for Health will be required to consult Healthwatch England on the mandate for the NHS Commissioning Board.
- Healthwatch England will be required to make an annual report to Parliament.

8.5 Further if the new Health and Social Care Bill becomes and Act, which is thought will happen sometime in 2015. This will put Adult safeguarding boards on a statutory footing and consolidate existing adult social care legislation into a single act enabling further standardising the provision of adult social care across England (Wales).

9.0 Risk Management

9.1 The inherent risks within this document would be if the actions outlined are not completed or the action plan lacks political will and motivation to drive safeguarding.

9.2 The risk management of the actions contained within the report will be integrated into the work/business plan of the LSAB. The LSAB will analyse and evaluate these risks on a continuing basis.

10.0 Background and Options

The background papers relating to this report can be inspected by contacting the report writer:

Name: Kate Rose
Designation: Head of Safeguarding
Tel No: 01606 288076

This page is intentionally left blank

Personalisation, Quality and Safety for Vulnerable Adults in Cheshire East: a review of the coherence and effectiveness of current arrangements.

Contents

Appendix 5 – Task Group

1. Executive Summary

1.1 This report has been prepared for the Council by a task group established by the Safeguarding Adults Board. Its purpose is to provide councillors with an overview of how Adult Social Care (ASC) is working to promote quality of care and safety, in a wide variety of settings for vulnerable adult citizens in Cheshire East.

1.2 The report's primary focus is on the Council's arrangements for Adult Protection and Commissioning but it also describes the complementary roles and responsibilities of the Care Quality Commission (CQC). It goes on to explain Personalisation as it becomes the central highway in the delivery of community care and how, within this ASC is seeking to ensure that personal safety is not compromised and that the advantages of having greater influence over more individualised support arrangements do not lead to significant additional risk.

1.3 The report concludes with commentary on the coherence, strengths and weaknesses of current arrangements in ensuring quality of care and the safety of vulnerable adults and makes recommendations for improvement.

1.4 In an initial section on policy context the report recognises the transformation that has been achieved in our community care services. It reflects that our national community care policies, from the 1970's onwards, have not just been about the development of services that are more local, more accessible and smaller in scale but ones that have "individualisation" as their central principal.

1.5 However, it acknowledges a growing consensus captured in the Dignity in Care movement that unites politicians, the public, the media and professionals that for many, particularly those who are most disabled and most vulnerable their experience is quite otherwise and for some it is one of neglect and abuse. This view is further reinforced by the findings from CQC's national inspection of learning disability services

1.6 Sections 4 and 5 seek to provide clarity around Personalisation. This includes covering such areas as personal budgets, managed accounts and direct payments. The number of disabled people choosing to employ their own support worker's is expected to triple to 1.2 million by 2025.This underlines the importance of proportionate and effective safeguarding arrangements.

1.7 The section on Adult Protection **o**utlines how referrals of individuals suspected of being been abused are investigated by social workers in the district based teams. It also explains the role of the Safeguarding and Contracts team where it is considered that a group of vulnerable adults such as those living in a nursing home may have suffered neglect or abuse, or there are more general concerns about the quality of care.

1.8 The report describes the work of the Adult Safeguarding Unit who have recently merged with the Children's Safeguarding Unit. This has been a successful driver for promoting a whole family approach to safeguarding. The unit has close links with other professionals including the Public Protection Unit, Environmental Health, Fire, Probation, Specialist courts and primary and secondary Health Care Trusts. This marks the start of a Cheshire East Multi-Agency Safeguarding Hub.

1.9 Alongside two part time job-sharing Adult Safeguarding Coordinators, sits a Quality Assurance Team with a strong focus on safeguarding within residential care homes and domiciliary care services. This Team has responsibility for investigating concerns about the safety of groups of vulnerable adults and together with colleagues in the Contracts Team have a responsibility for promoting quality and safety across these services. This work is done in conjunction with other agencies such as fire, environmental, health and police. Social workers who carry out assessment and review on individual clients are expected to pass on information regarding the quality of the homes and any concerns they may have. Annual audits are carried out and risk assessments undertaken to target specific work with providers when required. Failure to meet required standards can lead to suspension of placements.

1.10 The Care Quality Commission has been the independent statutory regulator of all health and social care in England since 2009. It sets quality and safety for client standards across all sectors, is responsible for the registration and conducts unannounced inspections. These may be planned or in response to particular concerns.

1.11 Sixteen regulatory standards provide the reference points for their reviews and these are grouped to form six "outcome" themes. These are used to assess quality of care and safety.

1.12 CQC is strategically placed to collate information about the experiences and health and wellbeing of those who use services. The commission has a range of powers and options at their disposal in taking action when vulnerable people are get receiving poor care.

1.13 It recognises the importance of joint working with local authorities and NHS commissioners in ways that enable its inspectors to understand better the nature of particular problems and work in complementary ways to drive up standards at a local level.

2. Introduction

2.1 This report has been prepared by the LSAB (Local Safeguarding Adult Board) in response to the Notice of Motion introduced by Councillors Fletcher and Jones (See Appendix 1).

2.2 The LSAB is an interagency partnership which provides strategic oversight of Adult Safeguarding across Cheshire East. It has an independent Chair. The Council has a lead agency responsibility for Safeguarding. The strategic responsibility for promoting quality of care rests with Strategic Commissioning. Whilst the responsibility for managing individual investigations rests with Individual Commissioning alongside is CQC as the independent regulator.

2.2 The Board welcomes this request for an integrated examination of the effectiveness of the Council's current Adult Safeguarding arrangements and those of the Care Quality Commission(CQC).

2.3. The task group believes, as does CQC, that the safety of vulnerable adults has to be built on foundations of reliable high quality personal care. We also believe that the necessary, but not sufficient, conditions for achieving dignity and quality for all, is effective local strategic and individual commissioning arrangement.

2.4 Although the focus of the report is on vulnerable adults who are eligible for publically funded services, it should be noted that their arrangement and quality assurance process equally apply to private funders. The same is true of CQC through its registration and review of all health and social care providers.

2.5 Finally, the task group hopes that the Council understands the resources available to the Safeguarding Adults Board means that there are inevitably limitations in both the scope and depth of this report. It should therefore be seen as the beginning of an important conversation with shared vocabulary and a better shared understanding of the strengths and weaknesses of current arrangements.

3. Policy Context

3.1 The Department of Health's first White Paper on health and social care, published in 1971, was in response to public and professional concern about poor quality care and abuse of vulnerable adults and children in long stay provision. Since then the key principles have been about care and support that is at home, or closer to home, within the community and more focussed on individual person centred support.

3.2 During the 1990's Personalisation became a central strand in national policy. From 1996 social services departments were encouraging social workers to use an early form of 'managed budget' to encourage support at home rather than residential care. Person centred planning had to be about identifying strengths and abilities as well as impairments. It had to be about active involvement of the individual in his/her plan in ways that provided options, not just a simple offer and enabled choice by the client.

3.4 The Coalition Government is committed to increase the number of people opting for Personal Budgets - with Direct Payments as the first offer. Skills for Care estimate that the number of disabled people choosing to employ a personal assistant will result in an increase in the personal assistant workforce from around 360 thousand to 1.2 million by 2025.

3.5 Against this government directive, the recently published CQC overview report (June 2012) which analyses the findings of 145 unannounced inspections of services providing care for people with learning disabilities, is just the latest of a series of media exposes, reviews, research studies and public enquiries which make it clear that there remain serious flaws in the quality of our Health and Social Care provision. Despite the positive transformation that has occurred in the shape, scale, location and explicit values and policies of our community services, these are not sufficient to ensure that our most vulnerable citizens are being treated consistently with dignity and respect and that we can be confident that they are safe from serious abuse.

3.6 Public awareness and concern in particular, has been heightened through programmes such as Panorama which have provided powerful and disturbing evidence of neglect and abuse. Both national and local newspapers have reported abuse and have begun to campaign for change e.g. Dignity in Care and Mental Health awareness. The Voluntary Sector and professional groups have also contributed to this debate and raised the profile regarding specific clients groups.

3.7 Finally, professional groups, and national organisations, have joined what has become a collective movement for Dignity in Care. National Policy has now recognised the problem and has added weight and urgency to a programme of cultural change.

3.8 The current substantive national policy that has guided Adult Safeguarding policy, structures and practice at a local level remains “No Secrets”– published in 2000. Its expected revision as a result of a broadly based national consultation exercise was overtaken by the last election.

3.9 Following a period of uncertainty the Department of Health has confirmed that Local Safeguarding Adults Boards will definitely be put on to a statutory basis however, the Government has also made it clear that it does not wish to prescribe how local agencies should develop their systems, structures and processes, or set targets.

3.10 It has reinforced the need for work on both prevention and adult protection, and an increased emphasis on outcomes, and increased engagement with and accountability to local communities.

3.11 The less directive, less prescriptive approach from the centre is a welcome one. There is no lack of leadership at various levels, across all sectors related to quality in care and safeguarding.

3.12 We now have important legislation such as the Mental Capacity Act (including the Deprivation of Liberty Safeguards) and the Human Rights act in place which should bring extra safeguards and redress for many people.

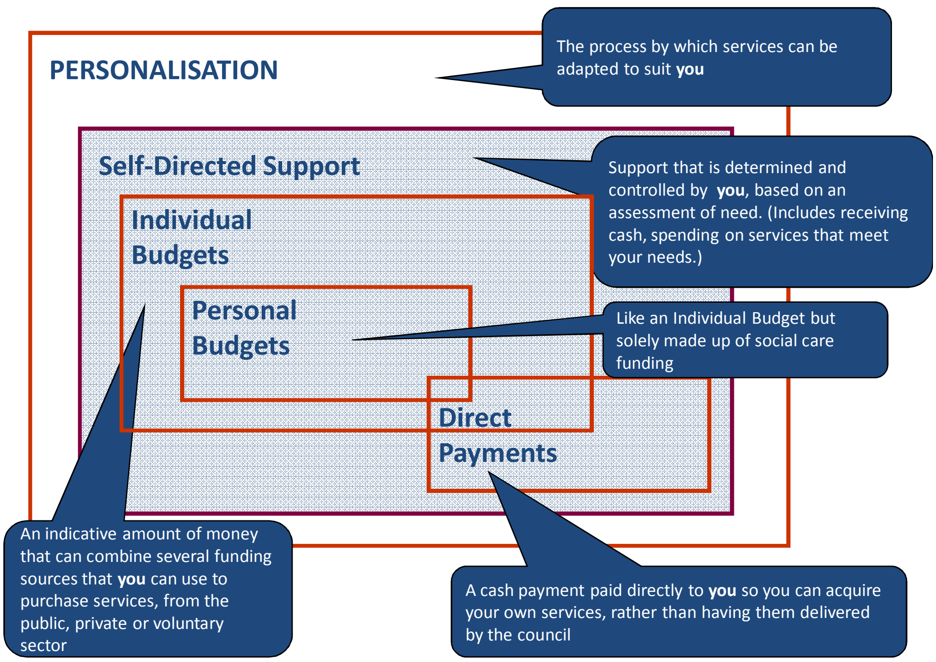
3.13 Recently the Law Commission has made important recommendations about further legislative change. Professional communities and various interest groups are taking a strong leadership role in setting standards and promoting good practice – along with national agencies such as CQC, SCIE, and NICE (National Institute for Clinical Excellence).

4. Personalisation

4.1 In formulating the Notice of Motion and the referral to the Safeguarding Board, the Council clearly recognised the central importance of Personalisation. The task group believes that it is vital that we all have a full and shared understanding of it as a concept and mechanism for driving improvements in the health, wellbeing and safety of its disabled citizens.

4.2 Personalisation means that "every person who receives support, whether provided by statutory services or self funded has increased choice and control over the shape of their support…. so that services are tailored to the needs of each individual, rather than delivered in a one-size-fits-all fashion, regardless of the care setting".

4.3 It is important to note Personalisation is not just about Personal Budgets or indeed a Direct Payment. The Vision for Social Care: 100% take up by 2013 and more recently with Personal Health Budgets: 100% take up over 5 years for people in receipt of Continuing Healthcare.



4.4 Many vulnerable people feel that there is an unnecessary level of risk aversion by Adult Social Care which can prevent them from making important choices, including "unwise" decisions as part of everyday life and that this can become a barrier to their independence.

5. Personal Budgets

5.1 Personal Budgets are an allocation of funding given to an individual after an assessment, which should be sufficient to meet their assessment needs. They were introduced by Central government to enable disabled people to have more choice about the support they need as an individual to improve the quality of their life and enable them to live as independently as possible.

5.2 An individual can either have a personal budget as a cash payment to arrange their own services (known as a 'direct payment'), paid into a nominated bank account every four weeks, or arrange for the Local Authority to arrange care on their behalf (known as a 'managed budget').

5.3 It is important to note that Cheshire Centre for Independent Living (CCIL) and Age UK Cheshire offers independent and impartial advice and information on all aspects of Personal Budgets and Direct Payments to safeguard disabled people in the Cheshire East Local Authority area. This includes areas such as (1) completion of risk assessments, (2) recruitment and selection and (3) carrying out CRB checks. They currently support in excess of 1734 disabled people in Cheshire East. Approximately 280 of these are managed accounts.

5.4 Direct Payment accounts are audited on an annual basis to ensure funds have been spent appropriately; any unspent funds can be clawed back by the Council. If a disabled person decides to opt for a managed budget, the council's individual commissioning team will support the decision making process and arrange care on the individual's behalf.

6. Adult Protection

6.1 Adult protection in this report refers primarily to the system of investigating, joint planning, decision making and action that takes place whenever abuse of a vulnerable adult is suspected. This is the responsibility of ASC's Individual Commissioning Division. It is the Council's social workers in the four locally based offices in Crewe, Macclesfield, Congleton and Wilmslow, hospitals and community mental health teams whose job it is to investigate all allegations of abuse against all individuals deemed to be vulnerable adults.

6.2 The investigation of individual cases is undertaken by qualified social workers who have received additional training. The procedures followed are those set out in the Board's "No Secrets" Policy. Alongside, but closely connected with the Councils system of adult protection, sits a parallel police system criminal investigation. This consists of generic crime officers and more specialised officers and their managers within the Public Protection Unit.

6.3 A team manager will consider the seriousness of the alleged abuse and allocate to the most appropriate social worker.

6.4 Discussion and / or strategy meetings are organised as appropriate with various levels of staff chairing according to level of seriousness and complexity. The allocated social worker then pursues her/his investigation working jointly with key stakeholders. An action is then formulated and agreed along with arrangements for its review.

6.5 The Adult Safeguarding Unit, now integrated with the Children Safeguarding Unit and has become part of a Multi- Agency Safeguarding Hub (MASH) has a more strategic and independent function. The Adult Team consist of an Adult Safeguarding Service Manager, a Mental Capacity Act Coordinator the two job-sharing Adult Safeguarding Coordinators, and the Domestic Abuse Family Safety Unit and the Quality Assurance team.

6.6 Their strategic function is to advise, audit and analyse safeguarding activity within Cheshire East and to influence the design and development of the Safeguarding System. This is achieved through training, the development of robust policies and procedures, as well as case audit tools and reviews. The Quality Assurance Team have an investigative/analytic adult protection role within care home settings.

6.7 The whole adult protection system is underpinned by up to date policies and procedures developed by the Board and adopted by all the partner agencies. These seem to be well understood and owned by practitioners within the various partner agencies.

6.8 For example, the Board has recently endorsed a “threshold document” intended to provide more detailed guidance and clarification to professionals who suspect abuse, and differentiates between low level care concerns, and safeguarding triggers. A revision of the overall “No Secrets” policy has also recently been agreed by our Adult Protection Sub Committee. This strengthens the existing guidance, for example in relation to timescales, sequencing and flow of investigations, thresholds and information which may be required and new areas of work such as hate crime and wilful neglect. The “No Secrets” definition of a vulnerable adult is a person “over 18 years of age who is, or maybe, in need of community care services by reason of mental or other disability, age or illness, and who is unable to take care of him or herself, or unable to protect him or herself against significant harm or exploitation”. At its July meeting, the Board endorsed an important new policy on self-neglect designed to ensure prompt coordinated action by all agencies to support and protect vulnerable adults who are refusing services.

7. Commissioning and Compliance

7.1 There is a local joint contract between health and social care for residential and nursing provision. This is in addition to, but complementary to standards required by the Care Quality Commission.

7.2 The overall strategy is for all care homes to be visited annually by the Quality Monitoring Contract Officer. The first stage is for staff from the contracts team to undertake an initial monitoring visit and complete a short checklist. This is a business focussed tool looking at matters such as registration, insurance etc. staffing levels, CRBs and training.

7.3 Officers will return to undertake a fuller audit which is divided into 3 sections and looks more intensely at Contractual obligations, quality of care/safeguarding and health related matters. (Further specialist audits are carried out by Infection Control, Fire and Environmental Health Officers). This partnership working has developed over the last 2 years, with joint training and information sharing taking place regularly. This also means that Providers receive a consistent message from Partner agencies rather than having the potential to "play one off against another".

7.4 In addition to this formal process, individual members of staff from social care or health will be completing individual assessments and reviews within homes. Staff will inform the Quality Assurance team if there are issues of concern or poor care practice. The Quality Assurance team will often identify grouped concerns from complaints or serious incidents. It is at this stage that the Quality Assurance team, in conjunction with the Contracts Team, will proactively work with care providers to identify/investigate the issues and request an action plan, to be completed within specified time scales. The Quality Assurance team will liaise with Inspectors from the Care Quality Commission, read independent relevant reports e.g. from LINKS, and work collaboratively to address the issues. Residents and carers will be contacted to seek their opinions about care quality, and GP practices notified to share information. Monitoring visits may increase according to need, (in one instance monitoring visits were made daily, over a 6 month period).

7.5 It is the expectation that care homes will respond to the actions required. However, if a care home fails to show any progress, they will be requested to undertake a voluntary suspension of further placements until improvements are made. If the home refuses to instigate a voluntary suspension, the Contracts Team can, and will, direct a formal suspension as they will be in default of the contract. The length of suspension will vary according to levels of risk. During this time there will be on going liaison with CQC, who may take separate enforcement action, or even initiate immediate closure.

7.6 Similar inspections are undertaken for Domiciliary Care Providers by the Contracts Team. These inspections differ from the ones done in Residential/Nursing homes as customers receive the service in their own homes. Cheshire East meets regularly with care providers/managers to update them about developments in care provision. This enables good practice, peer support and consistency to develop between providers.

Case Example

7.7 The Contracts and Safeguarding Team are currently working with approximately 26 homes in the Cheshire East footprint. There has only been one home closure during the past 2 years which was at the request of the home owner, and followed a period of interventions from health and social care. However, despite trying to support the home to improve practices, the business was not viable. In this instance, the manager wanted all residents to be transferred to other homes within 12 hours. All staff worked collaboratively under extreme pressure to move all residents safely to other locations.

7.8 Another example has been work undertaken over a 12 month period to support residents to remain in their care home. At the start of the process there were significant risks around fire safety, infection control, poor leadership, inadequate record keeping, staff training and supervision. Work was undertaken to ensure views of the residents and families and relevant professionals were heard.

7.9 There was a joint approach to the investigation to ensure contract compliance, this involved working and communicating with two other local authorities and CQC. The teams were continually assessing the risks of moving residents against working to improve quality and safeguarding in their own environment. This included a daily monitoring routine by social care and health staff over a 6 month period and finally a transfer of ownership. During this time the provider agreed to a voluntary suspension of placements to enable actions and recommendations to be completed. The home is now functioning well under new management. No residents had to move against their will during this process.

8. Care Quality Commission

8.1 The Care Quality Commission (CQC) was established in 2009 and is the independent regulator of health and social care in England. It makes sure that care in hospitals, dental practices, ambulances, care homes, people's own homes and elsewhere meets government standards of quality and safety – the standards anyone should expect whenever or wherever they receive care. CQC also protect the interests of vulnerable people, including those whose rights are restricted under the Mental Health Act.

8.2 CQC register services if they meet government standards. They make unannounced inspections of services – both on a regular basis and in response to concerns – and carry out investigations into why care fails to improve. CQC continually monitor information from inspections, from information collected nationally and locally, and from the public, local groups, care workers and whistleblowers. CQC put the views, experiences, health and wellbeing of people who use services at the centre of their work and have a range of powers that they can use to take action if people are getting poor care.

8.3 CQC conduct two types of review

A Responsive Review is triggered when information is received or when an information gap raises concern about compliance.

A Planned Review is a scheduled check of a selection of the 16 regulations on quality and safety that CQC set out in two pieces of legislation: the Health and Social Care Act 2008 and the Care Quality Commission (Registration) Regulations 2009. These 16 regulations can be grouped into six overall outcomes themes:

- Involvement of Service Users and Information
- Personalised Care/Treatment and Support
- Safeguarding and Safety
- Suitability of Staffing
- Suitability of Management
- Quality and Management

8.4 CQC work closely with the Local Authority in helping to ensure better outcomes for vulnerable people within our community who use services. When inspecting care homes, CQC look at a selection of the 16 outcomes and take into account evidence/intelligence gathered by the Quality Assurance Team. It is not unusual for CQC inspectors to be in contact with the Quality Assurance Team on a daily basis. CQC publish reports on homes that they have audited which shows areas of compliance/non – compliance. The Quality Assurance team collates this information in order to seek further action plans from care homes, or to target those homes which are non compliant first.

8.5 The quality assurance work has grown considerably, as has the professional relationships with partner agencies. The initial auditing is now undertaken by the Contracts Team and the Quality Assurance team now target work on those homes where there appears to be a significant cluster of issues. There is a reliance on feedback from other Care Management Teams, CQC, outside professionals/ Agencies, LINKS (Heath Watch) and the public for intelligence in order to determine priority and risk.

8.6 There are a number of other agencies who have responsibility for auditing care homes. Strong links have now been forged with the Fire Service, Environmental Health and Infection Control. The QA Team have instigated cross discipline training with these agencies and all are now better informed to indentify key areas of concerns for each. A schedule of visits and the outcomes are shared. There are also strong links with colleagues in health who visit these establishments.

8.7 The QA visits are shared with CQC and they are invited to attend any meetings. There is an excellent working relationship with CQC and the QA Team. There is a two way sharing of information and a common understanding of concerns across the Cheshire East patch. CQC have recently said that the quality Assurance team are providing an “exemplary service”.

8.8 CQC have devised reports produced by the QA team are based on CQC outcomes and fed back to the care home being reviewed.

8.9 Up until September 2011 Staff from Cheshire East met quarterly with the Regional manager of CQC. The purpose of the meeting is to share information regarding developments and to discuss care settings causing concern in the locality. Changes in CQC personnel have meant that this has not occurred recently but will be reinstated once appointments have been made. A new Regional Manager is now in place who attended the LSAB in July and will meet with CEC officers in the summer.

8.10 Inspectors and quality assurance staff discuss cases on a daily basis. Moreover, providers are required to notify CQC following any serious incident or safeguarding concern. CQC and the Local Authority now liaise in respect of press releases. For example, CQC will notify the department of forthcoming articles and work with the Authority to prepare a co-ordinated response. CQC is well placed to monitor information about experiences that come from a wide variety of sources, and the health and wellbeing of those who use services. They have a range of powers and options at their disposal for taking action when vulnerable people are getting poor care.

8.11 CQC recognises the importance of joint working with local authorities and NHS commissioners in ways that enable its inspectors to better understand the nature of particular problems and work in complementary ways to drive up standards at a local level.

9. Prevalence and Trends

9.1 The Council's resolution requested information about trends in safeguarding activity and factors affecting them. Whilst the task group recognises the importance of this issue it has to be admitted that, at present, we have very little knowledge about the likely scale and nature of abuse directed at vulnerable adults or the wider population that we have begun to refer to as adults at risk. Firstly, public understanding of what kinds of behaviour and actions should be regarded as abuse still lags far behind the definitions and perceptions that have become increasingly embedded in national policy, and professional practice. Even within our publically funded health and social care services there are unacceptable variations in interpretation of what constitutes abuse at various organisational levels, in the action taken once abuse is reported and in the cultural and leadership context in which staff operate.

9.2 Secondly, the dependency relationship that exists between victims and those who abuse them, and the often unequal balance of power, makes it difficult for a vulnerable adult to report the abuse to others. In 71% of the referrals this year the alleged perpetrator was known to the victim. The most abuse in Cheshire East was in the person's own home (35%) or in other forms of accommodation, or in day services (combined total 46%).

9.3 Thirdly it is often difficult for safeguarding investigators to secure robust evidence of abuse and the chances of the police being able to prosecute are low. It is factors such as these that, in combination, mean that it is likely that the cases of abuse that are referred or substantiated, whether wholly or in part, have to be treated as a major underestimate of the real incidence of abuse. Confirmation of this claim can be found in survey research in this country and abroad.

9.4 However, there is data available on the number of triggers received. Over the last 12 months there has been a significant rise in the numbers of safeguarding referrals (the total number of referrals for 2011/12 was 1803). This could be explained by recent media articles and TV programmes (i.e. the Panorama Winterbourne View documentary), together with increased publicity and awareness raising locally. There has also been a rise in the number of whistleblowers who work in care homes highlighting poor care practice and abuse. In November 2011 CQC published two reports relating to dignity and nutrition issues within care homes and hospitals. Moreover, there is evidence that more cases are being heard in the courts when individuals are being charged for wilful neglect under the Mental Capacity Act.

9.5 Unfortunately, Adult Safeguarding research has not been a national or local priority and remains seriously underfunded. Consequently our understanding of the scale, nature, dynamics and trends in abuse of vulnerable citizens is, and is likely to remain, very limited. Consequently, it is important that we in Cheshire East and the Local Safeguarding Adults Board in particular, work hard to develop our data set with an emphasis on outcomes for vulnerable adults and their families and use to good effect the information we have through the Paris system. It is important to note that the Adult Safeguarding Unit has recently appointed a part time Audit Officer Post which will better inform safeguarding practice within the authority.

9.6 This year, as a result of the work of the Boards' Information, Intelligence and Quality Audit Sub Group we now have a much better picture of the scale and nature of alleged abuse: also the settings in which it occurs and patterns of occurrence across Cheshire East.

9.7 There are currently 3864 residential/nursing beds in Cheshire East and, of these, 1329 are funded by Cheshire East Council. Residents are also placed in facilities outside Cheshire East. The contracts teams are working on an audit tool that will be sent to each of the authorities outside Cheshire East where placements are made.

9.8 Social workers investigating allegations of abuse prepare an AVA electronic record on each person referred to them. This provides, for example, information on the nature of alleged abuse, the characteristics of victims, the settings in which abuse is occurring. It also tells us whether the alleged abuser is known to the victim, who is making referrals.

9.9 During 2011/12 1,803 Safeguarding referrals were received and investigated. The most prominent categories of abuse within Cheshire East were physical abuse 38%, neglect 19%, psychological 17%, financial 16% and sexual 6%. Only a very small number of referrals are classified as "institutional" or "discriminatory". Women were more likely to be alleged victims than men and referrals increased with age. The most likely location/setting for alleged abuse was the victim's own home. The most prominent groups of referrers were hospital staff followed by those working in community health services. Next came relatives of the alleged victims and then staff working in a care setting.

9.10 This kind of information is vital if the Council and its partners are to properly discharge their strategic planning and development responsibilities in relation to the protection and prevention of abuse.

9.11 However, more analysis needs to be undertaken on the data we now have in terms of various cross tabulations relating to characteristics of victims/characteristics of alleged abusers...... types of abuse/ settings and settings/sources of referral. We need to know, for example where abuse, that is being reported by hospital staff is occurring if not in the hospital and why so few referrals seem to be coming from the those working within the criminal justice system.

9.12 We also need to prioritise the development of outcome measures across all agencies that tell us whether we are being successful in preventing abuse, reducing risk of abuse and its repetition, making vulnerable adults feel safer and whether public confidence in our performance is increasing. At present we are unable to give any such reassurance as we do not have information that would allow us to demonstrate our effectiveness or otherwise.

10. Conclusions

10.1 Despite the consensus about what good quality support and personal care should look like whether at home or in other settings and what vulnerable adults have a right to expect, the reality too often falls short of our vision, values and stated aims. The recent post Winterbourne reports from the Department of Health and work by members of the Adult Safeguarding Unit during the last eighteen months serve as worrying reminders that it is often the most vulnerable who may be most at risk of poor quality care, abuse and neglect.

10.2 Improvements to the delivery of high quality social care need to be accompanied by a better understanding of the necessary conditions for high quality care in terms of leadership, culture and resourcing in both our provider and commissioning systems. We need to be able be able to detect and intervene early to prevent escalating risk of abuse for particular individuals and corrosive spread to others in group settings.

10.3 At present we lack the information as a Safeguarding Board to reliably assess the robustness, and sustainability of our commissioning and audit arrangements.

10.4 However the signs are promising. Additional resources have been made available over the last two years to increase our capacity to develop quality assurance and safeguarding activity across the many residential and nursing homes in Cheshire East.

10.5 The integration of the Adult Safeguarding Unit and the energetic and intelligent leadership this division has enjoyed ensured rapid and effective response to several serious problems in these services. Positive relationships at various levels between ASC and their colleagues in the NHS and other partner agencies have provided a strong base for effective joint working. Finally the reflective learning that has been undertaken should start to help us identify what we have done well and where we might improve.

10.6 There are also signs that managers in our general hospitals are recognising key safeguarding responsibilities and promoting an open culture in which challenge to poor practice and abuse is actively encouraged. They too meet with CQC inspectors.

10.7 The establishment of an integrated Multi Agency Safeguarding Hub described in paragraph 6.3 should to promote greater strategic momentum, more joined-up family focused working and better knowledge and skill sharing.

10.8 The commissioning systems in place are well-designed and there is strong leadership within ASC and its partner agencies but, particularly at a time of severe financial constraint we need to be able to demonstrate efficiency and effectiveness.

10.9 Self-directed support in its various forms was expected to be empowering to the individual, to increase the quality of care and support provided and her/his sense of security. In commissioning independent advice and ongoing support for those with individualised budgets the Council has acted diligently and responsibly to ensure increased independence that does not compromise personal safety. It is vital that this commitment is maintained.

10.10 The Task Group is confident that the process for decision making about the establishment of individual budgets and, importantly, the advice and support services commissioned by our Adult Social Care Services from CCIL and Age UK represents a responsible approach by the Council and is unlikely to bring additional risks and improve independence and quality of life.

10.11 Cheshire East's Adult Protection arrangements constitute a coherent well designed "whole system" approach to a complex set of challenges that is underpinned by up to date interagency policies and procedures that have been supported and signed off by the LSAB.

10.12 The system established to investigate alleged abuse of vulnerable adults is one that is well designed and, we believe, fit for purpose. Its foundations lie in processes and practices that were in place prior to the establishment of the two unitary Councils but which have been developed and strengthened in various ways over the last three years. The dedicated specialist safeguarding and quality assurance team, working with their contract colleagues are involved in a well designed integrated process of standard setting, contracting and audit that seems to have the capacity to work proactively to shape provider practice, to spot problems at an early stage and to exercise an investigative adult protection role when needed.

10.13 There is also evidence of really good essential interagency working with staff from the NHS, Fire and Rescue, Environmental Health and the Public Protection Unit which is designed to ensure that regulatory and quality assurance activity is joined up and complementary.

10.14 However there are important weaknesses in the current data set available to us. At present we have no robust information about outcomes for victims of abuse both in terms of their immediate and longer term safety. We also lack information about the victim's satisfaction with the support and intervention they received when they were at risk or during any investigation of the abuse.

10.15 This is recognised by all concerned within the Local Safeguarding Adults Board, and outside, and steps are being taken to enable us to provide a reliable account of the effectiveness of our Adult Protection System from the experience of those who experience it.

10.16 The examples given in paragraphs 7.7 to 7.9 demonstrate the challenge and complexity of safeguarding work and the valuable specialist experience and expertise that is developing. These staff are well placed to respond rapidly and competently to problems of quality and safety for some of Cheshire East's most vulnerable adult citizens and have the capacity to influence positively the quality of life for the many hundreds of people who use domiciliary and residential services, both now and in the future. Together with the social work investigators in the district offices and strategic commissioning colleagues they are developing an impressive range of skills and experience.

10.17 But these systems of investigation can only work if ordinary citizens including those who feel they are being threatened or abused and their families, friends, neighbours and work colleagues are vigilant and willing to report. We **ALL** need to see ourselves as being in the front line of Adult Protection

10.18 CQC is still at a relatively early stage in its development as the national regulator of health and social care. The integration of separate regulatory bodies is a strength and a major challenge for those responsible for making the new system and its leadership teams work well.

10.19 CQC is in a position to set standards, some of which are process and others outcome oriented, in a similar manner to their local authority commissioning colleagues. However, CQC is also able test and develop its review processes and expertise through extensive experience across agencies and sectors. In applying common, nationally mandated standards, it is also in a strategically influential position to shape practice across the country and to influence public and professional opinion. Finally, as a statutory regulator, it has various sanctions and powers to require the changes it deems necessary and demand compliance.

10.20 Another strength is the ability to undertake a national inspection where there is serious public concern, like the one recently completed on specialist healthcare / treatment units for adults with learning disabilities complex need following the Panorama expose of mistreatment and abuse at Winterbourne View.

10.20 It is far too early to make judgements about its effectiveness in driving up quality and helping to ensure safety. However the signs are promising. CQC clearly recognises that it needs not just local intelligence but a really strong partnership with local commissioners and with providers.

10.21 The Task Group believes that it is important that our expectations of CQC are realistic ones. What it cannot do, or be expected to do, is guarantee that no client will be abused or neglected. It's reviews whether unannounced or planned cannot be expected to notice all poor practice, some of which may be intermittent, some of which may occur only occur as "private" one to one episodes with some but not all clients. The limitations of CQC also has to be recognised given the frequency of inspection visits possible and the fact that CQC is expected to correct serious flaws in the quality of many of our public services some overnight, some of which are embedded in the culture of our communities and our public services.

10.22 Cheshire East Council together with other statutory, independent and private sector partners are expected to deliver person centred services and support that are both efficient and effective. They are expected to be able to demonstrate good outcomes for the people they serve which, put simply, enable them to maintain their dignity, self respect independence and safety.

10.23 Because these expectations are now so widespread in our culture, and now have such profile in the standard setting and review processes of regulators such as CQC and both individual and strategic commissioners the sense of bewilderment, shock and anger we all feel when we experience abuse or neglect or see or hear that it is happening to a relative, friend or stranger is that more intense.

Preliminary Recommendations

1. The Council should actively promote, as a matter of priority, evidence based commissioning and safeguarding of the kind that is beginning to emerge within ASC and encourage shared learning and competence building across all its departments.

2. The Council together with the Health and Wellbeing Board and the various strategic partnerships in Cheshire East should expect that publically funded local providers in all sectors become more outcome focused so that the public can be confident that local services for vulnerable adults are offering reliable, good quality person centred services that are efficient and effective.

3. The LSAB and the LSCB should set a positive example by setting strategic objectives with outcomes that can be measured and against which **their** effectiveness can be judged.

4. The LSAB should ensure that the work of its IIQA sub-committee on the analysis of the scale and nature of abuse, the performance review of Adult Protection practice and the development of valid outcome measures becomes one of the most important strands of the Board's work programme for 2012/13 and 2013/14.

5. The Board should expect that reports from partners such as those which are currently prepared annually describing the Safeguarding "landscape" in each agency, will provide more quantitative information on performance and outcomes. More specifically CQC should also be expected, periodically to provide accounts of progress made in driving up standards across the local health and social services it inspects.

6. ASC should prepare a summary for the Board of the findings from the reflective reviews that it has under taken over the last 18 months following concerns about the health and safety of groups of vulnerable adults. The lessons being learned from similar reviews in the NHS and the independent and third sectors findings should also be requested on a regular basis.

7. The recent Adult Protection case audit review should be complemented by a wider "whole system" open learning event bringing together safeguarding practitioners from ASC's Individual and Strategic Commissioning divisions, providers from all sectors, CQC and community representatives to develop a rich picture of the realities of the system which this report describes as coherent and develop an action plan for its improvement.

8. We believe that a study should be commissioned to assess the viewpoints of and a cross section of service users and practitioners about the quality, safety and effectiveness of the services they receive. This would include those with individual budgets, those waiting for this to be agreed and those whose arrangements are not likely to change in the short-term.

9. The resourcing of and Adult Safeguarding requires active monitoring and review in the light of increasing population demand and expectations.

10. The Board's new statutory status and responsibilities means that it will need to raise its public profile. This will need the active support of the Council and its members.

Appendix 1 – Copy of the Notice of Motion

NOTICE OF MOTION SUBMITTED BY COUNCILLORS S JONES AND

R FLETCHER

At the meeting of the Council on 21 July 2011 Councillors R Fletcher and S Jones had submitted a Notice of Motion on the capacity of the Care Quality Commission (CQC) to carry out its functions effectively.
The report addressed how the Council might respond to the issues raised. In discussing the most appropriate body to investigate the position in Cheshire East, and in order to avoid any duplication of work by the Adult Social Care Scrutiny Committee, an amendment was proposed to the decision requested whereby the matter be referred to the Safeguarding Adults Board *in conjunction with the Adult Scrutiny Committee.* The amendment was agreed.

RESOLVED
That the matter be referred to the Safeguarding Adults Board, in conjunction with the Adult Social Care Scrutiny Committee, with a view to them examining the matter and reporting back on

- The effectiveness of arrangements in Cheshire East between the Councils own a adult safeguarding function and that of the Care Quality Commission
- How well safeguarding provision has responded to personalisation
- The trends in safeguarding activity and the factors affecting it.
- Whether there are deficits in the arrangements such as to make the representations suggested in the motion necessary.

Extracted from Cabinet Minutes for 3 October 2011.

Appendix 2

Dignity in Care

The Dignity in Care campaign was launched in 2006 with the aim of improving quality of care provision, and putting the values of dignity and respect at the centre of care services. There are now over 36,000 Dignity Champions in the UK, in a range of care settings, all working to inspire, share, transform and change the culture of care provision. A ten point Dignity Challenge is the bench mark for all activity as follows and is overseen by the National Dignity Council.

1. To have a zero tolerance of abuse
2. To support and treat people with the same respect you would want for yourself or your family
3. To treat people as individuals – ie offering a personalised service
4. To enable people to maintain maximum independence, choice and control
5. To listen and support people to express their needs and wants
6. To respect peoples right to privacy
7. To enable people to complain without retribution
8. To engage with family and carers
9. To assist people to maintain confidence and positive self esteem
10. To alleviate people's feelings of loneliness and isolation.

Many practical resources and training packages are available via the Dignity in Care Website.

Appendix 3

Mental Capacity Act 2005

The Mental Capacity Act came into force in 2005, followed by the Deprivation of Liberty Safeguards in 2007, (implemented in 2009).

This Act provides a framework for empower and protect people who may lack capacity to make decisions for themselves. The Act is based on 5 key principles:

1. Each adult has a right to make decisions and is assumed to have capacity unless proved otherwise

2. People must be given all practical help before it is assumed that they lack capacity

3. Just because someone may choose to make an “unwise decision” it should not be assumed that they lack capacity

4. Any action or decision made of behalf of someone else must be made in the persons “Best Interest”

5. All decisions should be based on the least restrictive principles, human rights and freedoms.

The role of the Independent Mental Capacity Advocate (IMCA) was introduced in this piece of legislation and should be appointed when decisions involve Changes to accommodation or Serious medical treatment. They can also be appointed in strategy discussions regarding adult abuse, or in care reviews

The Deprivation of Liberty Safeguards were introduced to give enhanced protection to people, lacking capacity, living in either a care home or hospital. They provide safeguards to vulnerable people, ensure that care is given in a least restrictive regime, prevent arbitrary decisions being made and provide a right of challenge against detention.

Appendix 4 Statistics

Safeguarding Key
Facts 201112 (2).pdf

(Embedded in the electronic version of the agenda only).

Appendix 5

Membership of group

Derek Thomas – Independent Chair – LSAB

Sandra Murphy – Commissioning Manager – Safeguarding Adults Unit

Lynne Glendenning –Commissioning Manager – Contracts

Cllr Olivia Hunter

Cllr Lesley Smetham

Katie Jones – Business Officer – LSAB

Lynne Turnbull – Chief Executive – Cheshire Centre for Independent Living

and thanks to other contributors

Jacqui Evans – Head of Local Delivery/Independent Living Services

Gary Cummings – Performance Manager

Linda Shrimpton – Safeguarding Co-ordinator

Annette Lomas – Safeguarding Co-ordinator

This page is intentionally left blank

Recommendations/ Actions – From Scrutiny Committee Meeting

FOCUS AREA	Actions Required	Lead Officer	Timeframe	Action Completed
The LSAB need to consider whether board meetings should be held in public	To be discussed at the LSAB	Katie Jones	6 weeks	**Debate held at LSAB – 12/09/12** **Paper to be presented at 21/11/12 board meeting**
Scrutiny Committee to see break down of Adult Social Care referral Data	Circulate to Scrutiny Committee via email Additional report card being produced – to be forwarded to Cllr's when finalised	Katie Jones Katie Jones	ASAP November 12	**Data sent to Mark Grimshaw to forward to committee**
Scrutiny Committee felt that the Notice of Motion report did not give sufficient attention to Domiciliary Care	Scrutiny Committee to follow up with an Adult Scrutiny Task and Finish Group - particularly focusing on the service user experience	Mark Grimshaw	**For Scrutiny Committee Action**	
Scrutiny Committee **questioned what had happened to the second part of the Notice of Motion which had called upon the Council to write to the CQC regarding their role in Cheshire East.**	The Chairman suggested that the Scrutiny officer follow this up.	Mark Grimshaw	**For Mark Grimshaw Action**	

Quality analysis of data is vital in the effective prioritisation of LA/ LSAB actions.	Scrutiny Committee suggested a full time audit officer should be appointed to the Adult Safeguarding Unit	Sandra Murphy		**Part-time Audit Officer appointed Sept 12**
Action plan and timetable to go with the list of preliminary recommendations.	Action Plan to be produced	Katie Jones	**2 weeks**	**Completed and to be maintained/ updated by KJ**

Recommendations/ Actions made within Notice of Motion Report

	FOCUS AREA	Actions Required	Lead	Timeframe	Action Completed
1	The Council should actively promote, as a matter of priority, evidence based commissioning and safeguarding of the kind that is beginning to emerge within ASC and encourage shared learning and competence building across all its departments		**ASC**		
2	The Council together with the Health and Wellbeing Board and the various strategic partnerships in Cheshire East should expect that publically funded local providers in all sectors become more outcome focused so that the public can be confident that local services for vulnerable adults are offering reliable, good quality person centred services that are efficient and effective.		**ASC/ HWBB**		

3	The LSAB and the LSCB should set a positive example by setting strategic objectives with outcomes that can be measured and against which their effectiveness can be judged.	**Outcome Based Accountability focus on LSAB/ LSCB work plans**	**Katie Jones** **Tim Newton**
4	The LSAB should ensure that the work of its IIQA sub-committee on the analysis of the scale and nature of abuse, the performance review of Adult Protection practice and the development of valid outcome measures becomes one of the most important strands of the Board's work programme for 2012/13 and 2013/14.	**IIQA to develop a through report card and report to the LSAB on a regular basis.**	**LSAB Chair/ Sue Crompton/ IIQA**
5	The Board should expect that reports from partners such as those which are currently prepared annually describing the Safeguarding "landscape" in each agency, will provide more quantitative information on performance and outcomes. More specifically CQC should also be expected, periodically to provide accounts of progress made in driving up standards across the local health and social services it inspects.		**LSAB Chair/ IIQA Sub Committee**
6	ASC should prepare a summary for the Board of the findings from the reflective reviews that it has under taken over the last 18 months following concerns about the health and safety of groups of vulnerable adults. The lessons being learned from similar reviews in the NHS and the independent and third sectors findings should also be requested on a regular basis.		**LSAB Chair/ IIQA Sub Committee**

7	The recent Adult Protection case audit review should be complemented by a wider "whole system" open learning event bringing together safeguarding practitioners from ASC's Individual and Strategic Commissioning divisions, providers from all sectors, CQC and community representatives to develop a rich picture of the realities of the system which this report describes as coherent and develop an action plan for its improvement.	**Audit Officer Post to be appointed within adults Safeguarding**	**LSAB/ ASC/ Audit Officer Post**		
8	We believe that a study should be commissioned to assess the viewpoints of and a cross section of service users and practitioners about the quality, safety and effectiveness of the services they receive. This would include those with individual budgets, those waiting for this to be agreed and those whose arrangements are not likely to change in the short-term.		**ASC Commissioning**		
9	The resourcing of and Adult Safeguarding requires active monitoring and review in the light of increasing population demand and expectations.		**Kate Rose/ LSAB**		
10.	The Board's new statutory status and responsibilities means that it will need to raise its public profile. This will need the active support of the Council and its members.		**Chair/ Sandra Murphy/ Prevention/ Comms Group**		

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	7th January 2013
Report of:	Head of Development
Subject/Title:	Transfer of the former Broad Street School, Crewe
Portfolio Holder:	Cllr Jamie Macrae – Portfolio Holder for Prosperity and Economic Regeneration

1.0 Report Summary

1.1 To consider a revised proposal following the previous Cabinet Report of 20th August 2012 to relocate the Cheshire Academy of Integrated Sport and Arts from their existing premises at Macon Way, Crewe to the former Broad Street School, Crewe.

1.2 The Academy currently operates from Council owned premises on Macon Way, Crewe (Appendix 1 – Site Plan). The terms of occupation are historical dating back to an agreement signed in 1994 with a rent payable to the Council of £2,000 per annum.

1.3 The existing premises are in poor condition with expenditure in excess of £300,000 required to bring it up to an acceptable condition. In addition, the work of the Academy has significantly expanded since its foundation in 1993. The existing building no longer provides either the scale or quality of accommodation the Academy needs to fulfil its role in the community.

1.4 The Academy occupies a small part of a much larger Council owned site on Macon Way. The remainder of the site is occupied by the Council providing office accommodation primarily for use by Care 4CE. The site is of considerable strategic importance to the Council occupying a gateway location at the Macon Way roundabout in close proximity to the railway station, former Royal Mail site and the fire station.

1.5 The Academy has agreed an approach with the Council to relocate to the Former Broad Street School in the West Coppenhall and Grosvenor area of Crewe (Appendix 2 – Site Plan).

1.6 The decision required to transfer the former Broad Street School to the Academy will amount to a community asset transfer at less than best consideration and, therefore, amounts to a choice between:

1.6.1 Expenditure on other services made possible as a result of a 'commercial' or best-price disposal of the asset,

1.6.2 The benefits generated to the Community and/or the Council by the transfer of the asset to the third sector.

2.0 Decision Requested

2.1 That a long leasehold interest for a term of 99 years of the former Broad Street School, Crewe be granted on full repairing and insurance terms at a peppercorn rent to the Cheshire Academy of Integrated Sport and Arts.

2.2 That the Interim Chief Executive (or his identified nominee), be given delegated authority to finalise the details of the lease in accordance with the procedures and controls detailed in this report.

2.3 That the required consents for the proposed lease of the former Broad Street School be sought from the Secretary of State for Education.

3.0 Reasons for Recommendations

3.1 In view of the important contribution made by the Academy to the delivery of the Council's wider corporate objectives it is essential that every effort is made to ensure the long term viability of the Academy in order to protect those vulnerable members of our community who rely on the services it provides.

3.2 In the absence of the Academy, the Council would be required to source and fund alternative provision. Any failure to meet the needs of the vulnerable children's and young adults` groups who use the Academy's services would place the Council at great reputational risk.

3.3 The Academy, despite its high profile contribution to the community of Cheshire East, receives no central funding and is entirely dependent for its revenue on fees, fundraising, donations and individual project grants. The limitations of the current building only serve to exacerbate the funding issue, precluding certain grant applications and the ability to secure relevant quality endorsements such as OFSTED and 'Club Mark'.

3.4 The Academy's existing premises at Macon Way are no longer suitable for their needs. The premises are in an extremely poor state of repair suffering from a number of inherent problems due to a lack of investment over their period of occupation.

3.5 In addition, the work of the Academy has significantly expanded since its foundation in 1993. The existing building no longer provides either the scale or quality of accommodation the Academy needs to fulfil its role in the community. The existing building footprint, even allowing for potential refurbishment and enhancement, is no longer sufficient for their needs.

3.6 Works required to return the Macon Way building to an acceptable standard are estimated to cost in the order of £300,000. The works would not, however, address the sufficiency issue referred to in 3.2 above.

3.7 The existing Macon Way site is a relatively small part of a much larger Council owned site on Macon Way. The remainder of the site is occupied by the Council providing office accommodation primarily for use by Care 4CE. The site is of considerable strategic importance to the Council occupying a gateway location at the Macon Way roundabout in close proximity to the railway station, former Royal Mail site and the fire station.

3.8 Consequently the Council is unable to commit to a long-term occupational agreement in respect of the Academy's existing premises.

3.9 In view of the strategic ambitions for the Macon Way site and the scale of the investment required to bring the accommodation up to an acceptable standard, it is not considered possible to maintain the Academy's presence at their existing location.

3.10 Given the importance of the contribution made by the Academy to the delivery of the Council's wider corporate objectives, alternative options have been considered and it is now proposed that the Academy be relocated to the former Broad Street School.

3.11 The former Broad Street School is currently vacant. Although valued in the order of £300,000, a recent marketing exercise generated a poor response and interest in the premises continues to be low. The Council is incurring significant holding costs (2011/12–circa £65,000), particularly in relation to the security of the building. It is not expected that a buyer for the property will be found in the short to medium term. In the meantime, the condition of the building continues to deteriorate.

3.12 The proposed relocation of the Academy to Broad Street would serve to mitigate the Council's responsibility for ongoing holding costs. An assessment of the condition of the building has identified the need for essential works of repair prior to any occupation of the building. Detailed costings amount to £60,000, primarily in relation to the roof and consequential water damage to the internal fixtures and fittings and the electrical installation. Payback on this investment is less than 1 year given the £65k holding costs per annum and the works required recently following break ins to the building. The works have been agreed and a contractor appointed to commence on site.

3.13 Please note that the works would be required irrespective of the needs of any potential user and should be considered against the ongoing liability in respect of holding costs. The cost of the works required prior to occupation will met from the existing capital spend allocation for this financial year.

3.14 On the basis that the services provided to children and young adults by the Academy are of significant benefit to the community and the Council, it is proposed that the former Broad Street School be transferred to the Academy in accordance with the Council's policies in respect of community asset transfer.

3.15 The proposed transfer will take the form of a long lease of sufficient duration to allow the Academy to secure external investment. The lease will contain such provisions necessary to address the risks identified elsewhere in this report and will be made on a full repairing and insuring basis thereby ensuring that the Council does not incur any additional expenditure over and above that already identified elsewhere in this report.

3.16 The proposed lease will also provide the Council with the means to ensure that the asset continues to contribute to the Council's corporate priorities throughout the term.

4.0 Wards Affected

4.1 Crewe East
Crewe North

5.0 Local Ward Members

5.1 Crewe East - Cllr Margaret Martin
Cllr David Newton
Cllr Chris Thorley.

Crewe North - Cllr Mo Grant

6.0 Policy Implications including - Carbon reduction
- Health

6.1 Health

6.1.1 Public Health Outcomes

- Improving the Determinants of Health -_This transfer will provide vulnerable user groups a secure and permanent environment for their activities

- Social connectedness -_The Broad Street location will provide greater opportunities for social integration with the wider community and provide opportunities for other user groups to access and use the facilities.

6.1.2 Health Improvement

- Regular exercise and involvement in sport can make a significant contribution to reducing childhood and adult obesity and reducing the incidence of cardio-vascular disease and diabetes in later life.

- Obesity can be a significant health problem in children with additional needs and reduced mobility.

- Regular exercise, social interaction and supported activities have a positive impact on the mental health and well-being of both individuals using the facility and their carers.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The Council is able to dispose of land and buildings at less than best consideration under the General Disposal Consent referred to in Legal Implications where the 'undervalue' is less than £2million and the other conditions of the Consent are satisfied.

7.2 There is no requirement that Local authorities undertake a tendering process within the General Disposal Consent. However, there is the general requirement for authorities to follow "normal and prudent commercial practices". Where a local authority has undertaken a valuation of the asset to understand the level of the `undervalue` and has established a robust business case for transfer, there would be no further requirement to 'market test' a transfer proposal to meet the General Consent criteria

7.3 There is also a requirement for a Local authority to satisfy itself that it will not give unlawful State aid as by accepting an `undervalue` the Local Authority is providing a subsidy. It is unlikely that such a community facility transfer will raise any State aid issues for the reasons explained in the Legal Implications.

7.4 Therefore, in terms of this specific proposal, there is a need to set the financial implications in the context of the contribution made by the

Academy to the delivery of the Council's wider corporate objectives. It is considered that the contribution made by the Academy in terms of disabled provision for both children and young adults is significant and that any reduction in that provision would need to be re-provided, and funded, by the Council.

7.5 As referred to elsewhere in this report, the Academy's existing premises at Macon Way are in an extremely poor condition. The poor state of the accommodation is already directly impacting on the Academy's ability to deliver the level of service expected by users and controlling authorities, and will ultimately result in the need for the Council to seek alternative means of provision.

7.6 Due to the condition of the building, and its inherent unsuitability, the cost of the works required to bring it up to an acceptable standard, is estimated to be in excess of £300,000. Such a level of expenditure cannot be justified without a full consideration of the alternative options available to the Council in order to ensure the continuation of the services provided to the community by the Academy. Nor should any decision be taken in isolation, ignoring the wider strategic importance of the Macon Way site.

7.7 The former Broad Street School is vacant. Although valued in the order of £300,000, a recent marketing exercise generated a poor response and interest in the premises continues to be low. The Council is incurring significant holding costs (2011/12–circa £65,000), particularly in relation to the security of the building. It is not expected that a buyer for the property will be found in the short to medium term. In the meantime, the condition of the building continues to deteriorate.

7.8 The proposed relocation of the Academy to Broad Street would serve to mitigate the Council's responsibility for ongoing holding costs. An assessment of the condition of the building has identified the need for essential works of repair prior to any occupation of the building. Detailed costings amount to £60,000 primarily in relation to the roof and consequential water damage to the internal fixtures and fittings and the electrical installation.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 Local authorities are able to dispose of land and buildings at less than the best consideration reasonably obtainable under the General Disposal Consent (England) 2003, where the 'undervalue' is less than £2million. A lease for a term of more than 7 years is a disposal. The Consent requires the local authority to be of the view that the disposal is likely to help to secure the promotion or improvement of the economic, social or environmental well-being of its area or persons resident or present in its area.

8.2 There is also a requirement for a local authority to satisfy itself that it will not give unlawful State Aid as by accepting an `undervalue` the Local Authority is providing a subsidy. It is unlikely that the proposed letting at a peppercorn rent for the purposes of delivering essentially community services, raises State aid difficulties for the following reasons:

8.2.1 The Academy is a charitable body and will use the premises for community benefit purposes The structure proposed is more or less a classical "flow through" structure by which the real benefit of the aid involved will pass through the Academy and on to the real beneficiaries, which are the general public (and in certain cases disadvantaged members of the general public at that). The end beneficiaries themselves are not economic undertakings capable of receiving State aid. The Academy itself will be seen to have the aid flow through it and thus will not be a beneficiary itself. This thinking derives from a European Commission Decision of 2005 generally known as "German Incubators".

8.2.2 For the "flow through" principle to apply the Academy has to be a not for profit body that recycles any income derived for the further purposes of delivering the community services, the asset being funded must be maintained for the purpose intended for at least 15 years, and the funding must facilitate the end beneficiaries receiving benefits via free or discounted services.

8.2.3 Even if the "flow through" principle did not apply this transfer at undervalue would be low risk in State aid terms based on a balance of the following additional considerations:

- the amount of benefit involved is relatively low and is not the sort of amount that would trouble the European Commission even if it were to be considered State aid;

- arguably the transaction is not capable of affecting trade between Member States, which is a necessary condition for a finding of State aid. The European Commission is notoriously conservative in finding no effect on trade but realistically in this case there is no possibility of inter state trade being affected; and

- arguably the Academy is not an economic undertaking capable of receiving State aid. If it operates on a purely "free at the point of delivery" basis then it would be clear that it is not an undertaking, but if it charges limited amounts then arguably it is acting as a going concern.

8.2.4 Based on a balance of all the above it is not considered there should be any real concern over State aid for this project but we recommend that the Lease should restrict the use of the premises to use for community benefit purposes and that the Council reserves the right to end the Lease if there is found to be unlawful State aid.

8.2.5 The fact of essential repairs being undertaken by the Council at its cost is not considered to be aid at all as the Council would undertake the repairs in order to allow any occupation of the building and these repairs improve the asset.

8.3 In transferring assets the Council must behave prudently to fulfil its fiduciary duty.

8.4 From 1st February 2012, Section 63 of the Education Act 2011 inserted a new Schedule 1 into the Academies Act 2010 stating that the consent of the Secretary of State for Education is required for the sale or transfer of land which the local authority has held as a school in the last eight years.

8.5 Although, Secretary of State consent to dispose was obtained prior to the marketing of the site in 2011, the consent is no longer considered to be valid and does not obviate the need for a consent under the new legislation.,

8.6 An application for consent under Schedule 1 carries with it the risk that the Secretary of State will take the land for an academy or free school which requires land in the area

8.7 A second consent from the Secretary of State for Education is required for the disposal of Broad Street School in respect of the playing fields. The application is under Section 77 of the School Standards and Framework Act 1998. The risk to the Council is that the Secretary of State refuses consent.

9.0 Risk Management

9.1 That the proposal is viable and sustainable in the long term and that it creates wide social value and benefits which support the corporate aims and priorities of the Council as set out in adopted policy.

9.2 The capacity of the Academy to acquire and manage the asset, and to meet capital and ongoing revenue costs in order to demonstrate the ongoing sustainability of the project

9.3 That the proposed transfer is carried out in a transparent manner with clear processes for assessing the benefits of the transfer (linked to corporate priorities) which allows a comparison with market value.

9.4 That Secretary of State consent under Schedule 1 of the Academies Act 2010 is refused on the basis that the land is required for an academy or free school which requires land in the area

9.5 That Secretary of State consent under Section 77 of the School Standards and Framework Act 1998 is refused

10.0 Background and Options

10.1 The Cheshire Academy of Integrated Sport and Arts is a charitable organisation based in Crewe which works with both children and young adults with disabilities. The organisation was founded in 1993 and now provides care and support for those with disabilities and their extended families, gaining national recognition for its work with the award of the Queens Award for Voluntary Service in 2007.

10.2 The Academy provides volunteering opportunities including the provision of placements for Manchester Metropolitan University (MMU) degree and masters degree students. The Academy also provides a child development centre called LEAP which works with children who have more complex needs.

10.3 The Academy is also recognised for its contribution in the field of disability sport. Academy students regularly represent Great Britain on an international stage, providing champions in such disciplines as bocce, gymnastics and athletics at a National, World and Olympic level.

10.4 At a regional level, the Academy excels in as many as eleven different sports, including football and athletics, and is at the centre of events as part of the Special Olympics Cheshire East. Other social and community activities include the provision of disability accessible youth clubs, the Cheshire Deaf Club and alternative therapy sessions.

10.5 The Academy currently operates from Council owned premises on Macon Way, Crewe (Appendix 1 – Site Plan). The terms of occupation are historical dating back to an agreement signed in 1994 with a rent payable to the Council of £2,000 per annum.

10.6 The existing premises are of timber construction and are suffering from a number of inherent problems due to a lack of investment over the period of occupation by the Academy. In brief, the building would not pass any normally accepted fitness standards and any further deterioration could begin to pose a health risk to people who attend and work in the building.

10.7 The timber framing to the external elevations is suffering from extensive rot, resulting in some serious settlement and the risk of glazing panels falling out – with the inevitable risk that this can pose. The roof is in a poor condition and suffers from numerous leaks – some even over electrical distribution boards, needless to say not an acceptable situation.

10.8 The condition of the existing building is considered to be so poor that, in order to bring it up to an acceptable standard, expenditure in excess of £300,000 would be required. In addition, the Academy would be forced to relocate to temporary accommodation whilst any remedial works were undertaken.

10.9 In addition to the costs associated with a refurbishment of the existing premises at Macon Way, there are a number of other factors which have prompted a search for an alternative home for the Academy:

10.9.1 The work of the Academy has significantly expanded since its foundation in 1993. The existing building no longer provides either the scale or quality of accommodation the Academy needs to fulfil its role in the community. The existing building footprint, even allowing for potential refurbishment and enhancement, is no longer sufficient for their needs.

10.9.2 The Academy, despite its high profile contribution to the community of Cheshire East, receives no central funding and is entirely dependent for its revenue on fees, fundraising, donations and individual project grants. The limitations of the current building only serve to exacerbate the funding issue, precluding certain grant applications and the ability to secure relevant quality endorsements such as OFSTED and 'Club Mark'

10.9.3 The Academy occupy a small part of a much larger Council owned site on Macon Way. The remainder of the site is occupied by the Council providing office accommodation primarily for use by Care 4CE. The site is of considerable strategic importance to the Council occupying a gateway location at the Macon Way roundabout in close proximity to the railway station, former Royal Mail site and the fire station.

10.10 The Academy has approached the Council with a proposal to relocate to the Former Broad Street School in the West Coppenhall and Grosvenor area of Crewe (Appendix 2 – Site Plan). The proposal has been given the title, 'The Broad Street Project' and, whilst the building itself addresses the fundamental issues of scale and quality of environment, it could also be argued that its location does put the Academy in an appropriate environment for the services it seeks to provide.

10.11 The former Broad Street School is situated in the geographical area of West Coppenhall and Grosvenor, which is officially shown to be the area with the highest index of deprivation score in the whole of Cheshire East. There are few facilities in the area for the local community to enjoy.

10.12 The Broad Street Project is intended to become a hub and focus for the local community providing a new venue for the activities currently undertaken at Macon Way, but in addition providing scope for future expansion. The Academy’s draft business plan includes proposals for a community café and a gardening area with a clear focus on providing a wider range of support to the local community.

10.13 The former Broad Street School comprises of some 12,718 sq.ft (GIA) occupying a site extending to 0.66 acres with extensive frontage to Broad Street and McLaren Street. The site has the potential for reuse for a number of purposes but is considered most suitable for redevelopment for housing, being situated in an established residential area.

10.14 The site was extensively marketed in 2011 but failed to generate an acceptable offer. It remains on the market and has been recently valued at £300,000. Holding costs for the Authority are significant due in the main to ongoing security issues at the site.

10.15 An assessment of the condition of the building at Broad Street has identified the need for essential works of repair prior to any future occupation of the building. Detailed costings amount to £60,000, primarily in relation to the roof and consequential water damage to the internal fixtures and fittings and the electrical installation.This essential expenditure will be financed from the existing capital spend allocation for this financial year.

10.16 A decision to facilitate the move of the Academy from Macon Way to Broad Street therefore carries with it significant financial implications and a degree of risk which needs to be balanced against the perceived benefits to the Council, including an assessment of the contribution the proposal will make to the delivery of the Council’s wider Corporate objectives.

10.17 Local authorities are able to dispose of land if the conditions of the 2003 Consent apply to secure the promotion or improvement of the economic, social or environmental well-being of an area.

10.18 In general terms, when assessing the merits of a community asset transfer, the decision is essentially a choice between achieving a capital receipt from the sale of the asset and using that receipt to support the councils spending needs and the benefits generated to the community and/or the council by the transfer of the asset to the third sector. In assessing proposals for asset transfer, the council will measure the relative benefits and risks of these two options in order to make a decision

10.19 The ownership and the management of assets by community organisations is being supported by Government. It is seen as a means to achieve a range of key objectives, from promoting civil renewal, active citizenship and improving local public services to tackling poverty and prompting economic regeneration - through developing social enterprise and supporting the growth of community anchor organisations

10.20 Therefore, in making an asset transfer decision, local authorities should:

10.20.1 Have regard to their community strategy.

10.20.2 Assess the likely amount of the undervalue

10.20.3 Understand what community benefits will be realised by transfer and how the interests of local people will be better served.

10.20.4 Have regard to business plan and financial viability of the community based organisation's plans.

10.20.5 Understand the State Aid implications.

10.20.6 Assess market interest.

10.21 The spectrum of transfer options can range widely, and can include a freehold or a long lease. However, for most transfers, where grants or loans are required for capital development, the length of tenure will need to be long enough to secure external investment. Therefore, community asset transfer is usually taken to mean a long lease, of at least 25 years, or a freehold.

10.22 The Council will generally effect community asset transfers on the basis of short/medium and long term leases. It will not generally transfer the freehold of its assets. The extent of tenant's responsibilities under the lease, together with the level of any prospective rent, will be influenced / informed by individual circumstances and the length of lease involved.

11.0 Access to Information

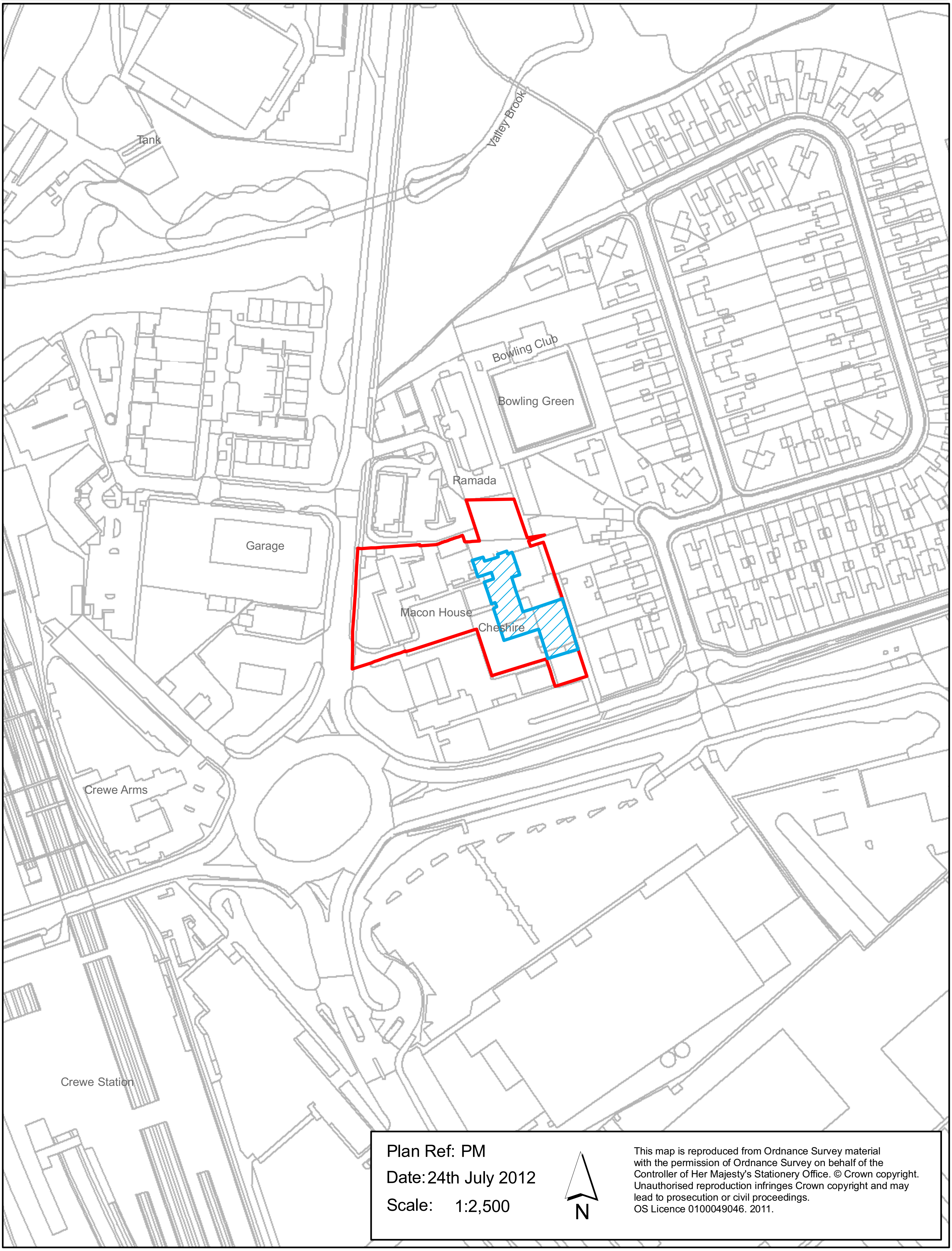
11.1 The background papers relating to this report can be inspected by contacting the report writer:

Name: Chris Dingsdale
Designation: Asset Valuer
Tel No: 01270 686144
Email: Chris.Dingsdale@cheshireeast.gov.uk

Appendix 1 – Site Plan – Cheshire Academy of Integrated Sport & Arts Existing Premises at Macon Way, Crewe
Appendix 2 – Site Plan – Former Broad Street School, Crewe

This page is intentionally left blank

Appendix 1 - Site Plan - Cheshire Academy and Integrated Sport and Arts, Macon Way



Plan Ref: PM

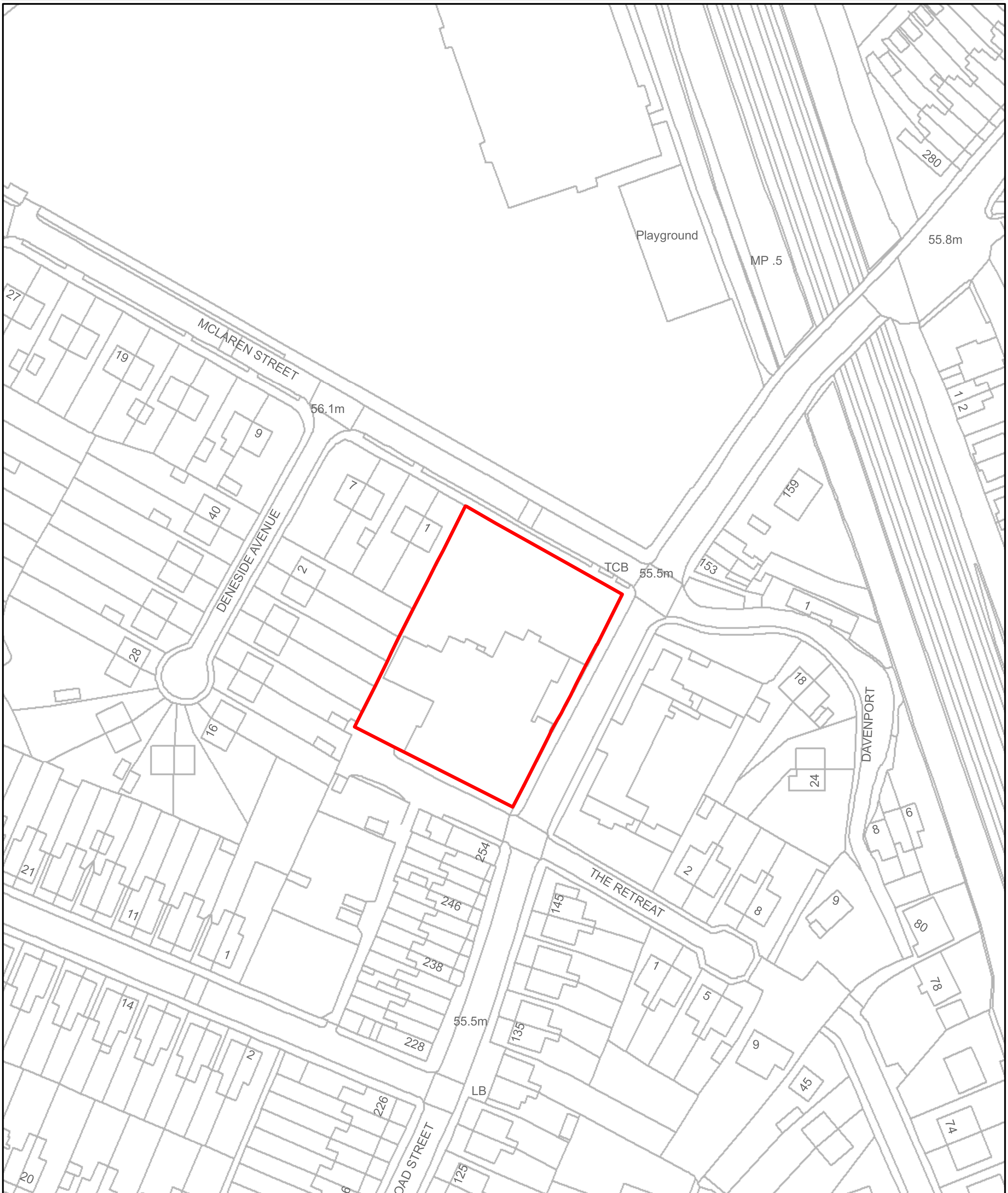
Date: 24th July 2012

Scale: 1:2,500

This page is intentionally left blank

Cheshire East Council

Appendix 2 - Site Plan - Former Broad Street School Premises, Crewe



Plan Ref: PM

Date: 24th July 2012

Scale: 1:1,250

N

This page is intentionally left blank

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 07 January 2013
Report of: Lorraine Butcher, Director
Children, Families and Adults
Subject/Title: Universal Information and Advice Services Update
Portfolio Holder: Councillor Janet Clowes

1.0 Report Summary

1.1 Further to the decision by Cabinet on 10 December 2012 to Grant Aid the provision of Universal Information and Advice Services across Cheshire East this paper seeks permission to amend the method for administering the grant.

2.0 Decision Requested

2.1 To directly Grant Aid Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North for twelve months from 1 April 2013 – 31 March 2014.

3.0 Reasons for Recommendations

3.1 A public consultation on the proposed changes to the way funding is allocated to the Voluntary Community and Faith Sector (VCFS) highlighted concerns about the potential risk of including Universal Information and Advice Services provided by the Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North in a competitive bidding process focused on adult social care defined groups.

3.2 An Equalities Impact Assessment of the proposed changes also highlighted that if clear provision is not made for the continued funding of the Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North this would negatively impact on a number of groups with protected characteristics.

3.3 Further legal advice has therefore been sought (both internally and externally) and it is recommended that, as Cheshire East Council cannot currently specify these services for tender due to the changes resulting from the Welfare Reform Act, the Council should Grant Aid Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North for twelve months from 1 April 2013 – 31 March 2014 to ensure continuity of support to service users, including those groups with protected characteristics, during the forthcoming period of fundamental reform and uncertainty.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 None

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 It is proposed that the direct award of Grant Aid should include all monies paid to the CABs in 2013/14 (excluding monies for Independent Mental Capacity Advocate (IMCA) and Independent Mental Health Advocate (IMHA) services which are subject to competitive tender) minus 15% to take account of the severe financial pressures on the budget. £197,212 will be awarded to Cheshire East Citizens Advice Bureau and £90,778 to Cheshire East Citizens Advice Bureau North. This spend is already accounted for through the Strategic Commissioning budget.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 The Council has the powers to award a grant to the CAB to support the organisation using its general power of competence in section 1 of the Localism Act 2011. In exercising the power the Council must satisfy its public law duties. In essence this means that in making the decision the Council must have taken into account only relevant considerations, followed procedural requirements, acted for proper motives and not acted unreasonably. The Council must also be mindful of public sector equality duties and the impact of its decision on service users that have a protected characteristic detailed in the Equalities Act 2010.

In awarding a grant the Council cannot exhibit the same amount of control over the organisation as is commensurate with a contract. Essentially, the terms of the grant should be set out with what the purpose of the grant is for and only claim claw back provisions in the case of the grant funding being used for other purposes or otherwise improperly. The Council will not be able to assess the quality of the services that are being provided to those requiring welfare advice and determine to withdraw grant funding on that basis (except at the end of the period of the grant funding).

9.0 Risk Management

9.1 Of the options available the direct provision of Grant Aid to Cheshire East Citizens Advice Bureau and Cheshire East Citizens Advice Bureau North for the continuation of universal information and advice services is the most effective in terms of minimising the potential risk to the Council.

9.2 It should be noted, however, that it is not possible to impose the same conditions of funding under a grant as a contract.

10.0 Background and Options

10.1 Further detail can be found within the Cabinet Report of 10 December 2012.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Sarah Smith
Designation: Strategic Commissioner, Children, Families & Adults Directorate
Tel No: 01270 371404
Email: sarah.smith@cheshireeast.gov.uk

This page is intentionally left blank

Agenda Item 13

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting: 7th January 2013
Report of: Democratic Services Team Manager
Subject/Title: Authorisation of Officers
Portfolio Holder: Leader of the Council

1.0 Report Summary

1.1 In recent months Cabinet provided am number of delegations to the Borough Solicitor and the Strategic Director of People, Places and Organisational Capacity to undertake a variety of activities.

1.2 As these posts are currently vacant Cabinet is invited to transfer these authorities to the Interim Chief Executive and his nominees.

2.0 Decision Requested

2.1 That the previous authorities delegated by the Cabinet to the Borough Solicitor and the Strategic Director of People, Places and Organisational Capacity be transferred until such time as these posts are filled to the Interim Chief Executive and that he be authorised to further sub delegate those powers to such other officers as he thinks appropriate.

3.0 Reasons for Recommendations

3.1 Although in practise the Borough Solicitor and the Strategic Director of People, Places and Organisational Capacity would not have undertaken all the activities personally and much would have been done by their internal staff teams, they would have had overall management over the process and would have confirmed their satisfaction, at key stages and finally, with the process.

3.2 This recommendation if approved will enable other suitable officers to be provided with delegated powers and will provide certainty that officers can act and ensure that suitable controls are in place and ensure that the Council acts lawfully.

3.3 It should be noted that officers with delegated powers are always able to relinquish those powers and refer them back to the delegator (in this case Cabinet) if they think fit.

4.0 Wards Affected

4.1 None

5.0 Local Ward Members

5.1 All

6.0 Policy Implications including – Carbon Reduction
- Health

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 Not applicable

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 In accordance with the Local Government Act 2000 and Part 3 of the Constitution, Cabinet is able to delegate authorities to officers to take decisions on Executive Functions. The recommendation in this report is compliant with the Act and the Constitution. Other legal considerations are dealt with in the report.

9.0 Risk Management

9.1 The Council needs to ensure that it acts lawfully and does not incur any unlawful expenditure. The decision to transfer the authorities issued by Cabinet to the Interim Chief Executive will provide assurance that the Council is acting with the appropriate consents in place.

10.0 Background and Options

10.1 The posts of Borough Solicitor and the Strategic Director of People, Places and Organisational Capacity are currently vacant.

10.2 Certainty is required to ensure that in the event of a challenge that the Cabinet has issued the relevant authorities for officers to act. The previous authorities issued by the Cabinet to the Borough Solicitor and the Strategic Director of People, Places and Organisational Capacity cannot be transferred without further Cabinet approval and therefore Cabinet is asked to transfer them to the Interim Chief Executive with ability to further sub delegate those powers to such other officers as he thinks appropriate.

11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer.

Name: Paul Jones
Designation: Democratic Services Team Manager
Tel No: 01270 686458
Email: paul.jones4@cheshire.gov.uk

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank