

Cheshire East Council

Cheshire West and Chester Council

Shared Services Joint Committee

Date of Meeting: 21st January 2022

Report Title: Shared Service Review Update Report

Senior Officer: Jane Burns, Executive Director, Corporate Services, Cheshire East Council
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.

2 Recommendations

2.1 It is recommended that Members:

- i) Note the findings, recommendations, and next steps for Phase 2: Transactional Services
- ii) Note the findings, recommendations, and next steps for Phase 3: six smaller shared Services

3 Reasons for Recommendations

3.1 The Shared Service Joint Committee terms of reference sets out that Joint Committee is responsible for overseeing changes related to the 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 Cheshire East Council and Cheshire West and Chester Councils agreed to commission a strategic review of all 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. This work has largely been completed and is in the process of being reviewed.

5. Approach to the Shared Services Review

5.1. The purpose of the 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 review of all the shared services has been undertaken in three phases, this report provides a summary:

Phase 1: ICT Shared Services – in depth review

Phase 2: Transactional Services – in depth review

Phase 3: Wider Shared Services (remaining six shared services) – light touch review

6. Summary Progress of Phase 1: ICT Shared Services (in depth review)

6.1 The key findings of this review were reported to this committee on 24 September 2021. Further work on technical and financial assurance and due diligence was agreed. The more detailed exercise is required to fully understand the impacts, the delivery plan, the costs, and the benefits of moving to the recommended ICT model before a decision is taken.

6.2 The resource impact across ICT services as a whole is regularly monitored through project governance to ensure this is manageable and to reduce any additional costs or impacts.

6.3 This activity is underway and is anticipated to complete by April 2022.

7. Summary Progress of Phase 2: Transactional Services (in depth review)

7.1 The review of Transactional Shared Service has considered the strategic alignment between the Councils, efficiency and effectiveness of the service, through baselining costs, benchmarking against other councils and gaining a deeper understanding of performance from a customer perspective. It has then considered the best delivery model for the future and has recommended opportunities for further improvement.

7.2 Transactional Services is hosted by Cheshire West and Chester Council and operates as a shared service model with a 50:50 split of all costs and potential liabilities such as underspends and overspends. The review identified that overall, this funding equates to a broad 50:50 split of all costs associated.

7.3 The review has acknowledged the significant challenges that Transactional Services have faced over the last few years, particularly in relation to the implementation of UNIT 4 ERP and COVID response.

- 7.4 The review has also factored in the current service review for Transactional Services due to be consulted on during Q4 21/22 to meet the UNIT4 ERP policy options and in their costings took account of the proposed reduction in posts.
- 7.5 The key findings from this review are:
1. There is strategic alignment between the two Councils. As well as the investment the two Councils have made to the new ERP system, there is a wider strategic commitment to working together. There is alignment of strategies and policies which provide a good starting point for identifying opportunities for improvement and realisation of efficiencies.
 2. Benchmarking was looked at for Cheshire East and Cheshire West and Chester separately (as there is some variance in certain elements of demand between the Councils) and as a total Shared Service. In all areas considered the benchmarking provided assurance that costs are broadly in line with comparators. There are some areas where they are at the lower end of the statistical neighbours and some where they are at the higher end. Generally, Transactional Services are competitive on both costs and service delivery volumes across payments and income and payroll and recruitment.
 3. The Transactional Shared Service is largely a demand-led service, the volume of activity is driven by factors external to the service. Avoidable demand is significant within the service. One of the greatest areas of avoidable demand is having to deal with requests for payment where there is no purchase order, meaning a process that should be largely automated requires significant manual intervention and unnecessary complexity and double handling.
 4. Due to various changes across the councils the current model is not fully supported by defined 'client' functions. This can lead to a lack of direction, inconsistent views of processes, confused understanding of priorities and a lack of defined and mutually agreed plans and actions for improvements. As a partner to the Councils, Transactional Services need to be able to understand and respond to needs and priorities.
 5. The performance of Transactional Services is currently measured on the purely numerical transactions – volumes, days and percentages - as opposed to more qualitative measures such as customer satisfaction and continuous improvements.
- 7.6 The overall recommendation from C.Co following the review is to optimise the current service first and to aspire to achieving best value and a leading service following the full implementation of Unit 4 ERP.
- 7.7 The points below list the recommendations for the Shared Service. However, it should be noted that further internal work is required regarding planning and necessary resourcing needed to take this forward.

1. Establish clear client responsibilities within the Councils and identify relationship leads within the shared service to form the foundation of the future governance to:
 - Build strong relationships
 - Monitor performance
 - Identify continuous improvement opportunities
 - Oversee the consistent roll-out of improvement initiatives outlined below
 2. Review operational differences which contribute to varying costs (e.g. banking provision) and consider standardisation to the lowest cost of process where possible.
 3. Consider creating a shared services identity for Transactional Services and an associated culture and engagement approach (in the service and the councils) to establish a stronger proactive customer service approach and ensure the shared service is embedded into both councils.
 4. Officers to conduct a more detailed assessment of the future relationship with external bodies. Delivering services to external bodies costs both authorities increasing and significant amount of money which isn't fully reflected in the charges applied. The pros and cons of maintaining these relationships need to be understood in more detail.
 5. Revisit the pricing mechanism once Unit 4 is fully rolled-out and in a stable state.
 6. Establish a programme of activity focussing purely on reducing avoidable demand on the Payments Team should be mobilised.
- 7.8 The overall recommendation is that the model for Transactional Shared Service is optimised through taking forward the recommendations outline in 7.7. From an implementation perspective, the improvement/action plan needs to take into account other pressures and priorities the shared service is under in terms of phasing.
- 7.9 **Phase 2 Next Steps**
- 7.10 The next steps of the review are:
1. Officers to develop a draft action plan and resource model for delivering the report's recommendations. (March 2022)
 2. Provide Members with an update report at SSJC (March 2022)
8. **Summary Progress of Phase 3: Wider Shared Services (Remaining Six Shared Services)**
- 8.1 The C.Co report on the findings and recommendations for the six smaller shared services is now complete.

- 8.2 In line with the agreed approach with C.Co the review of the smaller shared services would be much more in line with a lighter touch desktop review.
- 8.3 A consistent methodology and approach have been applied to all the reviews, incorporating engagement with managers, review of strategy, financial and establishment data, as well as best practice assessments.
- 8.4 Each service differs in scale, impact and the degree of shared service it operates e.g. expertise/management vs operational. Irrespective of this, it is important to note that they are all subject to the same Shared Services governance, through the Shared Services Joint Committee (SSJC). This requires annual business plans to be submitted and quarterly performance reports to be provided.
- 8.5 As part of the review, the services were considered against a series of principles to assess whether they were truly a Shared Service, whether they operated as a Managed Service or were functioning as a Strategic Partnership.
- Shared Service: with shared objectives, priorities and financial liabilities and benefits
 - Managed Service: with fixed costs and defined deliverables expected by one party
 - Strategic Partnership: working with both Councils contributing towards a wider strategic goal
- 8.6 The key findings and recommendations are:
1. Overall, all the six Shared Services are operating well and in line with best practice where comparisons can be made.
 2. There is a mixed approach to how these six smaller services operate, with some operating as shared services, whilst others are more in line with the definition of a managed service or a strategic partnership. The Councils should consider the service definitions and associated expectations
 3. Governance and reporting in some cases is not proportionate to the type of service or the services size and can duplicate or create additional avoidable effort. For example, Cheshire Rural Touring Arts has just 1.4 FTE and already reports quarterly to Arts Council England on progress. The governance and reporting depth for services should be reviewed to balance sufficient oversight with delivery.
 4. Service Level Agreements (SLA's) for each of the Shared Services have been in place for many years, these should be reviewed to ensure they are up to date and reflect the current and future expectations for the services.
 5. Funding, for some services, needs to be reviewed to ensure alignment with the shared services principles.

8.7 As part of the review each shared service has an individual findings and recommended areas for improvement on a smaller scale which have been shared with the heads of shared service and respective client managers in each Council.

8.8 **Phase 3 Next Steps**

- Officers to consider benefits and implications of the proposed changes to the “type of service”. (March 2022)
- Establish an informal SSJC session to work with Members to consider the potential changes to governance and reporting. (March 2022)
- Liaise with shared service managers on individual service recommendations to build into business planning for future years. (to be included in 2022/23 business plans)

9. **Implications of the Recommendations**

9.1 **Legal Implications**

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

9.2 **Finance Implications**

The cost of the contract with C.Co is £98,000 for the Shared Services Review, shared equally between the two councils.

9.3 **Policy Implications**

Any changes to policy implications as a result of the findings and recommendations of the review will be identified by each service and taken through appropriate governance processes.

9.4 **Equality Implications**

There are no direct Equality implications at this stage.

9.5 **Human Resources Implications**

Implications for Human Resources are dependent on the recommendations arising as a result of each review where needed an action plan will be developed to take forward the recommendations and any HR implications will be considered as part of the action plan.

9.6 Risk Management Implications

Any risks associated with the findings and implementation of recommendations will be made clear to members as they are understood.

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

9.7 Rural Communities Implications

There are no direct implications for Rural Communities.

9.8 Implications for Children & Young People/Cared for Children

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

9.9 Public Health Implications

There are no direct implications for Public Health.

9.10 Climate Change Implications

There are no direct Climate Change implications

9.11 Ward Members Affected

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

10. 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

11. Contact Information

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

Name: Heather Grove
Job Title: Senior Manager: Business Development, Assurance, and
Collaboration
Email: heather.grove@cheshireeast.gov.uk

Name: Peter Lloyd
Job Title: Head of Transformation and Technology
Email: peter.lloyd@cheshirewestandchester.gov.uk