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Appendix 1 – NOT FOR PUBLICATION: By virtue of paragraph 5 of Part 1 Schedule 1 of the Local Government Act 1972.

Corporate Policy Committee

6 February 2025

ICT Shared Service - Hybrid Operating Model Update

Report of: Adele Taylor, Interim Executive Director of Resources

Report Reference No: CPC/52/24-25

Ward(s) Affected: All

For Decision or Scrutiny: DECISION

Purpose of Report

- The purpose of this report is to update the Committee on progress with the mobilisation and designs for a new hybrid model for ICT Shared Services and to seek approval for the programme to proceed into formal trade union and staff consultation.
- The new hybrid model for ICT Shared Services contributes to Aim 1 An open and enabling organisation particularly 1.3 Support for a sustainable financial future for the council, through service development, improvement and transformation strategic aims and objectives in the Council's Corporate Plan 2021-25. As a technology enabler, it also underpins a wide range of Corporate Plan initiatives. Digital technologies and artificial intelligence provide opportunities and drivers for change.
- A new Cheshire East Plan for 2025 to 2029 to provide our residents, partners and the organisation with clarity of purpose and strategic direction aligned to a new operating model and MTFS has been developed and is on the agenda for this Committee. The plan, informed by the new operating model created as part of the Transformation Plan, reflects a commitment to digital and exploring new technologies. If agreed, we will be an enabling organisation, focussed on working alongside our partners to deliver services that achieve the best possible outcomes for Cheshire East's residents.

Executive Summary

- The new hybrid model for ICT Shared Services (ICTSS) model involves retaining a shared network and data centre, and the separation of other ICT technical and resourced functions that are currently shared.
- Approval was given at the February 2023 CPC meeting for the existing Shared Services Joint Committee (SSJC) to oversee progress with the transition alongside their current responsibilities through regular reports and agenda items. The SSJC will also play a key role, going forward, to oversee the delivery of retained shared service.
- A new Shared Services Agreement and memorandum of Understanding (MOU) is currently being drafted to ensure delivery and performance.
- In addition, it was agreed that strong Member oversight will be provided through a joint Cheshire East/Cheshire West and Chester Council scrutiny task and finish group to update on progress throughout the transition and delivery of the new hybrid model for ICTSS programme (known as the Gemini Programme).
- A mobilisation workshop was held in February 2023 with senior officers across both councils to ensure the programme could rapidly move into action. This highly productive session covered principles to guide the programme, governance, and resourcing. In addition, lessons learned from the Best for Business programme were considered.
- The technical workstream has made excellent progress. The new Cheshire West Microsoft 365 tenant has been successfully created. A tenant serves as a container for all Microsoft 365 services, users, and subscriptions associated with the organisation. Additionally, the migration of over 3,000 users and devices into the new environment is now 100% complete.
- Whilst it was originally envisaged that staff would be disaggregated (following consultation) and transferred to CWAC in their existing roles to be restructured at a later date, it was identified early in the project that this 'two hop' approach would create more uncertainty and disruption for staff as well as risks to service delivery for both Councils. Both councils therefore developed independent service designs tailored to their specific business requirements, aiming to have the required capabilities in place by April 2025. Owing to differences between the proposed new service designs and current shared service arrangement, a restructure process will be required prior to or at the same time as the disaggregation of staff to CWAC which requires CPC approval due to the number of posts affected. However, and to be clear, there are more jobs available in the new service designs for both Councils than staff.

- The Workforce stream has adopted a Human Resource (HR) approach to transition ICTSS staff to the new service designs, with a comprehensive HR plan approved by the Programme Board in February 2024. This plan aims to create resilient service designs and minimise redundancy risks.
- 12 Continuous informal engagement with Trade Union (TU) colleagues and staff has been maintained, with formal consultation planned for February 2025. Positive progress has been made with TUs, and the development and evaluation of Job Description Questionnaires (JDQs) have been completed, ensuring accurate job descriptions for future service design roles.
- Progress to reduce third party spend and agency costs has been good with over a 25% reduction in agency roles since the start of the financial year. ICT Shared Service has reported a balanced forecast at third quarter.
- An in-year pressure on income is being mitigated by a significant reduction in third party contract costs plus lower than budgeted staffing expenditure due to vacancies.
- Important to note that this position is reliant on project income of £3.6m which assumes 57k project hours to be delivered this year. Should the level of commissioned hours reduce, steps will be taken to mitigate this position with a reduction in Agency staff.

RECOMMENDATIONS

The Corporate Policy Committee is recommended:

- 1. To note the progress made by the programme in delivering the new hybrid model for ICT.
- 2. To approve that the programme moves into formal consultation with trade unions and staff on the disaggregation process and proposed new structure for CEC
- 3. To delegate authority to Executive Director of Resources and S151 Officer to implement the revised structure following consultation.
- 4. To note the potential financial impact of the new service designs and the existing commitment to a shared liability for all costs.

Background

- 16 Following comprehensive joint work by both organisations, on 26th January 2023 Shared Services Joint Committee recommended that their constituent councils proceed with a hybrid model for ICT. The recommendation to move to a new model for ICT Services was agreed at Cheshire East Councils Corporate Policy Committee on February 9th, 2023, and Cheshire West and Chester Cabinet on February 8th, 2023.
- This new model involves separating much of the ICT Shared Service and retaining a smaller shared service to support hosting, security, and networks. It was noted that with a hybrid model there was greater chance of the two councils fully aligning their ICT functions, while still securing economies of scale for shared infrastructure. This in turn can increase the chance of the ICT offer to be fully responsive and more efficient. Please refer to point 50 of this report for further information.
- It was agreed that the Shared Service Joint Committee will play a key role in providing oversight throughout the programme and that a joint scrutiny task group has also be established.
- The programme overall, continues to make excellent progress with effective governance helping to drive activities and manage risks. Both councils' future service designs are complete, along with the necessary pre-requisites for formal consultation. The technical elements of the programme are also delivering significant benefits at pace.
- As with all complex programmes, the effective management of risks and issues is vital. Over the summer months, delays relating to the prerequisites for commencing formal consultation and recruiting dedicated financial support, impacted progress. Through established and effective governance, these issues are now resolved, and additional resources are in place to mitigate any further delays.
- The programme status is currently Amber overall which reflects the risks and issues highlighted above, associated with both the workforce and finance workstreams. These issues have caused a delay and impacted time and resources. Both issues are now being effectively managed ensuring the programme is still on track to deliver and remains within programme tolerance.
- Below outlines the benefits associated with the delivery of the Gemini Programme.

Benefit	Expected Benefit Outcome	Benefit
		Type
Increased	Councils will have separate tenancies and	Non-
flexibility, agility	greater flexibility to put in place the	financial

and sovereignty for each Council	capabilities that will benefit their individual service needs and can flex the ICT model to their council's and community's needs.	
Reduced overall cost of ICT Service	Reduce the overall cost model (Defined at 2021/22) by £2.67m by year 3 (2025/26): • £1.2m Cheshire West and Chester • £1.47 Cheshire East	Financial
Productivity	The new model will allow councils to have a greater ICT presence working directly with services to focus on how technology and systems add value to their business process, supporting training and adoption, enable increased productivity and supporting each Council to meet the needs and demands from residents and communities.	Non- financial
Managing Demand	Putting in place key capabilities and supporting the move to user self-service through each Councils own networks (Bright Sparks and Tech Champs) to help manage the demands on ICT which will allow ICT to truly become a strategic enabler of transformation for each council.	Non- financial
User benefits	Users of ICT will experience fewer hand- offs, clearer accountability, clearer understanding of who is responsible for what aspects of ICT to ultimately receive a quicker resolution of issues and requests.	Non- financial
Simplification	Through closer working of technical and service resources the Councils will be in a better position to accelerate plans to rationalise the number of applications and to decommission redundant legacy applications.	
ICT employee benefits	We will build on the flexibility and remote working already adopted to ensure wellbeing is at the centre of staff	Non- financial

development. It will provide stability for the service(s), removing previous complexity and uncertainty in both role and structure. Both Councils investment in modern technology and equipment is also an important attraction for ICT employees.

Advanced technology attracts ICT talent as they get an opportunity to fulfil their digital ambition and get hands-on experience with the latest technology capabilities and further contribute to the Councils' digital transformation.

Below outlines progress against the workstreams and themes of the Gemini Programme.

24 Technical Workstream

- The focus of this workstream is the design, build and transfer of users to a new technical environment for Microsoft Office 365 for Cheshire West and Chester, known as a tenancy. Cheshire East will continue with their current tenancy. The original plan had been to create a new environment for Cheshire East to migrate in to however as part of the design phase we agreed that Cheshire East would remain in the existing tenant. This significantly reduced the business impact on Cheshire East users as no migration was required and instead, we are adopting the modern design principles and applying them to our current environment significantly reducing cost. The design and build of the tenancy are complete as planned.
- The migration of users from the original 'Our Cheshire' tenancy into the new 'Cheshire West' tenancy happened in two phases. Phase one involved the transfer of data which includes Outlook, One Drive, Teams, and SharePoint (M365). At this stage users were assigned a new email address to make it easier to access the new environment (although it is important to note that emails will be automatically redirected from previous email address to the new for the foreseeable future). Phase two of the migration involved the migration of the users' network account and their device environment. This two-phased approach was recommended to be the optimum approach by the specialist technical partner and helped to reduce disruption to users.

- This process was a visible change for most users in CWaC, so a comprehensive communications plan was in place. This included a website, regular team briefings and the use of Digital Pioneers across CWaC services to ensure key messages reach staff.
- The technical workstream has made excellent progress. The creation of the new Cheshire West Tenant and the migration of over 3,000 users and device into the new environment is 100% complete.
- The tidy up of the CEC environment and modernisation work has commenced, and the final domain migration is complete.

30 Workforce Workstream

- Both councils have by agreement developed independent service designs, aimed at delivering capabilities that meet both current and future needs. Each design is based on the individual business requirements of each council, ensuring a tailored approach. However, it is to be noted that there are material differences between the existing shared service structure and the new service designs.
- It is essential to note that the councils have declared their required capabilities to be in place by April 2025. Just separating a service would not result in two new services that are ready to deliver operational services. For example, CWaC had no service design in place to populate.
- Additionally, both councils agreed, we needed to avoid a 'two hop' approach, separate the staff, and then redesign, as it would create further uncertainty for our staff. By streamlining our processes and maintaining clear communication, we could ensure a smoother transition and better outcomes for everyone involved.
- The Workforce workstream has taken a Human Resource (HR) approach to enable the transition of ICTSS staff to both councils' proposed service designs for ICT and digital services, as well as the recommended end-to-end HR approach which was approved by the Programme Board in February 2024.
- This approach was agreed at board to achieve a service design that is resilient and fit for purpose, whilst limiting the exposure and risk of redundancy.
- Informal engagement with Trade Union (TU) colleagues and staff has continued in the reporting period and will continue up to the launch of formal consultation. Focus is now centred on the prerequisite activities, with formal consultation planned to commence in February 2025. The

- programme team continue to review the HR transition plan to prevent any further slippage against the programme phase 1 end date.
- Positive engagement continues and progress is being made with TU's who are welcoming the Programme's informal and regular engagement and robust and transparent approach to their involvement. This period has seen further TU informal sessions with feedback on the employee journey and managers guides.
- Issue with the Workforce Workstream was initially due to dependencies on the development and evaluation of Job Description Questionnaires (JDQs) in both councils. CEC had identified historic issues that needed to be resolved prior to formal engagement commencing (because of the changes in previous hosting arrangements of ICT Shared Services), although as outlined above these are now complete, which enabled us to align with the wider implications from phase 1 on the leadership review in CEC. CWaC have a service design structure with fully evaluated roles, for clarity, transparency and certainty for CWaC employees.
- The completed JDQs for the CEC Service Design, were evaluated by both NW Employers and internal HR procedures.
- In terms of the baselining of current roles in CEC, staff were asked to confirm the accuracy of their existing Job Description (JD) and where the current JD was not an accurate reflection of their current role, work was completed on a concise summary job profiles form (8-10 bullets). These forms were then reviewed and moderated by service managers and the CEC Business Lead. This ensured that all staff had a confirmed JD for matching to any future service design roles in both CEC and HR slot-in processes and to enable staff to be placed into organised groupings as far as possible to enable a TUPE transfer of disaggregated staff to CWaC. This was an agreed key pre-requisite for formal consultation.
- It should be noted that the original intention was for a shared split of staff West/East under a TUPE like process on the same jobs, terms, and conditions of employment. However, this is no longer possible or appropriate because of the proposed new service designs which envisage material changes to some of the existing job roles.
- 42 Following CEC Organisational Change Policy and Procedure and using the Restructuring toolkit, initial preparations have commenced prior to consultation to identify staff who may be either "slotted in" to a new or existing role, or to a competitive role, or identified as potentially at risk of redundancy as there may be no obvious role in the proposed new structure. In order to assist with a smooth transition, CWaC undertook

- a similar process to identify organised groupings of staff, in order for them to express their preference for either a CEC or CWaC role.
- Please see further information in the Part 2: Legal Implications Report, in appendix 1.

44 Finance Workstream

- The programme's finance workstream lead left the programme in March 2024 and this left a crucial gap in financial management which was flagged to the Board and added to the issue log. Unfortunately, the recruitment process to replace the postholder became protracted and efforts to find temporary support from CWaC finance team were unsuccessful due to their existing capacity issues and commitments.
- In August 2024, the programme worked with the CWaC finance team to secure an agency member of staff, and the individual is now in place and has commenced work on the programme.
- Progress to reduce third party spend and agency costs has been good with over a 25% reduction in agency roles since the start of the financial year. ICT Shared service has reported a forecast of net nil at third quarter / Financial Review 3.
- An in-year pressure on income is being mitigated by a significant reduction in third party contract costs plus lower than budgeted staffing expenditure due to vacancies.
- Important to note that this position is reliant on project income of £3.6m which assumes 57,000 project hours to be delivered this year. Should the level of commissioned hours reduce, steps will be taken to mitigate this position with a reduction in Agency staff.

50 Phase 2 – Future Models for the Shared Data Centre and Network

- The Gemini Programme as it originally stood, assumed a separation of most ICT functions and the retention of a smaller shared service for hosting and networks. The decision to move to a new model alluded to the need to review the longer-term future of this proposed shared arrangement in line with the latest technology trends, council objectives and available financial resources.
- Members were made aware at a previous Shared Service Joint Committee that a further joint review was commissioned to provide clarity on the longer-term future of the retained shared service. The review concluded that an on-premises data centre is no longer the optimum hosting platform that both councils should invest in. It also concluded that a shared network, as currently delivered, is not a long-

- term viable model for delivery due to advances in connectivity services and technology and the changing nature of how the councils want to operate.
- It was therefore recommended that each council should move away from the shared model by 2027 (or sooner) and migrate application hosting to a cloud 'infrastructure as a service' model. It also recommended that each council should pursue their own, more flexible model, for networks provision. It was recommended that a preparation phase is commenced to facilitate this due diligence and further development of the business case. The decision will then proceed through the appropriate decision-making bodies.
- The cloud hosting and infrastructure simplification programme preparation work has now been completed. Both a Programme Brief and Preparation Plan for Phase 2 have been completed and reviewed by BDA (Business Design Authority) and the Phase 2 Programme Definition Document has been presented and approved at Gemini Programme Board.
- Key work packages have been delivered by the ICTSS to address known information gaps identified in the options appraisal. Key mobilisation projects have also been defined and initiated around the migration of virtual machines from the existing end of life hosting environment and replacement VPN solution where there are constraints around contract end dates that must be addressed within the programme definition stage. Two additional security-based projects have been initiated Security Operations Centre and Zero-based trust projects to enhance the councils' security operating model and posture.

Consultation and Engagement

- There has been full consultation and engagement with members, unions, staff, Senior managers in both Councils and Schools on the move to a hybrid model and approach to the reconfiguration of the service.
- 57 External assurance has been undertaken at each stage of the process with Infotech and Gartner. A service review and assessment performed by Inner Circle as part of the Transformation Programme Digital Workstream.

Reasons for Recommendations

- The new hybrid model for ICT Shared Services contributes to Aim 1 An open and enabling organisation particularly 1.3 Support for a sustainable financial future for the council, through service development, improvement and transformation strategic aims and objectives in the Council's Corporate Plan 2021-25. As a technology enabler, it also underpins a wide range of Corporate Plan initiatives. Digital technologies and artificial intelligence provide opportunities and drivers for change.
- A detailed piece of work was undertaken to understand what each council required from ICT services. A range of alternative models including enhancing the shared service, moving to a managed service, outsourcing ICT, a full separation, and hybrid model were considered. The enhanced model and hybrid model were taken forward for further consideration as the other options would not deliver the benefits, represent value for money or align with the councils' priorities and deliverability. The officer project board considered two options improving the 'as is' model, and a new hybrid operating model that involves separating some elements of the service where strategy and policy do not align. Both councils already have separate ICT client functions.

Other Options Considered

- The improved 'as is' option meant taking some decisions that would not 60 destabilise the current model but would not introduce sufficient improvements to provide the Councils with an improved service that could allow for greater freedoms to deliver against their strategies. Central to this is the recognition and acceptance that the two Councils have different local priorities, policies, and requirements. The move to separate Microsoft Office 365 tenancies for each council, splitting the single tenancy that currently exists between the two Councils would provide greater flexibilities for each to adopt various single elements of Microsoft platforms to better suit their needs. It still required an alignment between the two Councils on security requirements and the customer support model but would allow a greater choice of device. Other improvements would include the introduction of industry standards which provide a high degree of focus of customer satisfaction and end user requirement.
- The Hybrid option builds on many of the initial aspects of the improved 'as is' approach, but then recognises the further opportunities that this then presents. It capitalises on all the work achieved over the last decade by the Shared Service and the maturing of the IT market into a consumable service model by providing a solid platform from which to move forward, recognising that each Council has different drivers and

- priorities, recommending a staged and pragmatic approach to implementation to minimise or negate service disruption.
- The Hybrid option recognises the value of some important elements of the shared service, principally the network management and the datacentre remaining shared in the medium term but moves it to the next logical step for the Councils if they are not progressing with a single set of core services which form the backbone of the Shared services business model. This will create two separate IT and Digital functions, one for each Council, where this makes sense, migrate applications to the Cloud, and decommissions all legacy functions. However, the degree of technical integration in the single core onpremises platform (the Kelly House Datacentre) will mean taking a long term and staged approach.
- This is an important consideration, as it brings together the clarity of shorter-term goals with the depth of longer-term planning. However, this approach will provide each Council with the desired control of their digital and technology roadmaps. In the longer term it also will allow for an orderly and safe retirement of the remaining technical debt the Councils share.

Implications and Comments

Monitoring Officer/Legal

Members are asked to refer to Appendix 1: PART 2 LEGAL IMPLICATIONS FOR GEMINI CPC REPORT.

Section 151 Officer/Finance

- To transition to a new model, one-off investment of (mix of capital and revenue) £5.1m (£2.55m per Council) has been approved. This will provide technical resources and external specialist technical support to create and migrate the councils to new tenancies; transformation support, backfill for corporate enablers and shadow management to ensure the delivery of the programme and transition of the workforce; and a level of contingency to ensure that the programme can respond to potential risks.
- The one-off costs will be shared 50:50 across the two councils. The investment costs above have been fully considered by both councils and prudently assessed. Soft market testing with Microsoft gold partners and reference calls with other local authorities has taken place to secure realistic supplier costs for the technical aspects of the change which makes up a sizeable proportion of the costs. Any existing capital budgets that would already be incurred have been excluded from the

- table above to provide clarity on the total additional one-off cost required. council's budget planning which is currently the case.
- The proposal projects expenditure savings of £2.67m per annum from year 3 in total for both councils. Most of the savings would be achieved through workforce changes, particularly reduction in the use of contractors and removing vacant posts. Contract costs are also expected to reduce by £0.5m. The scale of the benefit varies for each council as they start from different points in terms of technology investment.
- Potential organisational structures have been modelled in each council to provide assurance that a viable and affordable service is possible in line with the projected benefits. It should be noted that this financial benefit avoids the project future overspend. It must be noted that each council will make different choices on their organisational structures and ICT configuration so may secure more savings than these projected benefits. These benefits also combine capital and revenue.

Policy

The new hybrid model for ICT Shared Services contributes to Aim 1 - An open and enabling organisation particularly 1.3 Support for a sustainable financial future for the council, through service development, improvement and transformation strategic aims and objectives in the Council's Corporate Plan 2021-25. As a technology enabler, it also underpins a wide range of Corporate Plan initiatives. Digital technologies and artificial intelligence provide opportunities and drivers for change.

Equality, Diversity, and Inclusion

- The recruitment and selection process will be open, fair and inclusive which reflect our vision, values and Employee Deal, ensuring objective recruitment decisions are made.
- An Equality Impact Assessment was conducted as part of the preparation for the restructure consultation.
- Consultation will be aligned to CEC HR policies and procedures and that during the consultation staff will have the opportunity to feed into the process on any matters or concerns.

Human Resources

All staff working in the current shared service (ICTSS) arrangement are employed by Cheshire East Council. Any change of this nature has created uncertainty for staff. Throughout the implementation process,

staff and Trade Unions have been briefed. There has been full consultation and engagement with unions on the move to a hybrid model, informing a more detailed design of a new model and the approach to the reconfiguration of the service, including any disaggregation process. Full consultation with staff needs to follow.

- Both councils fully recognise the vital contribution of all staff involved in supporting services with their technology requirements and this is a significant change for how the workforce will operate. An approach has been adopted to support all staff through this transition while remaining focused on delivering a new model for ICT. Key aspects of the approach include:
 - (a) Fully engaging with the workforce on the model and ensuring that appropriate mechanisms are in place to support the ongoing engagement of and communication with the workforce.
 - (b) Fully consulting with the representative trade unions to ensure that workforce views are considered throughout.
 - (c) Putting in place arrangements for a fair disaggregation of staff to provide assurance to staff about their future.
 - (d) Enhancing opportunities for growth and development within the workforce to ensure that there are the right skills available for both Councils.
 - (e) Exploring measures that enhance retention and recruitment during and after the transition.
 - (f) Minimise as far as possible any uncertainty which may be felt throughout the transition and provide clarity and assurance to the workforce.
 - (g) Reducing the use of agency staff in non-specialist areas.
 - (h) Where possible, avoiding redundancies.

Risk Management

- Like any major project, the transition will not be without challenges, but key risks have been identified and mitigations planned. Members are asked to note that the risk of doing nothing will mean more complexity, additional ongoing costs, and a less responsive model.
- A fully scored risk register is managed and reported on as part of the Gemini Programme and member governance.

Rural Communities

- 77 The fundamental principles proposed in the ICT Strategy ensures that inclusion is at the heart of all proposals including our rural communities.
- ICT Services will continue to coproduce and collaborate with the Cheshire and Merseyside regional connectivity teams, the Local Enterprise Partnership and Connected Cheshire programme at both a Cheshire East Place and at the Cheshire and Merseyside regional level to ensure that the updated ICT Strategy will meet their integration and connectivity needs.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

79 ICT Services continues to work with the Children's Services
Transformation Board and Schools to determine ICT requirements for inclusion in the updated ICT Strategy.

Public Health

- ICT Services continues to work with the Adults, Health, and Integration Departmental Management Team to determine ICT requirements for inclusion in the updated ICT Strategy.
- ICT Services continues to coproduce and collaborate with Health and Social Care colleagues at both a Cheshire East Place and at the Cheshire and Merseyside regional level to ensure that the updated ICT Strategy will meet their integration and data sharing needs.
- ICT Services also continues to work with North West Adults Directors of Social Care (NW ADASS) colleagues to coproduce and collaborate at a regional level to ensure that the updated ICT Strategy will meet their integration and data sharing needs.

Climate Change

One of the principles of the ICT Strategy is to "ensure ICT governance and architectural practices are sustainable for the future." The ICT Strategy enables the Council's commitment to be carbon neutral by 2025 and, by adopting Cloud first technology, influence carbon reduction across the ICT estate.

Access to Information		
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Appendices:	Appendix 1: PART 2 LEGAL IMPLICATIONS FOR GEMINI CPC REPORT	
Background Papers:	Previous reports to the Corporate Policy Committee	
	Agenda for Corporate Policy Committee on Thursday, 9th February 2023, 10.00 am Cheshire East Council	
	Agenda for Corporate Policy Committee on Thursday, 6th October 2022, 10.00 am Cheshire East Council	
	Previous reports to the Joint Committee can be found here: <u>Browse meetings - Shared Services Joint Committee Cheshire East Council</u>	