Cheshire East Council
Cheshire West and Chester Council

Shared Services Joint Committee

Date of Meeting: 24th September 2021

Report Title: Shared Service Review Update Report.

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 Mark Wynn, Chief Operating Officer, Cheshire West and Chester Council

1   Report Summary

1.1 This report provides an update of the progress of the shared services review

1.2 The report sets out:
*   A summary of the approach to the Shared Services Review
*   The progress of the Shared Services Review

2   Recommendations

2.1 It is recommended that Members:

   i)   Agree and note the progress and contents of the report.
   ii)   Note the emerging direction of travel for ICT
   iii) Note the latest findings for Transactional Services
   iv)   Support a period of detailed understanding and assurance on the recommended model for ICT Services outlined in section 6 below.

3   Reasons for Recommendations

3.1 The Shared Service Joint Committee terms of reference sets out that Joint Committee is responsible for overseeing changes and projects, and changes to shared services.

3.2 A Review of the arrangements between the two councils is being undertaken. This report brings members of the committee up to date on developments.

4   Background

4.1 A number of shared services where established following Local Government Reorganisation in 2009 when Cheshire East Council and Cheshire West and Chester Council were formed.

4.2 Currently there are eight formal shared services, all underpinned by formal legal agreements (six Cheshire West And Chester (CWC) -hosted and two Cheshire East Council (CEC) hosted:

- Farms Estate (Management)
- Archives and Local Studies
- Emergency Planning
- ICT
- Transactional Services
- Cheshire Rural Touring Arts
- Archaeological Planning and Advisory Services
- Libraries Shared Service

4.3 Cheshire East Council and Cheshire West and Chester Councils agreed to commission a strategic review all of the existing eight formal shared services. It was agreed that an external perspective and expertise would be valuable, and a specification was drawn up, a procurement exercise undertaken, and C.Co, the consultancy arm of CIPFA, were appointed to conduct the reviews.

5. Approach to the Shared Services Review

5.1. The purpose of the service review exercise is to:

- provide assurance on the operation of the shared service in terms of both meeting the objectives of each council and delivering value for money.
- to identify opportunities for efficiencies and financial savings; and,
- to identify how could the services work better and/or what will make them work better?

5.2. The scope of the review for each of the shared services, includes, but is not limited to the following questions, relating to whether the shared service, in its current form, is fit for purpose and whether it currently meets the objectives of each council:

- Is it / can it deliver its business plan within the parameters of the performance management framework (i.e. within budget, good performance levels)?
- Have risks and issues been identified in the service's delivery and if so, what are they related to?
- What are the alternative operating models?
- Are the financial principles that the shared service operates on sound? Does the cost model work in practice?
- Is the resourcing model fit for purpose and able to support the delivery of objective and outcomes – are there the right people, in the right roles, with the right skills and competencies, delivering the right things at the right time?

- How might improvements be made?

5.3 The review of all of the shared services will be undertaken between March and October 2021. The review will take place in three phases:

Phase 1: ICT Shared Services – in depth review
Phase 2: Transactional Services – in depth review
Phase 3: Wider Shared Services (remaining six shared services)

Each service review will provide:

- Clarity on how all the shared services align to the strategic objectives for both councils.
- The identification of improvements to secure greater efficiencies and effectiveness.
- A milestone plan for delivery.

5.5 For the in-depth reviews of ICT and Transactional Services the recommendations will also include:

- An assessment of the delivery against previous reviews.
- A high-level recommended delivery model setting out a recommendation for which functions should continue to be shared or separated, or an alternative hybrid model, with at least an estimate of the cost of change.
- The recommended model to have a high-level financial plan that delivers against an agreed financial envelope, including clarity on how costs are apportioned.

Additionally, a recommended model of governance and assurance of the Shared Services will be developed.

5.5 The governance of the programme is taking place through a series of meetings and reports including:

- Project Group – a weekly meeting
- Project Board – at least monthly meeting
- Regular Sponsor meetings
- Bi-weekly Highlight Reports

6. Progress of the Shared Services Review

Phase 1: ICT Shared Services (in depth review)

6.1 The Review has acknowledged the progress and the improvements across ICT over the last few years, including the successful delivery of the Evolution Programme which has modernised the Councils infrastructure and enabled new ways of working. The challenge, to be addressed by the review, however, is identifying how the ICT services

can continue to be delivered in the long term, given the changing operating environment.

6.2 Previous reviews of ICT have helped to inform a proposed future model. For example, in 2017/18 a comprehensive review recommended strengthened client functions and moving to a hybrid ICT Shared Service following the completion of the Evolution programme.

6.3 There are a number of key findings from the shared service review.

6.4 Both Councils have their own priorities and plans to meet the needs of their boroughs. These priorities, initiatives, organisational cultures, and transformation agendas are not always aligned in scope, time or approach as they are intrinsic to each council. Full alignment would be a significant task and would have major implications for each council, going far beyond ICT considerations. The costs of doing this would likely far exceed the benefits.

6.5 The committed business strategies within each Council, such as estates, flexible working, information governance, digital amongst others, are not aligned. In addition, business requirements for systems vary due to different business processes and service designs in each council. This reduces the opportunity for joint procurements, common solutions and further economies of scale within the ICT shared service.

6.6 The strengthened client teams in each Council determine the technologies to meet their Council's needs in partnership with ICT Shared Services however there is very little alignment between the two Councils as the business processes and requirements differ.

6.7 The ICT market is moving rapidly towards software as a service and away from more traditional on-premises hosting. This makes the case for a shared service in its current form less compelling. Economies of scale are increasingly being delivered by system vendors supporting multiple organisations rather than local support teams supporting a range of organisations.

6.8 These issues appear to have financial consequences. Through benchmarking, the costs associated with ICT client and delivery services appear to be higher than comparators in local government. This is linked to multiple factors such as having separate client teams, higher levels of contractor staffing, unpredictable demands, different business requirements and strategic directions. However, the caveat is that there are no other ICT shared services in local government of the size and scale of Cheshire's.

6.9 The issues outlined above are not unique to Cheshire East and Cheshire West and Chester Councils. This is evident across the sector and there are fewer shared ICT functions that are currently operating.

6.10   The shared services governance arrangements are predicated on a level of joint working beyond what exists.

6.11   The review has outlined a recommended model for the long term based on the findings and in line with trends and leading practice across local government.

6.12   A number of alternative models were also explored but have been determined not appropriate at this time such as:
- A fully Shared Service which would require the alignment of the Councils business strategies and strategic governance,
- Full separation of the Shared Service
- Creating a Company or Alternative Service Delivery Vehicle
- Outsourcing.

6.13   The model recommended by C.Co is focussed around a hybrid shared service. This means sharing more standardised functions such as network and infrastructure but aligning other ICT functions which are more business focused more closely to each of the two councils.

6.14   The model would require investment to achieve benefits and savings and would be a significant change to the current shared service model.

6.15   Given this context, further detail and technical assurance would be required to fully understand the impacts, the delivery plan, the costs and the benefits of moving to the recommended model.

6.16   It is recommended that this is again carried collaboratively by both Councils with the assistance of an external partner. This will ensure there is the right level of independence and specialist advice to provide robust recommendations. A specification for this further work will be established if Members approve this recommendation. Findings and conclusions will be reported back to a future Shared Services Joint Committee at the earliest opportunity.

6.17   The costs for this further detailed understanding of the recommended model are not expected to exceed the total costs of this first wider shared services review.

Phase 2: Transactional Services (in depth review)

6.18   The Transactional Services review is underway and has acknowledged the focus and ongoing efforts of the service in supporting the introduction of Best for Business programme.

6.19   As with the ICT Review, the same approach, criteria, use of benchmarking and best practice is being followed.

6.20   The review is not yet complete but early insights are suggesting there are opportunities to further optimise the service and improve efficiencies. Given where the Councils are

with the implementation of Unit 4 ERP, the current extent of shared service model cannot feasibly be changed.

6.21   Financial Procedure Rules which influence the activity of Transactional Services are consistent which indicates an overall strategic alignment. The inconsistencies, however, are in operational elements which contribute to the fact that not all processes are consistent.

6.22   There are also potential opportunities for reduction in demand and application of further consistency that are being explored. The review is exploring elements such as:

- o Payment Mechanisms and shared liabilities
- o Demand management including, how non-compliance and failure demand can be reduced
- o Benefits of further standardisation of processes
- o The capabilities and benefits Unit 4 ERP will bring to the service.

6.23   Due to the service being part way through the transition to Unit 4 ERP there have been a number of challenges which C.co and the service are working through to try to give a more accurate understanding of future capabilities, processes and underpinning data to assist in the benchmarking position.

6.24   At this stage of the review the best option for Transactional Services would appear to be to optimise the current service first and to aspire to achieving better value and a leading service following the full implementation of Unit 4 ERP.

Phase 3: Wider Shared Services (Remaining Six Shared Services)

6.25   For the remaining six shared services, initial engagements have taken place and the review will be gathering pace over the next few weeks following the Transactional Services report.

6.26   These reviews are desk-based due to the lower cost and scale of the remaining six shared services.

6.27   The reviews will consider improvements, their fit in line with the Councils directions and governance.

7.   Next Steps

7.1   The next steps of the review are to:

- Refine and agree the benchmarking for Transactional Services.
- Define the recommended model for Transactional Services
- Commence fully the wider shared service reviews.
- Commission a detailed understanding and assurance on the recommended model for ICT Services

8.   Implications of the Recommendations

8.1   Legal Implications

8.8.1   The Shared Services Administrative Agreement sets out the overall arrangements in relation to the way the sharing Authorities will work together. This will need to be revised when revised arrangements are agreed.

8.2   Finance Implications

8.2.1   For the purposes of this report, the Financial Implications will be the cost of undertaking the reviews together with the costs of implementing any revised delivery models. Implementation costs, together with any savings identified will be used to evaluate the viability of the preferred models and shared in due course as part of the individual service reviews.

8.2.2   The cost of the contract with C.Co is £98,000 , shared equally between the two councils.

8.2.3   The costs associated to further detail on the recommended model for ICT Services will be explored subject to agreement from the committee.

8.3   Policy Implications

8.3.1   Policy implications will be dependent on the findings and recommendations of the review and will be identified for each service.

8.4   Equality Implications

8.4.1   There are no direct Equality implications

8.5   Human Resources Implications

8.5.1   Implications for Human Resources are dependent on the recommendations arising as a result of the review and any revised agreed operating model. Communications and engagement with staff affected and the recognised Trade Unions will continue.

8.6   Risk Management Implications

8.6.1   The risks associated with the findings will be made clear once a final report is produced and be made clear to members at the appropriate time.

         Risks are included in each organisation's risk register as appropriate.

8.7   Rural Communities Implications

8.7.1   There are no direct implications for Rural Communities.

8.8   Implications for Children & Young People/Cared for Children

8.8.1   There are no direct implications for Children and Young People/Cared for Children.

8.9   Public Health Implications

8.9.1   There are no direct implications for Public Health.

8.10   Climate Change Implications

8.10.1 There are no direct Climate Change implications

8.11   Ward Members Affected

8.11.1 This report relates to Shared Services that operate across both CE and CWC, therefore all wards are affected in both Councils.

9.   Access to Information
Documents are available for inspection at:

Cheshire East Democratic Services
Westfields, Middlewich Road
Sandbach
CW11 1HZ
or:

Cheshire West & Chester Democratic Services
HQ Building, Nicholas Street,
Chester,
CH1 2NP

10.   Contact Information

10.1   Any questions relating to this report should be directed to the following officer:

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