

CHESHIRE WEST AND CHESTER AND CHESHIRE EAST

Joint Liaison Committee

Date of meeting: 1 August 2008
Report of: Joint Implementation Team (Full)
Title: Shared Services: Principles, Governance, and Functions

1.0 Purpose of Report

1.1 The following report seeks to address the issue of Shared pan-Cheshire Services by:

(i) providing some potential principles underpinning the selection, design and delivery of Shared Services in Cheshire;

(ii) outlining the three main governance models available for Shared Services;

(iii) summarising the functional areas that have been identified to date as potential candidates for a Shared Service on a pan-Cheshire basis.

2.0 Decision Required

2.1 The Joint Liaison Committee are asked to:

(i) Endorse the six key principles underpinning Shared Services (section 3.4)

(ii) Consider the three governance models and endorse the constitutional model as the primary governance mechanism for Cheshire. (sections 3.5 - 3.70 and Appendix A)

(iii) Agree the functions identified by officers as potential candidates for a short-term, transitional Shared Service (Appendix C)

(iv) Agree the functions identified by officers as potential candidates for a pan-Cheshire Shared Service (Appendix D)

(vi) Agree the further work required to address the issue of the shared back office (section 3.66)

3.0 Background and Options

3.1 The Shared Services agenda is increasing in importance, both nationally, regionally, and locally. In the last Local Government White Paper – *Strong and Prosperous Communities* – Shared Services were seen as a key component of modern, efficient, sustainable and effective Local Authorities.

The *People and Places* bid recognised this and stated a clear preference for Shared Services where there was a business case for doing so. This report assumes a slightly higher burden of proof in that the two new authorities would only operate shared services where there was a strong business case for doing so.

- 3.2 To move forward with the implementation of the two new Councils, it is vital that clear and considered decisions are made on this issue. Indeed, the Shared Services issue is inextricably linked with subsequent key decisions on operating models, structures, staffing and budgets.
- 3.3 Officers from the East and West Joint Implementation Teams(JITs) (comprising the Chief Executives from all 7 Authorities and Block Leads and other relevant officers) have recognised that an issue of this importance requires a principled and evidence based approach which seeks to enhance benefits and minimise risks. This has been achieved in three ways. Firstly, six common principles have been identified to set a consistent corporate framework for determining the design and delivery of any Shared Services. Secondly, three potential models of governance have been identified and put forward as the basis of further consideration. Finally, a number of functions have been identified as potentially suitable for a Shared Service. These have been evaluated against consistent criteria and the majority have been rejected on the basis that while a case could be made for a Shared Service, the business case is not sufficiently strong. This leaves a shortlist of functions where a strong business case can be made. The three key pieces of work are explored in further detail below.
- 3.4 Key Shared Services Principles
 - 3.41 During discussions, six key principles have emerged which officers have identified as central to the successful design and delivery of a Shared Service. They are as follows:
 1. Cheshire East and Cheshire West & Chester will be two new authorities with their own objectives, priorities and identities. Shared Services should, therefore, be selected carefully. They should be chosen to allow the new Authorities to concentrate on their core priorities and transformational objectives while securing value for money for the taxpayer.
 2. There is a presumption that Services will be split between West and East Cheshire unless there is a strong business case for the establishment of a Shared Service or a short term transitional requirement.
 3. Shared Services must deliver clear efficiencies and / or genuine improvements to performance to the mutual benefit of Cheshire East and West and other potential partners.
 4. Shared Services, both individually and collectively, should be underpinned by a clear and equitable sharing of assets, liabilities, staff, decision making, benefits and risks between West and East Cheshire. This,

for example, may involve the Lead Authority roles being allocated broadly equally between East and West Cheshire.

5. It is recognised that Shared Services arrangements need to be flexible in order to support change and new opportunities. Any arrangement must be subject to regular review and the freedom to end the relationship or develop it to include other partners and providers is essential.

6. Shared Services will be new functions created specifically to meet the needs of the new Authorities and their partners.

3.5 Governance models

Authorities developing a shared services agenda have recognised as a fundamental principle that there is no common solution for all authorities. Each must develop, in conjunction with partners, a model which achieves the desired outcomes locally.

3.51 Thus a variety of solutions have been developed including, for example:

- (i) collaboration between authorities on strategic policy e.g. Joint Planning Committee
- (ii) collaboration between authorities on use of assets e.g. sharing of depots
- (iii) joint service delivery between local authorities e.g. internal audit and building control and between local authorities and other public sector bodies e.g. health and social care
- (iv) joint procurement/management across a range of public sector bodies e.g. business services
- (v) outsourcing by contract, franchise or joint venture eg revenues and benefits, ICT
- (vi) joint procurement and operation of waste solutions for both collection and disposal and in some cases, both.

3.52 In each situation it has been necessary to put in place an appropriate legal model and again, these have varied according to particular circumstances and the requirements of the parties. There is a need to seek out and learn from best practice elsewhere. This can demonstrate how it can be done and provide assurance that concerns regarding joint arrangements can be addressed by appropriate governance arrangements.

3.53 Whenever sharing arrangements are made, each Council remains subject to its own best value duty (the duty to make arrangements to secure continuous improvement) under s 3 of the Local Government Act 1999 so it must have arrangements in place to ensure discharge of the duty even if service delivery is subject to discharge arrangements with others. Each

authority must also have its own arrangements for responding to its inspection regime.

- 3.54 Three core governance models are recognised by law and in particular applications a variation or combination of the models is often employed. The core models are:

- (i) Contractual model
- (ii) Constitutional model
- (iii) Corporate model

- 3.55 These three models are not mutually exclusive and a hybrid model is possible, for example a Joint Committee governing a contract etc. Models can also develop into new models over time, for example the constitutional model could develop into the corporate model. The corporate model is more suitable for trading on the competitive market with other parties; however, this can be a feature of the constitutional model. The legal issues in relation to shared services are relatively straightforward. The judgement comes in deciding what an authority or authorities want to achieve what is feasible within the timescales available and what will work for them. It is essential that the strategy is agreed first, so that the intended direction of travel is clear; and then the most appropriate way of achieving that strategy legally can be determined. A common pitfall is to seek to choose a path without sufficient exploration of its consequences for that authority, thereby imposing a solution that will not work. The requirement for any solution to actually work on the ground for the Authorities involved cannot be overemphasised. Further details of the three models and the advantages and disadvantages of each are set out in Appendix A.

3.6. Functions identified as candidates for a Shared Service.

- 3.61 During March/April 2008, Service Managers from all 7 Cheshire Local Authorities participated in a common baselining exercise. This identified 617 service delivery functions within the existing Authorities. For the overwhelming majority of these functions, operational and/or strategic factors clearly determined that the functions should be delivered as two separate units for the East and West Unitaries.
- 3.62. However, for approximately 60 functions Service Managers indicated that a Shared Service may be appropriate. This 'bottom-up' assessment was subject to a 'top-down' appraisal by officers of the JIT. Of the 60 functions, 37 were identified as likely to be core to the objectives and transformational priorities of the new Authorities. It was recommended that these functions were on balance not suitable for a Shared Service (see Appendix B).
- 3.63 For the remaining 23 functions further information was required. A common template was therefore devised (centred around the DCLG national criteria of Affordability; Partner and Stakeholder Support; Strong, Effective and Accountable Strategic Leadership; Neighbourhood Empowerment and Flexibility; Value for Money and Equity; and Achievability) to objectively assess each potential model. These criteria complement the underlying

Shared Services principles outlined in section 3.41. In the more complex areas, assessments have been supplemented by supporting material to outline more comprehensively the issues involved.

3.64. The outcome of this work was reviewed by officers at a series of these Joint Implementation team meetings during April to July. These meetings have attempted to look at as many of the functions as possible within the time available. However, the list below is not exhaustive and other areas of potential collaboration will be identified and require consideration by Members at a future date (for example the Highways and Vehicle Maintenance Contract, Road Safety, Information Management etc). For each Service area individual business cases and supporting evidence (including the common template referred to in paragraph 3.63) has been produced and are available to Members on request. The outcomes fall into 2 broad categories:

- i) **Transitional Arrangements** – Given the very short timescale that we are facing in Cheshire to establish the new Unitaries, there are some pragmatic reasons why a limited number of services which are currently pan-Cheshire may need to remain so, at least for Day 1. Thirteen of these existing functions were identified. They are outlined in more detail under Appendix C.
- ii) **Functions Recommended for a Shared Service** – These are the 10 functions where officers from all Authorities are collectively recommending establishing a single pan-Cheshire service. In each circumstance, the reason for the decision has been recorded in Appendix D. Furthermore, it is recommended that all the proposed Shared Services arrangements should be subject to a future review, by the two new Unitaries, as soon as possible after 1st April 2009.

3.65 The emphasis officers placed on the need for a strong business case, in line with the principles outlined above (para. 3.41), is evidenced by the following summary table.

Existing Service functions identified across Cheshire.	617
Functions initially identified by officers as potential Shared Services	60
Functions identified by Full JIT as on balance unsuitable for a Shared Service	37 out of 60
Functions identified by Full JIT as suitable for a short term, transitional shared service	13 out of 60
Functions identified by Full JIT as suitable for a pan-Cheshire Shared Service	10 out of 60

- 3.66 The Full JIT have recognised that further work is required to examine the case for a shared back office. This would consist of a Service which would provide a range of support functions taking advantage of optimised working practices and the common IT platform proposed post-transition, the scope likely to include business processes within the operational areas of Finance, Procurement (in particular the "*procure to pay*" element), Human Resources and Information Technology. It is likely that this would be the largest Shared Service across East and West Cheshire. It is therefore recommended that a piece of independent work is commissioned to define the scope and business case for such an arrangement. The recommendations from this exercise would be reported to and approved by a meeting of the Joint Liaison Committee prior to decisions by Executive in Cheshire West and East.

For further information:

Portfolio Holder: Councillor

Officer: Paul Heath

Tel No: 01244 972115

Email: paul.heath@cheshire.gov.uk

Background Documents:

Documents are available for inspection at:

APPENDIX A

GOVERNANCE MODELS

1.0 *The Contractual Model* - This consists of a formal relationship between two parties underpinned by a formal contractual agreement. The contractual model involves one local authority entering into a contract with another local authority to receive services from it. There is a contractual agreement, which contains contractual terms and is legally enforceable between the authorities involved.

1.1 The potential advantages are:

- (i) it is relatively easy to set up;
- (ii) it clarifies standards, requirements, prices etc from the outset and can be tightly managed if required;
- (iii) it is familiar and supported by contract law;
- (iv) it can be combined with an arrangement for secondment or delegation;
- (v) there is clarity over contractual obligations and remedies;
- (vi) the power to enter into this type of arrangement is clear under s1 of the Local Authorities (Goods and Services) Act 1970.

1.2 The potential disadvantages are:

- (i) it only reflects requirements at one moment in time so is potentially inflexible and insensitive to events or in other words it does not grow and evolve with the parties;
- (ii) any contract will be subject to the EU public procurement process. Since this involves the award of a contract from one body to another, there will be implications in terms of the need to comply with the public procurement regime. Therefore, the Councils could not award such contracts to each other without competition.

1.3 *The Constitutional model* - The constitutional model involves one authority arranging for the discharge of certain of its functions by a committee, sub-committee or officer or by any other local authority. In a shared services arrangement, it would be usual for one local authority to delegate a function to another local authority or a particular committee or officer of that authority. The authority to which a function is delegated can further delegate to a committee, sub-committee or officer. A committee can also sub-delegate to a sub-committee or officer. It is also possible for local authorities that wish to work together to form a joint committee to which they delegate certain functions.

- 1.4 A Joint Committee is usually established where several local authorities agree to discharge their functions jointly. The Joint Committee may delegate its functions to sub-committees or officers in the same way as other committees. The role of the Joint Committee is, in essence, to provide the means by which the local authorities combine into one decision making body to exercise various functions and where appropriate, to relate to contractors/partners in further contractual arrangements. The use of a joint committee will involve the members in addressing political direction and also helps to streamline the decision-making process, as it avoids the need to keep seeking decisions from each individual local authority on every matter relating to the functions that have been delegated to the joint committee.
- 1.5 A Joint Committee is still an unincorporated arrangement. It does not create a separate legal entity (although you can create a separate 'identity' for it) and so it cannot hold property or contract in its own right. Therefore, it is usual for there to be a lead authority which enters into contracts on behalf of others. Staff could be employed on behalf of the Joint Committee by the relevant lead authority for personnel and staffing matters or seconded from participating authorities. There is also an opportunity for the authorities to retain their powers to do other things in relation to those functions i.e. exercise their powers concurrently. An agreement usually regulates how the authorities will work together.
- 1.6 Rather than establishing a Joint Committee to discharge functions, by or on behalf of a number of authorities, local authorities may collaborate by delegating a function directly to another authority pursuant to s101(1)(b) of the Local Government Act 1972 or s19 of the Local Government Act 2000, where executive functions are involved. That authority may then arrange for the discharge of those functions by a committee or officer, or the Cabinet or an executive member or officer where executive functions are involved. The relationship between such a "lead Authority" and other participating authorities can then be regulated by agreed processes (e.g. Liaison Committees).
- 1.7 The Councils need to be very clear between them as to the scope of the delegation to any lead Authority such that the Authority/Committee will have both the freedom and flexibility to operate as the Councils would wish, but with clarity over the demarcation of delegated and retained powers and with consistency between all of the constituent councils.
- 1.8 The potential advantages are:
- (i) can be flexible and cover the full range of local authority functions, or as many functions as the participating authorities agree;
 - (ii) no need for the complexity or cost of a separate legal entity and can delegate full functionality (rather than being limited by powers to delegate to companies);
 - (iii) staff remain local authority employees but can be directed by the Joint Committee/lead Authority under an agreement and seconded into the

arrangements by participating authorities; there are statutory provisions which would allow staff of both authorities to work for each other. Also Section 112 of the Local Government Act 1972 enables local authorities to appoint such staff as they consider necessary for the proper discharge of their functions or another authority's functions which they are discharging;

- (iv) liabilities can be shared as agreed and documented;
- (v) tax transparency and no additional liabilities which could arise with a company;
- (vi) established and understood arrangement;
- (vii) tailored to the public sector and established models of governance;
- (viii) flexible and sensitive to events compared to the contractual model;
- (ix) can provide services to other public / private organisations;
- (x) Arrangements under sections 101 and 102 of the Local Government Act 1972 and sections 19 and 20 of that Local Government Act 2000 do not invoke procurement rules, as constitutional arrangements under public law are put in place.

1.9 The potential disadvantages are:

- (i) can be complex to establish and to secure agreement over how it operates and there is a need for clarity over powers and structures;
- (ii) not a separate legal entity and so unable to hold assets or enter into contracts in its own name (though will act via lead authority);
- (iii) certain authorities may need to take the lead on functions, for example holding money, property and other assets, or entering into contracts which can give the appearance of dominating the Joint/Liaison Committee or exercising greater influence in relation to that function and some authorities see these duties as onerous;
- (iv) no separate legal entity to shelter new or risky ventures at "arms length" from the participating authorities;
- (v) liabilities remain joint and several, as agreed between the parties;
- (vi) potentially bureaucratic but this depends on how set up and operated;
- (vii) may require greater support arrangements e.g. to service meetings etc.;
- (viii) as a joint committee has no independent legal status and cannot contract in its own right this responsibility falls on one of the constituent

councils, which also bears associated liabilities, and which would need appropriate treatment in any formal agreement.

- 1.10 *Corporate model* - Delivery of services can be accomplished by the creation of a new vehicle for the provision of joint services and possible expansion as an alternative to direct management. Limited companies (including whether limited by shares or guarantee or other types of companies such as Community Interest Companies) are private incorporated organisations regulated by the Companies Acts. The Memorandum and Articles of Association are used to define the objectives for which the company is established and its internal rules and regulations together with the role and responsibility of the Board of Directors.
- 1.11 Giving some form of separate legal status to a delivery arrangement could assist the development of shared services. There is some advantage in incorporation, if it is a wish of the participating authorities that the responsibility for providing services should vest in a separate legal entity distinct from one or both of the local authorities involved in the project. However, reputational risk of the authorities concerned cannot effectively be avoided.
- 1.12 The potential advantages are:
 - (i) it would function as a separate legal entity and therefore be able to be an employer and owner of assets. It can enter into contracts and also have limited liability;
 - (ii) if the company widened its agenda and were involved in profit making activities then it could provide for some financial return to the participating councils;
 - (iii) Investment in a company limited by shares can give greater funding flexibility and some tax advantages Third party lenders are often more comfortable lending to a company limited by shares. A company limited by shares (but not a company limited by guarantee, for example) can also form part of a group or consortium with other bodies for tax purposes (allowing valuable losses, which in turn reduce taxable profits, to be surrendered within the group/consortium from loss making entities to profit making entities). This potential tax advantage would only be relevant if third party tax-pay entities are introduced to the corporate model;
 - (iv) As shareholders will be part owners of the company, each shareholder will benefit from any increase in value of the shares; and, depending on market conditions, the company can ultimately be sold to obtain a capital receipt;
 - (v) Profit can be distributed by the payment of dividends;
 - (vi) the liability of each member is limited, thereby protecting the members financially;

- (vii) A limited company is a separate legal entity independent of its members which can, for example, hold assets and enter into contracts in its own name and therefore changes in membership do not affect its existence or the status of its contracts;

1.13 The potential disadvantages are:

- (i) A local authority cannot delegate a function to a company in ordinary circumstances (the *Credit Suisse v Allerdale* case). There are some limited exceptions to this rule, such as a designation pursuant to the Deregulation and Contracting Out Act 1994. This means that a company can only effectively provide a service.
- (ii) Companies are subject to a large body of statutory regulation under the Companies Acts, such as the requirement to file information and documentation with Companies House;
- (iii) There is a need to avoid unlawful state aid (ie favouring your company over others) and this can be an uncertain area of EU law at times; this may particularly arise where the Company seeks to have the financial security of its operations underwritten financially by the Councils involved;
- (iv) Directors have duties to companies to act in the best interests of the company and this can lead to conflicts of interest with their duties as members or officers; these responsibilities can also lead to personal liability for breach;
- (v) Lack of tax advantage given that a company itself is assessed to tax and a local authority is not; A company (whether limited by shares or guarantee) will pay corporation tax on any profit (based on its accounting profit on its trading activities) and any chargeable gain (to the extent that it realises a gain on the disposal of any investment asset). A company will also pay stamp duty land tax when it acquires any chargeable interest in land or buildings (whether from a member/shareholder of the company or from any third party), potentially by reference to the market value of such land or buildings, rather than the price actually paid, if acquired from a member/shareholder. A partnership vehicle with its own distinct legal personality which is transparent for tax purposes (such as a limited liability partnership, for example) may avoid such tax disadvantages and may indeed be beneficial given that local authorities are not charged to corporation tax. It is understood that there are other non-tax issues surrounding partnership structures involving local authorities and they would need to be considered further. Indeed partnerships with their own distinct legal status (as opposed to "partnerships" in the wider sense of the word, such as constitutional arrangements) are not one of the governance models provided for in this paper, but are simply referred to in this paragraph in order to highlight the tax disadvantage of using a corporate entity."

- (vi) the residual provisions of Part V of the Local Government and Housing Act 1989 which require accounts and records to be in the public domain would still apply;
- (vii) A local authority cannot give work to a company of which it is the owner without complying with the EU public procurement regime. This is because of the company's status as a separate legal entity. There are few exceptions to this rule, the major one being the Teckal exemption.
- (viii) The Teckal exemption allows a public body to award contracts to its own in-house, public sector, company provided two conditions are met. The first is that the company is subject to the same or a similar level of control as an in-house unit would be. In other words, the normal discretion given to directors to trade etc would need to be curtailed and controls included over the strategic and operational direction of the company. The second condition is that the company must operate so that it provides the essential part of its services to the member/shareholders. Again this is a restriction on wider trading activity. After all, the EC is saying that if the company is genuinely an in house unit in a corporate envelope, then it should not be covered. However, the law is very alert to any attempt to avoid the public procurement rules using this route. As the recent London Authorities Mutual case also demonstrated, this is a quickly evolving strand of EU law. *R v Risk Management Partners Limited ex parte The Council of the London Borough of Brent and the London Authorities Mutual Limited and the Council of the London Borough of Harrow* (Case CO/4667/2007)

Conclusion

- 1.14 The legal issues in relation to shared services are relatively straightforward. The judgement comes in deciding what an authority or authorities want to achieve what is feasible within the timescales available and what will work for them. It is essential that the strategy is agreed first, so that the intended direction of travel is clear; and then the most appropriate way of achieving that strategy legally can be determined. A common pitfall is to seek to choose a path without sufficient exploration of its consequences for that authority, thereby imposing a solution that will not work. The requirement for any solution to actually work on the ground for the Authorities involved cannot be overemphasised.

APPENDIX B

FUNCTIONS WHERE THE FULL JIT DECIDED THE BUSINESS CASE FOR A SHARED SERVICE WAS NOT SUFFICIENTLY STRONG.

- Property Services (including Facilities Management)
- Risk Management
- Insurance
- Cheshire Business Services:-
 - i) Catering
 - ii) Cleaning
 - iii) Office Services

Note CBS Supplies - see under "Procurement" (See App D ref. 17)
- Research and Intelligence
- Customer Services / Contact Centre / Customer Access (but exploring potential of common infrastructure)
- Teachers' Pensions
- Professional HR (including Employee Development and the Schools Consultancy Service)
- External Funding
- Revenues & Benefits (moving from 6 systems to 2, but retain longer term option to move to one common solution)
- Finance (Professional Advice)
- Audit
- Legal and Democratic
- Third Sector and Community Development
- Registration Services
- Specialist Teachers and Educational Psychologists
- Generic Safeguarding Units
- Lifelong Learning
- Arts and Museums (but retain Rural Touring Network as a pan-Cheshire service - grant-funded by Arts Council England)
- Libraries (but see proposal to aggregate Libraries Specialist and Support Services) (See App D ref. 20)
- Local Land Charges
- Trading Standards (with a need to develop a Public Protection and Regulatory Services Function)
- Public Rights of Way
- Homelessness Advice
- Air Pollution Control
- Planning Control
- Building Control
- Economic Development and Regeneration
- Streetcare and Parks
- Streetscene
- Food Safety, Health Promotion and External Health & Safety
- Community Safety Wardens
- Pest Control
- Dog Warden Services
- Local Safeguarding Children Board

- Transport Co-ordination - Local Delivery of Infrastructure (e.g. Bus Stops etc).
- County Farms

APPENDIX C
TRANSITIONAL ARRANGEMENTS

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
1	Inclusion and Education (including School Improvement, Extended Schools, Healthy Schools and Parent Partnership)	22, 153	230.6 (plus 6 fte Extended Services Locality Co-ordinators, 4 fte for Healthy Schools and 4.43 fte for Parent Partnership)	County	Retain current arrangement until new academic year (Sept 09) then disaggregate	Disaggregation for September 09 would ensure continuity of monitoring, support, challenge and intervention for the academic year without disruption to schools	Linda Brown
2	Autism Support	441	12	County	Retain as a single pan-Cheshire service until August 2011 and then review	This is a small specialist team. Splitting the team would result in a team too small to function with all the required and necessary component specialist skills and expertise to deliver the core function. The National Autism Society has made representation on keeping this team together (they hold this team in very high regard). During the next 2 years, conduct an overview of level of need of children with ASD and advise regarding appropriate placements and the future development of provision.	Linda Brown

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
3	Service for the Sensory Impaired	TBC	33	County	Retain as pan-Cheshire service until Sept 11 then disaggregate	Very specialised service. Training of new staff for split East and West teams will take 2 years before resources will be adequate to operate two separate services.	Linda Brown
4	Urban Traffic Control Unit	835	6	County	Retain as a single pan-Cheshire service for 1 year whilst exploring a longer term solution	Day 1 Service delivery risks are too great to justify disaggregating this arrangement in Year 1 but options will be explored for longer term service delivery	Steve Kent
5	Highways and Geotechnical Laboratory Service	238	12	County	Retain as a single pan-Cheshire service for year 1 but review future options for service delivery	This Service is dependant on having testing equipment, which is currently housed at Backford Hall (Chester) and in the short term, it is only possible to provide this from one site. Therefore, this proposal is brought forward to ensure the continuing viability of the Laboratory and the UKAS accreditation on which it relies for most of the work it undertakes. Any reduction in the volume of testing undertaken could threaten the ability of the Laboratory to retain its accreditation. However, it is proposed that the provision of this Service is subject to a more fundamental review in early 2009.	Steve Kent
6	Transport Coordination Incorporating the planning, scheduling, procurement and provision of: <ul style="list-style-type: none"> Concessionary Fares Scheme Public Transport Network Management 	50, 000	TBC	County	Retain as a pan-Cheshire service for the medium term (2 years) as an interim solution to ensure service continuity beyond vesting day. During 2009/10 a more detailed analysis of alternative service delivery options will be undertaken,	A transitional arrangement will support: <ul style="list-style-type: none"> A seamless transition for service users. A poorly managed transition could damage organisational reputation and have an adverse impact on the lives of a large proportion of residents Consistency with the timescale 	Greg Yates

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
	<ul style="list-style-type: none"> Statutory Home to School Transport SEN Transport Adults and Older People Looked after Children 				enabling Unitary Authorities to make a decision on the long term solution.	<p>proposed for reviewing school transport policy</p> <ul style="list-style-type: none"> Allows time to respond effectively to national changes such as Local Transport Act, the national Concessionary Fares Scheme, the personalised social care agenda 	
7	Childcare strategy	<p>10,772 (Nursery Education Grant DSG)</p> <p>3,679 Maintained Nursery Unit budget (DSG)</p> <p>65 (DSG budget for retained functions)</p> <p>1, 887, Sure Start Early Years and Childcare Grant</p> <p>11 Other Grant</p> <p>TOTAL REVENUE</p>	20.22 (in addition 0.4 fte Grade 5, 0.2fte Grade 10 and 0.5 fte CFO staff and 0.4fte Grade 11 Legal working on NEG & legal aspects of strategy)	County	<p>Recommended functions should be disaggregated using a phased approach from April 2009 until March 2011. The proposed timetable is as follows:</p> <p>1st December 2008</p> <ul style="list-style-type: none"> QA+ ICT system disaggregated so that each Authority has a separate system initially operated by a collaborative team <p>1st April 2009</p> <ul style="list-style-type: none"> Disaggregation of business support services for childcare providers. Single pupil count introduced for maintained nurseries and PVI settings on a collaborative basis. Disaggregation of Cheshire's existing Childcare Sufficiency Assessment to provide 	<p>This will allow the level of implementation and transitional costs (which could otherwise be significant) to be minimised and reduce the risk of disruption to service users arising out of the disaggregation of complex systems and processes. Service disruption risks include:-</p> <ul style="list-style-type: none"> Failure to deliver correct payments to 400+ nurseries across Cheshire to provide the statutory early years entitlement to three and four year olds. Failure to maintain a strategy that will retain and develop the provision of childcare in disadvantaged areas, where childcare providers need additional support to sustain provision, leading to adverse outcomes for vulnerable children and families. Failure to meet statutory requirements and targets for childcare sufficiency and the Early Years Funding Reform 	Sue Egersdorff

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
		BUDGET 16,414			<p>separate data for each 1st September 2009 –</p> <ul style="list-style-type: none"> Introduction of 15 hour free entitlement to 25% most disadvantaged in each Authority. <p>1st April 2010 –</p> <ul style="list-style-type: none"> Single funding formula implemented and administered by a collaborative team (although each Authority may use differing formulas). Separate Childcare Sufficiency Assessments carried out by each Authority and reviewed / implemented on a disaggregated basis. <p>1st September 2010 –</p> <ul style="list-style-type: none"> Extension to universal 15 hour free entitlement for all 3 and 4 year-olds <p>By 1st April 2011 –</p> <ul style="list-style-type: none"> Childcare strategy systems and processes fully disaggregated – including administration of early years entitlement by separate teams. 	Programme.	

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
8	Children's Centre Development Programme	424 Sure Start Early Years and Childcare Grant (SSEYC) Grant	7 (includes dedicated support from legal and finance)	County	This is the first year of the third phase of a seven year (2004-11) children's centre development programme. The capital grant allocated by the DCSF for the third phase (2008-11) is £6.2m. The recommendation is to retain a single project management team for the delivery of the remainder of the programme.	<p>The Children's Centre Development Programme is the mechanism adopted by Cheshire County Council and endorsed by the DCFS to meet the local authority's statutory duties under Sections 1-5 of the Childcare Act 2006. Completion of this Development Programme and subsequent handover will enable the new Authorities to fulfil these statutory duties. Ability to deliver the Children's Centre agenda is viewed as a key indicator of Children's Services performance. Disaggregation on day 1 would carry the following risks:</p> <ul style="list-style-type: none"> • Inability to recruit the necessary expertise to establish a second programme team within required timescales, creating the risk of clawback of grant on the basis of non- or delayed completion of projects. • Dislocation and disruption likely to seriously jeopardise the ability to monitor and control project costs. • Lack of expertise in either team will hamper the ability to value engineer programmes to ensure that budgets are met, or are met without compromising quality in critical areas. 	Sue Egersdorff

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
9.	School Admissions	400	12	County	<p>A phased approach to disaggregating this service is recommended based upon the following timescales:-</p> <ul style="list-style-type: none"> For the continuation by both Shadow Authorities of the County Council's school admissions team until 31 August 2009 with phased disaggregation between April 2009 and 1 September 2009 at the earliest; The Admissions Policy (scheme and arrangements) already in place for 2009 to remain; The shadow authorities to be the statutory bodies consulting on proposed policies for September 2010 (before consultation within the relevant area; The establishment of two admission forums in September/October 2008 to advise each LA on matters to consult on (policy and relevant area etc) for 2010 and other admissions issues. 	<p>School Admissions is one of the most sensitive and high profile services that a local authority provides. Members may recall the extensive national publicity earlier in the year when parents of children transferring to secondary school this September received their offers of a secondary school place. Allocations of primary school places can be similarly sensitive, given the constraints imposed by infant class size legislation. This is a very complex service area bound by statute and with strict statutory timescales which must be adhered to. There are long lead-in times (almost two years) for admissions to any given academic year. Given the complexity, the attached report is rather lengthy, although only key issues appear in the paper. Therefore, the phased approach is recommended in order to ensure a safe and seamless transition to Vesting Day (without incurring significant transitional costs or giving rise to complaints and objections about maladministration and failure to apply determined arrangements). Both new LAs will need to review their future staffing structures well before disaggregation in order to recruit and fill any senior vacancies well before September 2009</p>	Louise Rees

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
					<ul style="list-style-type: none"> Both new LAs need to agree the approach to redefining Relevant Areas. CCC advice is for both shadow LAs to use the current RA (pan-Cheshire) for consultations in early 2009 on the draft 2010 policy – and to consult on changing the RA at the same time. If both LAs want to change their RA now in time for separate East/West consultations on the 2010 draft policy in early then we would have to follow the timeline of tasks and decisions as set out below: September 2008 – Cheshire County Council brings a report to the current pan-Cheshire Admissions Forum for it to advise the Shadow LAs on what new Relevant Areas the shadow LAs should consult on (we will have to use the current Forum as the new Forums will not be set up by this date); October 2008 (15th and 		

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
					<p>7th) – Implementation Executive and Cabinet approves the new Relevant Areas for consultation;</p> <ul style="list-style-type: none"> • November 2008 – Both Shadow LAs hold statutory 30 day consultations on those proposed areas. • Early December 2008 - The new Admissions Forums for CWC and CE (which should be set up by Nov 08) can review the outcomes of the consultation and advise their Shadow LA on what RA to approve. • By end December 2008 Each Shadow must approve the new RA so that 2010 admissions policy (scheme and arrangements) can go ahead. • Each Shadow must approve the new RA so that 2010 admissions policy (scheme and arrangements) can go ahead. Once the RA is redefined, thereafter, 		

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
					(ie for admissions for September 2011) only admission authorities within the revised and determined 'relevant area' will need to be consulted.		
10.	School Transport Policy (meeting statutory duties and powers in relation to school and college transport)			County	To retain for the remainder of the academic years 2008/09 and 2009/10 of the current school and college transport policies which are in place for the start of at the Academic year (i.e. September 2008).	<ul style="list-style-type: none"> • Linked with the phased disaggregation of school admissions (ref. 9), and transport coordination (ref. 6). • An interim solution to ensure continuity of Service beyond vesting day. • A need for public consultation and decision well in advance of the start of the academic year (i.e. prior to the school admissions process for that academic year) where major policy changes are considered to policies for future academic years. 	Louise Rees
11.	Student Finance	354	13	County	Retain current single pan-Cheshire service until function is transferred to a national body	Over the next few years this Service is moving to a national function to be delivered by an independent loan company. Therefore, this Service is being downsized as responsibilities transfer away from the local authority. Pragmatically, it is recommended that the current Service model is retained until the national transfer is completed.	Louise Rees

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and / or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
12.	Support Services for Schools from April 2009	The annual income from schools from the SBSA is approximately £3.7m East and £4.0m West	TBC	County	Maintain existing service provision to 31 August 2009 and for the two authorities to then consider separate SBSAs for their schools subject to other decisions taken in relation to the provision of shared services and/or any separation of current CCC services between the two authorities.	<ul style="list-style-type: none"> Seamless transition of support for schools with minimal disruption for clients. Maintenance of income levels for new authorities. Maintaining confidence in existing School Business Support Agreement at a time of great uncertainty – failure to do so would jeopardise buy back and income within new authorities and cause a funding gap. 	Louise Rees
13.	Outdoor Education Service	-50	54	County	To retain current arrangements with one Authority as the host for 1 year whilst longer term options are explored (including establishing a company limited by Guarantee with Charitable Status)	The Outdoor Education and Residential Service deliver non statutory services to predominantly Cheshire schools on a full cost retrieval basis. Retaining current arrangements will provide the time required to explore alternative models of service delivery including establishing a company limited by Guarantee with Charitable Status.	Andrew Finnegan

APPENDIX D

FUNCTIONS RECOMMENDED FOR PAN-CHESHIRE SHARED SERVICE

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
14.	Pensions	Recharged to Pension Fund	32	County	Single pan-Cheshire Service (currently based in the West)	This decision has previously been agreed with DCLG and the independent Pension Panel.	Bill Tunncliffe
15.	Civil Protection / Emergency Planning (including approach for Critical Incident Response Team)	483	8	County and District	To recommend that a joint emergency team is established with effect from 1 April 2009 and that Cheshire East and Cheshire West and Chester Councils make a commitment, in the longer term, to exploring joint working with the other Cheshire unitary authorities and possibly other members of the Cheshire, Halton and Warrington Local Resilience Forum.	This recommendation is made recognising the scale of the task required to deliver a resilient emergency planning function for Cheshire East and Cheshire West and Chester Councils by 1 April 2009 and after an analysis of the risks attached to each potential service delivery option. Emergency Planning is a very specialist area of service delivery and one where there is a national shortage of qualified and experienced staff. Slightly larger teams enable staff to develop specialisms which assist in the response to increasingly complex and demanding legislation.	Martin Smith

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
16.	Occupational Health	200	12.5	County and District	Single pan-Cheshire Service	Retaining a pan-Cheshire service minimises the risk on Vesting Day as it would take little extra effort to incorporate the work of Vale Royal and Macclesfield employees into the Cheshire-wide OHU. Conversely, there is a high risk in terms of losing staff and contracted occupational physicians as they are a scarce resource in the region, loss of external clients and difficulty in dividing these two ways and increased costs in splitting up the service before 1 st April 2009 without a thorough review.	Elizabeth Squires
17.	Procurement including:- i) Sub-Regional Procurement Hub ii) Common Oracle i-procurement solution iii) CBS Supplies	Strategic Procurement: 277 CBS Supplies: 4,500 approx. turnover p.a / 137 net profit	Strategic Procurement 9 44	County and District	To establish a pan-Cheshire Procurement service and retain the pan-Cheshire CBS Supplies service in conjunction with the development of Sub-Regional Procurement hub (incorporating Warrington BC and the Fire Authority)	The regional and national agenda (National Procurement Strategy, Gershon, Comprehensive Spending Review etc) is encouraging local authorities to maximise value for money from improved procurement. This involves maximising our purchasing power through a strategic and corporate approach to supplier management and increasing the scale of collaboration across local authorities and other public sector partners. Substantial progress has been made in collaborating on corporate contracts, sharing common electronic supplier marketplaces and streamlining	Bernadette Hurst

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
						the electronic procurement process (both internally and externally with suppliers). These opportunities are best exploited through increasing collaboration and pooling the limited procurement resources available into one pan-Cheshire procurement team.	
18.	Archives (e.g. a single records office) and local studies	542	22	County	Single pan-Cheshire Service	<ul style="list-style-type: none"> The maintenance of the Archives and Local Studies Service as a single Service will be the most cost effective way of continuing this function in Cheshire West and Chester and Cheshire East. The estimated cost of establishing a new Record Office in Cheshire East if the Service was disaggregated is in the region of £6-8 million. It should be noted that Halton and Warrington currently buy in to the Service. DCLG regulations pertaining to the Transfer of Property Rights and Liabilities prohibit the separation of historical collections. It was stated in the two Unitary bid that this Service would be retained on a pan-Cheshire basis 	Guy Kilminster

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
19.	Youth Offending Team	1259	45	County	Single pan-Cheshire Service	<ul style="list-style-type: none"> • Several key Criminal Justice Board partners have a footprint across an area covering Cheshire County Council, Halton MBC and Warrington MBC. • The creation of two YOTs would duplicate some of the support that is required and place undue pressure on partners. • Halton and Warrington already operate a joint YOT. • It would be more costly to operate 2 YOTs. • The existing YOT is very effective and high performing. Risks of service failure or reduction in performance are minimised in a single YOT model. • Internal reorganisation of the YOT will endure coterminousity with the boundaries of the new authorities. 	Anne Goldsmith

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
20.	Libraries - Specialist and Support Services	3467	79	County	Single pan-Cheshire Service for <ul style="list-style-type: none"> • Bibliographical Services • Library Management System • Peoples Network • Administration and Transport • Social Inclusion • Education Library Service • Business Information Service • Virtual Learning Resources • Community Information Provision (LINC) 	<ul style="list-style-type: none"> • The proposal would ensure continuity and keep costs down. • If the Services are split on vesting day there will be neither time nor sufficient resource to create an infrastructure for Cheshire East and there will insufficient resource to maintain the existing infrastructure in Cheshire West and Chester. • Viability of some specialist services e.g. Education Library Service will be called into question as the customer base will be too small to sustain them if split. There could also be a loss of income for services such as the Business Information Service. • Supports retention of partners such as schools, Business Link, Chamber of Commerce, Age Concern. • Provides greater certainty, reassurance, resources and capacity to the new frontline Library Services. • Further time would be provided for considering long term service delivery options 	Guy Kilminster

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
21.	Emergency Out of Hours Service (responding to Social Care emergencies for children, adults and older people that cannot be left to the next working day).	553	9	County	Single pan-Cheshire Service	<ul style="list-style-type: none"> The current model provides a cost effective service across what will be the two new authorities. Separating the service between the two authorities would add considerably to the costs of providing statutory services out-of-hours by about £300k. The service has expertise in risk management for vulnerable children and adults. At a time of significant change it is sensible that a service to the most vulnerable should be robust and secure. The service is available from 4.30pm to 9.00am weekday nights, all of Saturday and Sunday and Bank Holidays. Total staffing is 8.5FTE plus standby and pool workers. The service processes approx 8,000 referrals, 25,000 phone calls and attends approx 1700 assessments / tasks per annum. Given the highly specialised nature of the service and the risk issues dealt with, it is not appropriate for any contact centre arrangements to take on this role. 	Tim Mann

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
22.	International Unit	170	3.5 FTE (plus 1 temporary FTE)	County	Whilst it is proposed that the External Funding unit is disaggregated, the recommendation is to retain a pan-Cheshire EU funding and policy advice section and that a shared international office is retained in Brussels.	The business case for retaining external EU funding and policy advice is evidenced through the success at attracting additional funding sources into Cheshire. For example, EU Programme 2000-2006 brought £48m into Cheshire and in 2007-08 External Funding of £43m (including £4m of EU funds). Potential future funding is substantial – the EU Programme 2007-2013 incorporates £310m of European Regional Development Fund and £357m European Social Fund for the North West (excluding Merseyside). However, this is a very specialised area which benefits from strong, collective working at the regional and sub regional level for both officers and Members. Disaggregating this Service risks weakening Cheshire's ability to attract these funding sources. It is also proposed to retain the Brussels office – the accommodation running costs are £19k p.a. but is more than offset through Service Level Agreements of £30k and with external partners (such as Cheshire Fire & Rescue, Police and European Commission) and is vital in raising the profile for Cheshire in attracting European	

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
						funding and supporting trans-national agreements for funding, exchanges and promoting business.	
23.	Waste Disposal Contracts (Landfill, household waste recycling centres) and Waste Treatment PFI Contract Procurement	30394	8	County	Single pan-Cheshire Service	<p>The Cheshire Waste Partnership has developed a Household Waste Management Strategy to ensure that waste disposal within the county can take place over the long term within landfill allowances. The principal element of the Strategy is the procurement of a PFI contract for new waste treatment facilities under the EU Competitive Dialogue process, which is at an advanced stage. The range of competitive proposals submitted all provide for a single countywide solution and cannot be split geographically into two.</p> <p>Defra has indicated that the PFI credits are allocated jointly and that it expects joint working between the Authorities to procure a satisfactory solution to continue. The waste treatment contract will provide a single county solution and is incapable of division.</p> <p>The financial consequences of not finalising this procurement are severe. It is estimated that the</p>	Harold Collin

Ref.	Service	2008/09 Approx. Net Revenue Budget (£ 000s)	2008/09 FTE (approx)	County and or District function	Recommended Service Delivery Model	Reason for Decision and supporting Evidence	Current Lead Officer
						<p>new Authorities would incur estimated additional costs of at least £175 million over the next 25 years (£7m p.a) if the PFI procurement is aborted.</p> <p>It is proposed that the PFI Contract should continue and that the PFI Project Team be kept together post vesting day to complete and manage the contract.</p> <p>The Disposal (Landfill) and HWRC Contracts are also current countywide contracts. There are clear synergies with these contracts and the PFI Waste Treatment project. In addition, re-negotiating these contracts would incur a significant cost. It is therefore proposed that a single pan-Cheshire unit be established to continue to manage the contracts.</p>	