

CHESHIRE EAST COUNCIL

Cabinet

Date of meeting: 3 March 2009
Report of: Borough Treasurer & Head of Assets
Title: Shared Services

1.0 Purpose of Report

- 1.1 This report updates Cabinet on progress made in collaborating with Cheshire West and Chester Council (CWACC) to deliver a number of the Council's functions on a 'shared' basis.
- 1.2 The breadth of services to be provided and the scale of the budgets to be shared make this one of the pre-eminent shared services arrangements in the Country. As such there are a range of commercial, legal and operational issues to be considered before entering into such a relationship.
- 1.3 However the relationship itself is also a key factor in the success of the collaboration. This report sets out the work done to date in building the links between the two Councils as well as addressing the aforementioned issues to structure the right deal for Cheshire East.
- 1.4 It should be noted that under current plans, a range of services will be provided by Cheshire East as 'host' authority on behalf of CWACC and similarly the latter will discharge some functions on behalf of Cheshire East. This report sets out the practicalities involved in setting this up and requests endorsement of the approach taken to date.

2.0 Decision Required

- 2.1 To endorse a list of services and functions to be shared (see Appendix 1), including the proposed allocation of host and non-host for each and, in the case of transitional arrangements, the projected end dates for each.
- 2.2 To note a supplementary list of services (see Appendix 2) that have been provisionally considered for sharing by the JPDT.
- 2.3 To note the proposed governance framework between the two Councils and the structure of the Inter-Authority Agreement that will support it (Appendices 3 and 4).
- 2.4 To endorse the proposed approach to dealing with staffing (see Appendix 5).

3.0 Financial Implications for Transitional Costs

- 3.1 The recommendations contained within this report have no additional financial implications for transitional costs.

4.0 Financial Implications 2009/10 and Beyond

- 4.1 The disaggregation of the County revenue budgets and the aggregation of the District revenue budgets has been built into the MTFs, incorporating the savings assumed within the LGR business case from the sharing of services with CWACC.
- 4.2 Realisation of this amount depends on:
- (i) achieving the optimal design for the services by the due dates and;
 - (ii) the operational and financial targets set by the Joint Committee being achieved in 2010/11 and subsequent years.

5.0 Background and Scope

- 5.1 Shared Services was identified as a route to achieving better value for money across a range of functions as part of the LGR bid. Subsequent work by the joint liaison committee for East and West identified a range of potential candidates for sharing, either permanently or for a transitional period. In addition, external consultants were commissioned to work up a business case assessing the potential for sharing back office (transactional) and elements of ICT services. Cabinet considered this business case and approved 'in principle' a shared approach to the back office and also a range of other services on 7 October 2008.
- 5.2 The list of services for which an agreed way forward has been defined is provided at Appendix 1. This list identifies the proposed host authority – i.e. the organisation with lead responsibility for discharging the functions for each service. The host will act as the accountable body, recording service-related expenditure on its chart of accounts and acting as the legal entity for procuring goods and services etc. The non-host's share of the costs will be calculated according to an agreed formula and the host reimbursed.
- 5.3 A second list of potentially 'sharable' services is provided at Appendix 2. This list includes:
- (i) Services not previously ratified for sharing, but where this appears a sensible option;
 - (ii) Services for which a host authority has not yet been determined;
 - (iii) Services previously ratified for sharing, but could potentially be excluded.
- 5.4 The aggregate annual revenue budgets of the proposed shared services total approximately £195million. Approximately £84million of this relates to services earmarked for sharing beyond the transitional period. It is worth noting that, although CWACC is currently identified as host authority for more individual services than CEC, the overall aggregate value is broadly equally split between

East and West for both transitional and ongoing costs. Approximately £26million of the £195million figure relates to services in the second list.

- 5.5 A joint programme development team (JPDT) chaired by the Borough Treasurer & Head of Assets and the s151 officer of CWACC has been working to reach agreement on:

- (i) Proposed scope and hosting responsibilities
- (ii) Overall relationship governance;
- (iii) Individual service specific commercial arrangements
- (iv) Treatment of staff;
- (v) Branding
- (vi) Ensuring service readiness

6.0 Proposed Governance Model

- 6.1 The basic governance model proposed for shared services is set out in Appendix 3. It is currently envisaged that the overall relationship will be managed through a Joint Committee comprising 6 members in total, 3 from each authority, including the member with portfolio for shared services. Given that the scope of functions cuts across a range of portfolios and directorates, it may be appropriate to identify a combination of standing and co-opted members to provide CEC's representation on this Committee.
- 6.2 It is intended that the Joint Committee will fulfil a proxy portfolio holder role on behalf of the two Councils. Its remit will be defined within an inter-authority administration agreement setting out the principles upon which the overall relationship is to be based, how the individual services are to be directed and performance managed, issues resolved and decisions made on scope changes, additions and removals. A Joint Officer Board will report to the Joint Committee essentially mirroring the relationship between portfolio holder and director within the individual organisations.
- 6.3 The strategic direction for the Shared Services will be provided by the Joint Officer Board and the Board will charge the host authority with enacting the line management processes required to support the delivery of the Shared Services for the two Councils. The direct line of operational accountability will be from the Shared Service up to the Joint Officer Board. This will ensure that there is equal operational input into the service from each Council.
- 6.4 The most senior officer within the shared elements of service will be an employee of the host authority but any recruitment to these positions will be undertaken jointly. A staffing agreement will be put in place to deal with issues related to resourcing and managing individuals within the shared services.
- 6.5 It is worth noting that the JPDT is, in essence, the precursor to the Joint Officer Board, with similar governance arrangements. In this sense it is performing a valuable relationship building role at officer level.

7.0 Staffing

7.1 There are two basic alternatives for staffing:

- (i) full transfer of relevant non-host staff into the service (i.e. all shared service staff employed by the host authority);
- (ii) secondment of non-host staff into the service (i.e. some staff continue to be employed by the non-host).

7.2 The JPDT has received advice from internal and external HR specialists (Appendix 5). Operationally there are compelling reasons to use the secondment route for the short term transitional shared services. Cabinet will also be mindful of the designations provided to staff as part of the overall staff disaggregation exercise and the view of the JPDT is that reverting to a transfer model with the re-designation of certain staff at this stage will prove confusing and potentially cause a retention risk. Hence it is proposed that all non-host staff within each shared service retain the designation they have already been given and be seconded. The designation relates to the individual not the post – hence any subsequent vacancy will result in a recruitment to the host authority irrespective of prior designation. On any subsequent termination of the shared service another disaggregation exercise would take place to ensure that each authority received their full share of the available staff resource.

7.3 For those services proposed to be shared on an ongoing basis, there may be advantage in the future from moving towards a transfer model – for example in ensuring convergence of terms and conditions and developing a ‘one team’ approach to service delivery. It is proposed that the staffing arrangements for these services be jointly reviewed prior to 1st April 2010.

8.0 Service Readiness

8.1 An exercise is underway to ensure service-readiness for sharing. Broadly speaking it is envisaged that staff within these services will report to their current work locations on 1st April. Subsequent optimisation of operations and processes will be driven by a full business case capturing the overall financial and operational benefit, the completed legal agreements and individual service optimisation plans approved by the Joint Committee.

9.0 Next Steps

9.1 The JPDT is currently working up the inter-authority agreements (Appendix 4). Service level agreements are being prepared by the shared transactional and ICT functions. Work is also underway on creating a brand identity for the shared services. A communications plan has been prepared by the JPDT and it is envisaged that regular updates will be provided through Talking East, as well as tailored engagement with directly affected staff.

9.2 The immediate requirement is to prepare the necessary delegations to allow CWACC to discharge their ‘hosted’ functions on behalf of CEC. Similarly

CWACC will have to delegate the power to discharge functions to be hosted by CEC.

- 9.3 In order to finalise the arrangements necessary for Day One sharing, the Council will also need to
- (i) Confirm the acceptability of the scope of services and the proposed hosting arrangements;
 - (ii) Endorse the approaches taken to overall governance, staffing and cost sharing;
 - (iii) Agree the proposed structure and membership of the Joint Committee;
 - (iv) Agree to delegate the power to discharge the relevant functions.
- 9.4 Subsequently a full business case prepared by the Joint Officer Board (and endorsed by the Joint Committee) will be presented to each Council for formal approval of the partnership as constructed.

10.0 Risk Assessment

- 10.1 Not entering into a shared service agreement with CWACC at this stage would require immediate disaggregation of the relevant services with substantial associated business continuity and service performance risk
- 10.2 Business continuity risk during transition is being addressed through:
- (i) Minimal service redesign and staff relocation through early stages of transition;
 - (ii) Liaison with ORACLE LGR project team.

11.0 Conclusion and Reasons for Recommendation

- 11.1 Substantial progress has been made in building the governance infrastructure to support the sharing of services with CWACC.
- 11.2 Further work needs to be completed prior to 31st March 2009 in order to provide the framework for the Joint Committee and to allow services to be shared in the transitional period. The recommendations set out the approvals needed in the short term to ensure readiness to deliver services on behalf of CWACC and to allow CWACC to deliver services on behalf of CEC.
- 11.3 A further report will be brought to Cabinet on 24th March to address the outstanding issues requiring approval to commence shared operations and final endorsement will be sought through the preparation of a Full Business Case for the proposed ongoing shared services, identifying the expected benefits associated with the arrangement and the steps required to achieve them.

Appendices:

Appendix 1 – List of Services Confirmed for Sharing

Appendix 2 – Provisional List to be Resolved by the Joint Development Programme Team (JPDT)

Appendix 3 – Proposed Governance Structure

Appendix 4 – Inter-Authority Agreement Structure

Appendix 5 – Proposed Staffing Arrangements

For further information:

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Background Documents:

Cabinet Report – Shared Services – 7th October 2008

Documents are available for inspection at:

Cheshire East Democratic Services

Westfields

Middlewich Road

Sandbach

CW11 1HZ

Appendix 1 – List of services confirmed for sharing

(i) TRANSITIONAL ARRANGEMENTS	Host	(ii) MEDIUM TO LONG TERM ARRANGEMENTS	Host
Inclusion and education (including School Improvement, Extended Schools. Healthy Schools and Parent Partnership)	W	Shared Back Office Shared ICT Delivery/Support	W
Autism Support	W	Farms Estate	E
Sensory Impaired Service	E	Occupational Health	W
Urban Traffic Control Unit	W	Archives & Local Studies	W
Highways and Geotechnical Laboratory Service	W	Youth Offending Team	E
Transport Co-ordination	W	Libraries – Specialist and Support Services	W
Childcare Strategy	W	Emergency Out of Hours Service	W
Children Centre's Development Programme	W	International Unit	E
School Admissions (and the Appeals Service)	W	Learning Disability Pooled Budgets	E
Student Finance	W		
Support Services for Schools	W		
Outdoor Education Service	W		
Archaeological Service	W		
Commissioned Community Equipment Service	E		
Learning Resource Network	W		

Appendix 2 – Provisional List (to be resolved by JPDT)

1) Services which were not ratified previously, but where service sharing seems the most appropriate solution:

Ref	Service	Why not ratified previously	Justification for sharing	Proposed host	Hosting justification
A15	Approved Mental Health Professional	Not submitted for ratification	Existing Cheshire service with highly specialised skills	Cheshire West & Chester	Risk of skills loss
B5b	Highway and Vehicle Maintenance term contract	Not submitted for ratification	Cheshire wide contract	Cheshire West and Chester	Aligns with Transport Co-ordination
B15	Drug & Alcohol Action Team	Not submitted for ratification	Partnership with other Cheshire wide organisations	Cheshire East	Posts / location
B19	County Contact Centre (Dalton House)	Longer term sharing rejected by Cabinet	Maintain customer service during transition period.	Cheshire East	Location
B20	Visual Impairment Service	Not submitted for ratification	Existing Cheshire service - small with specialised skills	Cheshire East	Location
B22	Apprenticeship Programme (NVQ)	Not identified as potential shared service	Maintain customer service during transition period.	Cheshire East	Current service will support East. Vale royal NVC can support West.
B23	Mineral & Waste Planning	Collaborative working agreed, but not shared services	Existing Cheshire service - small with specialised skills	Cheshire West and Chester	Risk of skills loss
B26	Weaver Valley Enterprise	Collaborative working agreed, but not shared services	Funded and staffed by County staff until 31/3/09	Cheshire East	Location
B27	CBS Supplies	Not identified as potential shared service	Pan Cheshire delivery plus potential for commercial exploitation	Cheshire West and Chester	Location

2) Services where sharing has been ratified in principle, but hosting decision requires formalisation:

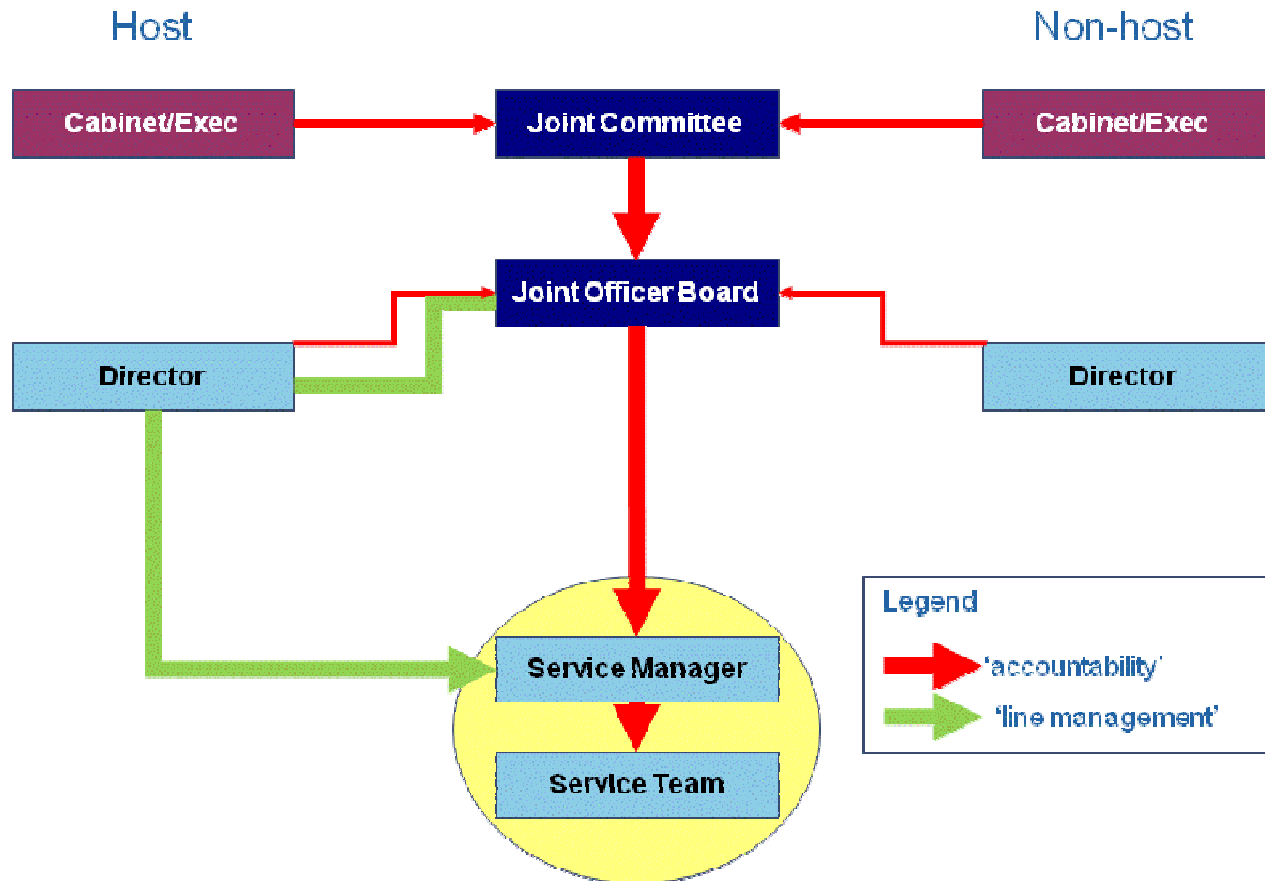
Ref	Service	Proposed host	Justification
A4	Civil Protection / Emergency Planning	Cheshire West and Chester	Physically based in Winsford, perceived higher risks in West
A14	Rural Touring Network	Cheshire West and Chester	Staff (2) disaggregated West
B18	Cheshire Domestic Abuse Partnership	Cheshire East	Service delivered by one person who has been disaggregated East.

3) Services ratified as being within scope of shared service programme which could, potentially be excluded:

Ref	Service	Previous proposed host	Justification for removal from scope
A2	Pensions	Cheshire West and Chester	Separate Legal Entity
A11	Waste Disposal Contracts and PFI	Cheshire West and Chester	Service sharing plans already well advanced
B10	School Transport Policy	Cheshire West and Chester	Policy department
B24	Cheshire & Warrington Partnership	N/A	Separate Legal Entity
B25	Cheshire & Warrington Economic Alliance	N/A	Separate Legal Entity

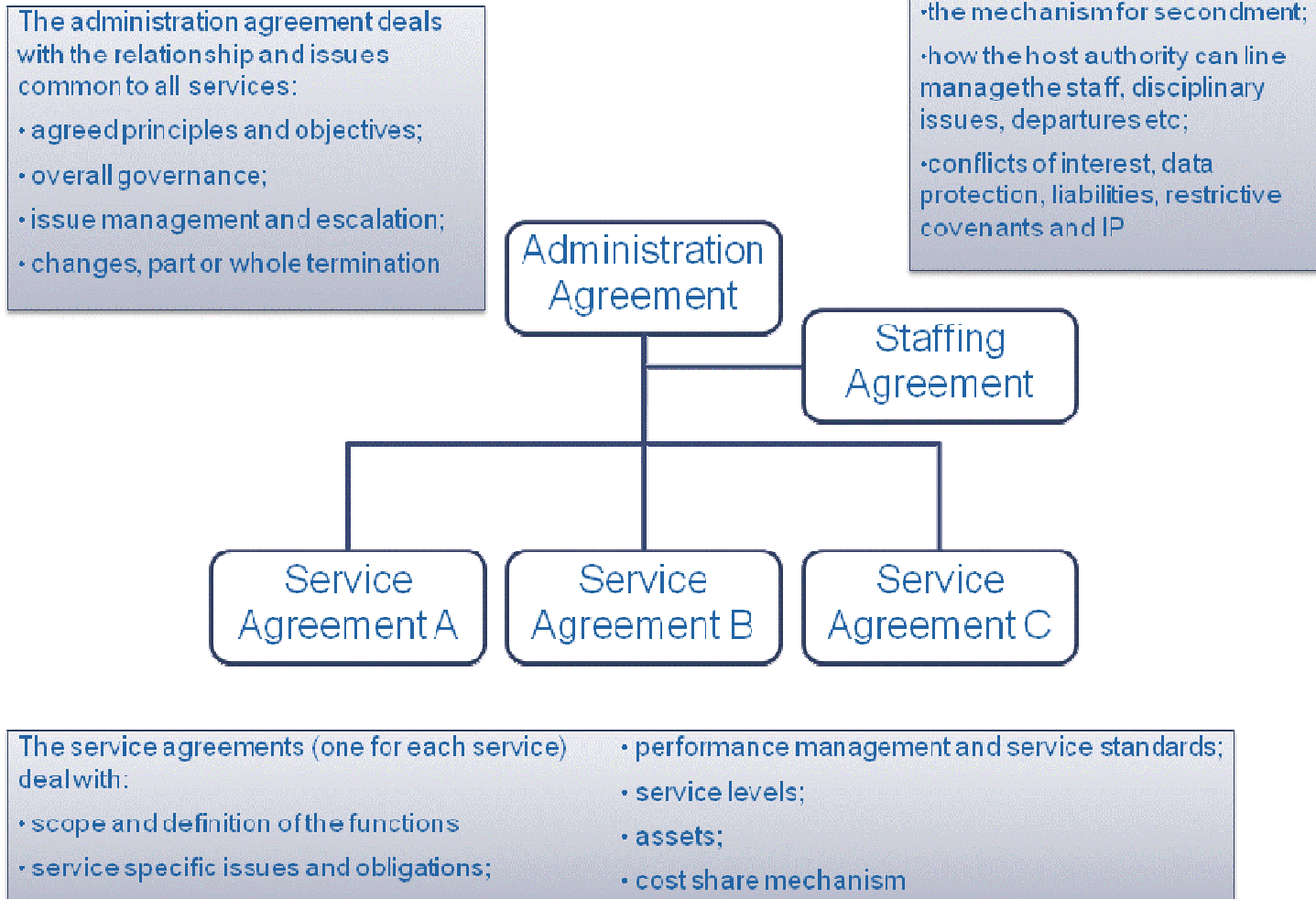
Appendix 3 – Proposed Governance Structure

Shared Services Governance - summary



Appendix 4 – Inter-Authority Agreement Structure

Inter Authority Agreement Structure



Appendix 5 – Proposed Staffing Arrangements

NB: This note was prepared by the HR sub-group set up by the JPDT to review the potential approaches to dealing with the staff issues around the shared services. References to groups of services have been changed to match the main report and references to appendices have been removed to avoid confusion with the main report.

Cheshire Wide Shared Services

Summary of proposed approach

1. Purpose of this note

In light of further work on the governance of Shared Services, this note sets out the proposed arrangements for staff transfer.

2. Background

The LGR business case is, in part, predicated on a number of services being delivered Cheshire Wide across both new authorities. These services have been categorised into two main groups: Group (i) – Services to be provided Cheshire Wide for a limited period for pragmatic or operational reasons, so called ‘transitional’ arrangements and Group (ii) - Services to be provided Cheshire Wide in the medium to long term, subject to review, so called ‘medium to long term’ arrangements.

In the current environment many of these services are delivered by Cheshire County Council across the County and in these cases there is a strong case for existing teams to continue to provide these services, either in the short or longer term. A number of the proposed list of Shared Services are currently a mix of centrally delivered services and local District activity; for example HR Administration, where services from the County managed Employee Service Centre and services from local District HR teams combine. In these cases the proposed Shared Service model suggests that much of this common activity and the staff who support this activity will come into a Shared Service model.

Whilst this sounds logical and straightforward, there are significant complexities related to governance, sharing of liabilities and assets, procurement protocols, employment law and practical people management issues that arise.

3. Principles

Agreement has been reached on the following principles:

- Costs, assets and liabilities of all Shared Services will be equitably shared between the new authorities, Cheshire East and Cheshire West and Chester.

- Governance arrangements for Shared Services will ensure equitable representation of the views, needs and concerns of Members and Officers from both new authorities.
- Governance and operational management arrangements will ensure that equal value is derived from these Services in relation to costs by both new authorities.
- Procurement protocols are observed.
- Relevant employment law is observed.
- Best practice in people management, specifically equality of opportunity and equal treatment are observed and, should substantive changes to the services or service delivery models need to be made, that staff are not avoidably disadvantaged by being part of Shared Services rather than being directly part of one or other of the new authorities.

4. Options for staff transfer into Shared Services.

The legal advice provided by Eversheds sets out pros and cons for the two routes open for achieving staff transfer. It is clear from this advice that a 'disaggregation and secondment' model is ideally suited to those services which are of a transitional nature (Group (ii)) and a 'transfer' model is far better suited to those services that are considered to be medium to longer term arrangements (Group (i)). This position and the arrangements proposed below have been validated by Eversheds.

However, considerable progress has been made to date on adopting a 'disaggregation and secondment' model for all Shared Services including work with key stakeholder groups including Unions and Members. It is also felt that, whilst a 'transfer' approach is clearly more appropriate for those services likely to have a medium to long term future, the considerations that lead to this conclusion do not come fully into play immediately.

Given the imperative that arrangements are in place for safe and reliable operation on Vesting Day it is recommended that the 'secondment' model is adopted for all services at this stage.

It is also firmly recommended that arrangements for the Group (ii) 'medium to long term' arrangements are reviewed within 12 months with a view to moving to the 'transfer' model at this stage. This will allow for these services to bed in fully and for confidence in the Shared Service approach to build through positive experience.

5. Recommendations

The Joint Programme Development Team is asked to approve the approach set out above.