



# Shared Services Joint Committee

## Agenda

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<b>Date:</b>	<b>Friday 18th March 2016</b>
<b>Time:</b>	<b>2.00 pm</b>
<b>Venue:</b>	<b>Committee Room 1 - Wyvern House, The Drumber, Winsford, CW7 1AH</b>

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The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

### **PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT**

1. **Apologies for Absence**

To note attendances, substitutes, and any apologies for absence.

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

Members of the public are entitled to address the Joint Committee on reports contained within the agenda. One person can speak in support of each item, and one against, with a limit of three minutes each. It would be helpful if any person wishing to speak would give prior notice to the Democratic Services Officer named below.

4. **Minutes of Previous meeting** (Pages 1 - 4)

To approve the minutes of the meeting held on 22 January 2016

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For any apologies or requests for further information, or to give notice of a question to be asked by a member of the public

**Contact:** Rachel Graves

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5. **Transfer of CoSocius Ltd** (Pages 5 - 28)

To consider a report on the formal arrangements to bring CoSocius Ltd back into shared service arrangements

6. **CoSocius Service Reviews** (Pages 29 - 38)

To consider a report on the progress being made in the delivery of the Service Review programme

Minutes of a meeting of the **Shared Services Joint Committee**  
held on Friday, 22nd January, 2016 at G1 - Wyvern House, The Drummer,  
Winsford, CW7 1AH

## **PRESENT**

Councillor D Brown (Chairman)  
Councillor D Armstrong (Vice-Chairman)

Councillors JP Findlow, P Groves, P Donovan and L Gittins

## **Officers**

### Cheshire East Council

Peter Bates, Chief Operating Officer  
Jackie Gray, Corporate Manager, Business Intelligence and Data  
Suzanne Antrobus, Legal Team Manager Commercial Projects and Property  
Rachel Graves, Democratic Services Officer

### Cheshire West and Chester

Mark Wynn, Head of Finance  
Sam Brousas, Head of Professional Services  
Aaron Thomas, Programme Manager  
Paul Newman, Archives Local Studies Manager

## **23 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **24 DECLARATIONS OF INTEREST**

Councillors D Brown and D Armstrong declared an Outside Body Interest as an appointed Member of the CoSocius Shareholder Board.

## **25 PUBLIC SPEAKING TIME/OPEN SESSION**

No members of the public were in attendance and no questions had been submitted prior to the meeting.

## **26 MINUTES OF PREVIOUS MEETING**

### **RESOLVED:**

That the minutes of the meeting held on 27 November 2015 be approved, subject to the spelling correction in Minute 19 – Occupational Health Unit, of 'Wet' to 'West' in the second bullet point.

**27 CHESHIRE ARCHIVES AND LOCAL STUDIES SHARED SERVICE: ACCOMMODATION PROJECT UPDATE**

The Committee considered a report on the current position with the Archives relocation proposals.

A number of options to relocate the Cheshire Archives and Local Studies and continue to provide access to the collection whilst affording new and appropriate levels of accommodation and storage had been considered by officer – details of which were contained in Appendix 4 to the report.

Options 3 and 4 had been identified as the preferred options to take forward. A more detailed analysis of these options would be carried out by an independent expert and would involve the use of staff and stakeholder workshops and telephone interviews with key stakeholders. The outcome of this analysis and the preferred service model would be reported to the meeting of the Joint Committee in March 2016.

**RESOLVED:** That

- 1 the progress to date on the Archives relocation project be noted.
- 2 the proposals for the future Joint Committee decisions concerning this project, as outlined in Section 11 of the report, be endorsed.

**28 UPDATE ON THE IMPLEMENTATION OF SHARED SERVICE ARRANGEMENTS TO PROVIDE ICT, HR AND FINANCE SERVICES TO BOTH AUTHORITIES.**

The Committee considered a report on the progress being made in regards to the establishment of a Shared Service for the delivery of ICT and a shared service for the delivery of HR and Finance.

The report detailed the progress on the key workstreams of the programme in relation to HR, Finance, legal and governance, business continuity and for the development of the ICT Shared Service.

All affected staff would be informed of the TUPE Transfer process, future employer and associated terms and conditions

Three key programme risks had been identified and it was requested that more information on the risks identified be provided to the Joint Committee.

**RESOLVED:**

That the progress in the mobilisation of the programme of work needed to establish the two shared services be noted.

## 29 COSOCIUS SERVICE REVIEWS

The Committee considered a report on progress being made in the delivery of the CoSocius Service Review programme.

The report provided an update on the key themes and issues arising from the work to date, and an indication of the direction of travel for each area of review.

Where appropriate the CoSocius contribution to activities in relation to the service reviews has been paused, to ensure that when the reviews deliver their outcomes, they were fully aligned with the wider ICT transformation programme which would be underway post-transfer.

The Outline Business Case for the implementation of a replacement Enterprise Business System was presented to the Joint Committee and approval was sought to proceed with a the development of a detailed Business Case.

### **RESOLVED:** That

- 1 the progress to date with the service reviews underway, the opportunities for collaboration and sharing across both Councils identified so far, and the proposals to review the phasing of the remaining review activities alongside the CoSocius Transfer Programme be noted;
- 2 the contents of the Outline Business Case regarding the implementation of a replacement Enterprise Resource Planning solution be noted;
- 3 the recommendation to proceed with development of a Detailed Business Case regarding the Enterprise Resource Planning implementation, which will support a recommendation to proceed with a formal procurement process be approved; and
- 4 the resource plan and estimated costs for the development of the Detailed Business Case regarding the Enterprise Resource Planning implementation be approved.

The meeting commenced at 2.00 pm and concluded at 2.50 pm

Councillor D Brown (Chairman)

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## CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

### SHARED SERVICES JOINT COMMITTEE

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<b>Date of Meeting:</b>	18 March 2016
<b>Report of:</b>	Cheshire West & Chester – Director of Finance Cheshire East – Chief Operating Officer
<b>Subject/Title:</b>	Transfer of CoSocius Ltd

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#### Report Summary

1.1 In October 2015 the Shared Services Joint Committee took the decision to disaggregate the arms-length ICT and Transactional Services trading company CoSocius Ltd. With effect from 1<sup>st</sup> April 2016 the services previously provided by CoSocius Ltd would revert to ICT and HR & Finance Shared Services being delivered in house through two shared service arrangements. At the meeting in October 2015, the committee agreed the following:

- The active operation of CoSocius as a standalone and commercially-focussed company would cease as of 1<sup>st</sup> April 2016;
- Each Council's operating Agreements with CoSocius would be terminated as of 31<sup>st</sup> March 2016;
- ICT and HR & Finance shared services would revert back to being delivered as in-house shared services with planned operational transfers of contracts and staff effective on 1<sup>st</sup> April 2016:
  - Delivery of Transactional Services (HR/Payroll, Payments, Income, Finance and Reporting) to be delivered as an in-house shared service hosted by Cheshire West & Chester Council;
  - Delivery of ICT Services (Core ICT, Application Support, ICT Projects) to be delivered as an in-house shared service, hosted by Cheshire East Council.
- A 6 month 'Transition' period, during which the two shared services will implement actions to address financial pressures and restructure operations to achieve agreed Target Operating Models for service delivery; and
- This delivery model for a sequential period of up to 18 months, during which time a further review will be undertaken to determine the most appropriate arrangements for delivery of these services to the Councils, which may also support closer working with other local authorities.

1.2 Building on this decision, this report considers readiness for the disaggregation and transfer of the two services for 1<sup>st</sup> April 2016, the report addresses the following:

- The service offer to the two councils from 1<sup>st</sup> April including objectives for the first 6 months for each shared services;
- The financial position of CoSocius Ltd at close and the inherited cost base for establishing the Shared Service arrangements;
- The financial, legal and risk implications of the future operating model for the Councils;
- The governance, contractual and performance framework for the new shared service arrangements; and
- The transfer process.

1.3 The overall conclusion of this report is that all essential pre-requisites to cease the operations of CoSocius and establish two hosted Shared Services are in place.

## **2.0 Recommendations**

2.1 The report recommends that the Shared Services Joint Committee approves:

2.2 Authorisation for the Director of Legal Services for each authority in consultation with the Section 151 Officers for each authority to finalise the detailed terms and conditions for, and enter into, all necessary legal documentation and processes required to give effect to recommendation (2.1) including but not limited to the;

- Administrative Agreement
- Financial Memorandum
- Shared Services Agreement – ICT
- Shared Services Agreement – HR & Finance Transactional Services
- Asset Transfer Agreement – ICT
- Asset Transfer Agreement - HR & Finance Transactional Services
- All necessary legal steps to wind up the company.

2.3 The cost reduction activity outlined in section 6.2.

2.4 That the Programme Board prepares a formal 'closure' of the transfer project and establishes two 'Transition' Programmes, one for ICT and one for Transactional Service to commence cut-over activity and delivery of key activities identified for a 6 month transition period.

## 3.0 Reasons for Recommendations

- 3.1 To ensure the Shared Services Joint Committee have sufficient information on which to base their decision to approve formal disaggregation of CoSocius Ltd as a stand-alone trading entity and establishment of two Shared Service Arrangements between Cheshire East Council and Cheshire West & Chester Council, ensuring that arrangements provide effective service delivery and represent value for money for local Taxpayers.

## 4.0 Background

- 4.1 Approval was granted in 2013 to establish Cheshire Shared Services as a single Council owned company. The company began operating in shadow mode in October 2013. CoSocius Ltd was established as a separate entity in May 2014. Initially it was awarded six month contracts from both Councils (each an Operating Agreement), covering the anticipated duration of a transition programme to ensure CoSocius was fully enabled to operate independently. The Operating Agreements were extended by three months to the end of January 2015 and again to end of February 2015, as development of CoSocius as a commercial entity continued.
- 4.2 In February 2015, the Shared Services Joint Committee approved the extension of each Operating Agreement to 31<sup>st</sup> March 2019, subject to entry into a deed of variation to the Operating Agreement in respect of; the service review programme focussing on the provision of major business applications to the Councils and partners; a benchmarking review of transactional services and a revised pricing/charging schedule.
- 4.3 In October 2015, the Shared Services Joint Committee reviewed the current operating position of the company and identified a number of areas of concern including, but not limited to;
- Outline proposals requesting additional equity funding of £0.5m, to address issues which have emerged since formation of the company and barriers to commercial operations and delivery of business to new customers.
  - A 2014/15 outturn position showing an operating loss of £0.8m prior to pension cost adjustments.
  - A lack of progress and a number of concerns highlighted against each of the original objectives stated for the company.
- 4.4 This report also highlighted several drivers which underpinned the original business case to establish the company, while valid at the time, were less likely to be achieved than anticipated, either because external factors weakened the business case or slower than anticipated progress being made by the company towards a commercial operating model.

4.5 This resulted in a situation where the Councils were paying for a commercial and governance overlay in support of a standalone company which was not delivering the objectives that supported its original business case, and where additional funding was being requested to deliver the required commercial outcomes and to sustain a like-for-like level of service delivery. This is against a backdrop where other Council services are being asked to deliver challenging savings targets and to meet increasing demands for service provision without additional budget allocations being made available to them.

4.6 As a consequence, Members of the Committee agreed that the additional costs of operating CoSocius as a standalone company, which formed part of the original business case, were believed to be no longer justifiable and approved a number of actions to cease the active operation and trading of CoSocius as a standalone company and initiate a programme to revert service delivery of in-house Shared Services hosted by each council.

### **4.7 Programme Governance & Delivery**

A Joint Programme Board was established in November 2015 comprising eight workstreams to ensure a safe disaggregation of the company and establishing new hosting arrangements. The Programme Boards' Senior Responsible Owners (SRO's) are Peter Bates (CEC) and Mark Wynn (CWaC) and the governance of the Board is provided by the Shared Services Joint Committee, chaired by Cllr David Brown (CEC) and deputy chair Cllr David Armstrong (CWaC).

4.8 Meeting fortnightly, the Joint Programme Board chaired by the respective S151 Officers, consisted of Workstream Leads from the two councils who represent the key areas of activity within the programme:

- HR
- Finance
- Legal and Governance
- Business Continuity
- Establishing Hosting Arrangements
- Development of the ICT Shared Service
- Development of the Transactional Shared Services

4.9 The Board are responsible for managing and leading the delivery of the programme. Resources were mobilised to support the Workstream leads in the form of overall Programme Management expertise, Project Management support aligned to each of the Workstreams, Subject Matter Expertise and a Programme Management Office to help manage the interdependencies between the Workstreams.

4.10 Key Milestones for Day One (1st April 2016) of the programme include:

- TUPE Transfer date of 1st April (Day One)
- Agreed day one structure, cost sharing and contractual commitment in place for Day One

### 4.11 Key Milestones for Post Day One include:

- A programme of transformational work will be undertaken within the two Shared Services to ensure service delivery is aligned to the future expectations of the two authorities. This will be linked to the outcomes of the fundamental service reviews being undertaken and reported into this Committee.
- Development of revised Service Catalogue/Specifications and Performance Management Framework with a review of progress to take place at 3 months (June 16).

## 5.0 Service Delivery

5.1 Since the decision to revert to a shared service arrangement was taken in October 2015, of paramount importance has been the need to maintain business continuity with minimum impact of service change on the customer. The initial focus for both ICT and HR & Finance Transactional Services will be a 6 month period of operational stability and transition that will lay the foundations, financially and technically, for significant change moving forward. This period will provide the platform for more resilient services delivered in a sustainable model which will form the basis for potential wider future collaboration and ongoing product development.

## 5.2 ICT

5.2.1 As part of the Shared Service arrangement between Cheshire East Council and Cheshire West and Chester Council, Cheshire East Council will provide the following ICT Services with effect from 1<sup>st</sup> April 2016:

- Service Management
- Infrastructure Services
- Network and telephony platforms
- End-User Services
- Application Management and Support
- Professional Services

## 5.3 Transactional Services

5.3.1 As part of the Shared Service arrangement between Cheshire East Council and Cheshire West and Chester Council, Cheshire West & Chester Council will provide the following HR & Finance Transactional Services with effect from 1<sup>st</sup> April 2016:

- Managed Payroll Service
- Recruitment Services
- Managed DBS Services
- Contractual Administration
- Accounts receivable and cash management
- Accounts payable

## 5.4 Business Plans

- 5.4.1 In order to support and develop the ICT and HR & Finance 'on-boarded' services through the initial six-month 'transition' phase from the closure of CoSocius Ltd to the implementation of a new target operating model by 1st October, high level Business Plans are being developed for approval by the Shared Services Joint Committee in May 2016.
- 5.4.2 The plans will set out the scope of the services to be delivered; financial and staffing resources; the key objectives and deliverables of the six-month transition; and the performance framework to monitor and manage delivery.
- 5.4.3 During this transition phase, there is a risk of a minor downward trend in KPIs (service requests and incidents) in the short term before medium term (< 12 months) stability and improvement (due to staff maturity, training and stabilisation of the new Target Operating Model). We are not predicting any causal impact or major outages on service delivery and performance levels..
- 5.4.4 The key objectives for the both services, during this period, are:
- **Business Continuity:** To minimise the impact of the disaggregation of CoSocius Ltd and establishment of Shared Service arrangements, ensuring continuity and reliability of service (as detailed within the respective Shared Service Agreements) for customers/users of the services provided;
  - **Closure of the 2016-17 Budget Gap:** To implement the agreed measures as detailed in section 6.2 to close the gap between budgeted and actual spend inherited from 2015-16;
  - **Develop and implement a new target operating model:** To define and agree the new service catalogue for each service, a refined pricing mechanism and to agree the specification required by each commissioning Council to ensure processes and procedures are standardised, automated and aligned, delivering greater efficiency and a much more robust offering to both councils, schools, academies and companies. A checkpoint review to take place at month 3 (June 16) to measure progress in delivery of the new operating models; and
  - **Development of Strategic Business Plans:** in parallel to the development of the new Target Operating Model, to develop a more formal and strategic Business Plan that will set out the scope of activity; efficiency measures; income/savings target; key success measures; and commercial direction beyond October 2016.
- 5.4.5 The existing Programme Board will be disbanded. Each Shared Service will establish a 'Transition Board' that will manage the delivery of the transition process, business plans, planned savings and where appropriate operational delivery. The respective host authority will establish the board with representation from the client authority.

- 5.4.6 Progress made by each service in delivering planned savings will be subject to regular monitoring through the Joint Officer Board and Shared Services Joint Committee.

## **5.5 Service Delivery**

- 5.5.1 With CoSocius ceasing trading on 1<sup>st</sup> April 2016, the CoSocius brand will also cease to be used. Further to engagement with staff there is a strong preference to associate the two new shared services with their host authority. It is considered that this will be beneficial in promoting a genuine sense of belonging for the staff to be employed by each authority going forward. However it is recognised that there may need to be some flexibility in these arrangements particularly for field staff whose work will take them across boundaries e.g. ICT support to schools. Re-branding will cover stationary, logos, uniforms and email addresses.
- 5.5.2 It has been agreed by the Programme Board that the services will be branded as follows:
- Transactional Shared Services take on the branding of the host authority - Cheshire West and Chester Council
  - ICT Shared Services to take on the branding of the host authority - Cheshire East Council
  - Dual branding will be put in place for field workers who will be deployed across both East and West geography (e.g. generic "ICT Services")
- 5.5.3 With the exception of changes to employee email addresses, generic inboxes and the logo that will appear on stationary/correspondence, from a customer point of view, all other elements of service delivery will remain unchanged. Communications to staff transitioning to new arrangements, communications to external customers and communications within the two councils have been planned as part of the transition process.

## **5.6 Technology implications**

- 5.6.1 The host authority for ICT Delivery will continue to manage key technology components on behalf of both Councils, including:
- The Wide Area Network, currently operated on CoSocius' behalf by Updata;
  - The Local Area Network within each Council building;
  - Key business applications, on a shared basis as appropriate, and having regard to the outcome of the ongoing programme of service reviews;
  - End user computing service including equipment provision, management of end user software like the Microsoft Office productivity suite, etc.;
  - Management of the Kelly House Data Centre; and
  - Management of the ICT Service Desk.
- 5.6.2 The Oracle system is jointly owned by Cheshire West and Chester and Cheshire East, being an asset inherited from the former County Council.

5.6.3 Oracle will continue to be jointly owned as a shared asset until such time as it reaches the end of its useful economic life and is decommissioned / replaced. It is proposed that the ICT Shared Service continue the practice of paying an access charge, which is then recovered from both Councils as part of the cost of service delivery.

5.6.4 Part of those ICT service delivery costs will be applied to the Transactional Services function within Cheshire West and Chester, representing the cost of access to the Oracle system which underpins those transactional services. That element of the Oracle access charge is then further recharged back to both Councils based on volume of transactions delivered by the Transactional Services function.

### **5.7 Service review programme**

5.7.1 As noted previously, the ongoing Service Review programme will continue. Solutions will be identified through the Service Review process which meet the Councils' strategic requirements for service delivery, and these will be taken forward to optimise future delivery models for the Councils. Opportunities to make these solutions available to other public sector partners will also be explored once they are fit for purpose and in a position to be shared.

## **6.0 Financial Position**

### **6.1 2015-16 CoSocius Financial Position**

6.1.1 A key financial focus through this programme has been to ensure that these services are delivered in the environment best placed to achieve value for money for the Councils and address the increasing cost pressures.

6.1.2 At the time of the original paper to the Joint Committee (October 2015) there were already indications that CoSocius was unlikely to be able to deliver a balanced budget in 2015-16. The company had recorded a loss of £0.8m in 2014-15 and further pressures were being reported for the current year. The company has sought to instigate actions to limit resulting financial pressures but latest estimates indicate that the company will spend approximately £2m more than it generates in income during 2015-16

6.1.3 The main contributory factors to these cost increases are;

- difficulty recruiting/retaining staff to fill roles specified in the existing operating model, resulting in over reliance on more expensive agency contractors to deliver core services (£0.6m);
- the cost of supporting increasingly complex systems across the Councils (£0.5m);
- short term costs to bring new business on-board and implement new management tools (£0.6m); and an
- inability to grow the business by generating additional income from new customers (£0.2m).

## 6.2 Impact on the 2016-17 Cost Base/ Saving Requirements

- 6.2.1 The scale of the additional costs being incurred by CoSocius in 2015-16 reinforces the need to change how ICT and HR & Finance Transactional Services are delivered in the future, but it also increases the scale of the challenge that any new delivery model will have to address.
- 6.2.2 The underlying costs of the services due to transfer back to the two Councils at 31 March are significantly higher than the available funding for 2016-17. Remedial action has already been taken to remove costs from the system and further steps have been identified to reduce the costs of both services. All aspects of the activities currently undertaken by CoSocius have been reviewed and a range of saving proposals have been developed which either reduce the cost of core operational support to the Councils or reduce the cost of undertaking ICT capital works in the future.
- 6.2.3 In total, those actions already taken and those planned for 2016-17, will remove well over £4m from the cost base, but as outlined below not all of these will result in new cashable savings to the Councils' revenue budgets.
- The majority of the savings are necessary to address the residual cost pressures on next year's budget. As these costs are over and above existing funding levels, removing them only returns expenditure into line with existing budgets
  - Elements of the remaining savings (£0.8m) are linked to reducing the costs of ICT Capital works. These works are funded from each Council's capital programmes and the savings will benefit those programmes but they will not generate direct savings against operational revenue budgets.
  - The residual cashable revenue on Business as Usual Activity are £0.5m.

	<b>Business As Usual (Revenue) £m</b>	<b>Project Works (Capital) £m</b>	<b>Total Cost £m</b>
Existing Council Contracts	11.6	6.0	17.6
Underlying Cost of Inherited Services	14.6	6.5	21.1
Full year impact of actions taken to date	-1.0	0.0	-1.0
<b>Residual Gap to Address in 2016-17</b>	<b>2.0</b>	<b>0.5</b>	<b>2.5</b>
Further Saving Measures in Business Plans			
ICT Shared Service	-2.0	-1.3	-3.3
Transactional Shared Service	-0.5	0.0	-0.5
	<b>-2.5</b>	<b>-1.3</b>	<b>-3.8</b>
<b>Net Impact (2016-17 Savings)</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-1.3</b>

6.2.4 Key elements of these saving plans are summarised below.

**a) ICT Shared Service Saving Plans**

6.2.5 The great majority of cost growth has been in ICT services and as a result significant savings now need to be made to return the service to an affordable position. The service comprises two distinct elements, 'Business As Usual' services to support the current business systems utilised by the Councils and 'Project Support' to deliver change projects and install/replace new systems for the Councils.

6.2.6 A key element of the saving strategy has been to refocus available staffing onto the core Business As Usual support required by the Councils rather than utilising them in support of projects, commercial, commissioning and assurance roles. This improved utilisation of staff and a reduction in the number of indirect support roles significantly reduces the reliance on more expensive contractors. This process is already under way with more than 20 contractors being released by April with more to follow later in the year.

6.2.7 Those structural/staffing changes are supported by further proposals which are expected to reduce the cost of maintaining the IT infrastructure by maximising benefits from current contracts, reducing the number of systems being supported and prioritising development time. Despite the scale of change these plans represent, the impact on services delivered is expected to be minimal with some small changes to out of hours support, maintenance scheduling and increased self-service by Council staff.

6.2.8 The service is also taking steps to address/remove the subsidies from support provided to other bodies. Charges for 2016-17 will be adjusted to reduce and where possible remove any cross subsidies.

Key savings set out in the business plan include;

• Management restructures	£0.2m
• Reprioritising staffing resources	£0.7m
• Release of contractors	£2.0m
• Savings on third party contracts	£0.3m
• Rationalise systems/non-core support	£0.7m
• Reduction in subsidies	£0.1m

**a) Transactional Shared Service Saving Plans**

6.2.9 The transactional services are more stable and costs have largely been maintained in line with budgets. There are, however, still opportunities to deliver some savings to the Councils on transition from CoSocius to a shared service. By aligning and integrating the management and grading structures of the service with those of the inheriting Council it will be possible to reduce the cost base by approximately £0.5m.

Key saving items within the business plan include;

- Management restructures £0.2m
- Realigning staffing resources £0.2m
- Reduction in subsidies £0.1m

### 6.3 Overall Impact on Councils

- 6.3.1 The preceding sections outline the scale of the finance challenges being experienced by CoSocius and the actions that are being undertaken to address these through the formation and operation of the new Shared Services operations. While there is still significant work required to deliver these savings and transition the services to a new operating model these proposals would result in services which are both more affordable and more sustainable than current arrangements.
- 6.3.2 While the cost reductions outlined equate to well over £4m, the majority of this is necessary to address the higher inherited cost base and bring the cost of services back into line with current budgets. They will however deliver some additional savings (£0.5m) to the Councils, which will result in reduced costs for ICT and Transactional Services in 2016-17.
- 6.3.3 This will bring the costs of these services back into line with the 2016-17 expenditure levels anticipated by the original business case through which CoSocius was created. The comparable costs for the services currently provided by CoSocius and the new shared arrangements are set out below. The cost to each Council will reduce by £250k by the end of 2016-17.

	Business as Usual		
	CWAC £m	CEC £m	Total £m
<b>2015-16</b>			
<b>Cost of Existing Contract</b>			
Council Support to CoSocius*	5.7	5.9	<b>11.6</b>
<b>2016-17</b>			
<b>Cost of New Shared Services</b>			
ICT Shared Service	4.1	4.2	<b>8.3</b>
Transactional Shared Service	1.4	1.4	<b>2.8</b>
	<b>5.5</b>	<b>5.6</b>	<b>11.1</b>

\* excludes funding linked to interest on loans which is no longer relevant in 2016-17.

- 6.3.4 As a number of the planned savings can only be implemented part way through the year or have temporary transitional costs the full year effect of the savings in 2017-18 are expected to be closer to £1m.

- 6.3.5 In addition to the revenue savings, the changes will have a beneficial impact on the cost of delivering ICT projects in the future. Steps being undertaken to simplify operating structures, reduce overheads and remove company overlays will help to reduce the cost of taking forward new projects and minimise the burden on each Council's respective capital programme.
- 6.3.6 The specific proposals are underpinned by a determination to introduce and reinforce a culture of performance and robust financial accountability within the services. The new management teams will allocate budget responsibility to senior managers and performance against budgets will be pro-actively monitored to ensure further overspending does not re-occur in 2016-17.
- 6.3.7. It is clear that the initial focus for change and improvement has to be on the current service cost and performance but the potential to proactively market and exploit selected commercial products and services to other public sector bodies will be explored.

#### **6.4 Monitoring of Savings**

- 6.4.1 Given the scale of savings required to be delivered it is critical that the implementation and effectiveness of the measures described above are closely monitored over the next six months. The progress made by each service in delivering planned savings will be the subject of regular (monthly) monitoring through the Joint Officer Board. This will enable prompt corrective action if expected savings are not being achieved. Updates on progress will be reported to the Joint Committee throughout the year.

#### **6.5 Allocation of Costs between Councils**

- 6.5.1 During its initial six months the costs of each shared service will be split across the two Councils in line with existing funding arrangements. This will provide each shared service and Council with certainty over income and costs in the initial period.
- 6.5.2 Beyond this stage, costs will be allocated based on new service catalogues to reflect the new target operating models for each shared service. This will give each Council more control over their costs and provide a clearer link between the actions undertaken by a Council and the impact on their ICT/Transactional expenditure.

#### **6.6 Close down of Company and Accounts**

- 6.6.1 In addition to the creation of the new shared services from 1<sup>st</sup> April it will be necessary to close down the activity of CoSocius and return the company to a solvent position so that it can be wound down.

#### **Timeline**

- 6.6.2 From 1 April 2016 onwards CoSocius will no longer be actively trading and will be unable to take on any new business, employ staff or deliver services. The only activities which will still be undertaken at this point will be the winding up

of the company's business affairs (payment of outstanding creditors, collecting income due). During this period the company will be able to transact but not trade. It is expected that this period will last no longer than 3 months and may be significantly shorter. The company will need to prepare its final set of accounts at the end of this period.

- 6.6.3 Once all transactions have been discharged (or outstanding elements transferred to the Councils) the company will be entered into dormant status. Once in dormant status the company cannot carry out any activities, including bank transactions. It will stay in this condition until the company is formally wound up. There are costs associated with maintaining a company in a dormant state so it is recommended that CoSocius is wound up soon after it becomes dormant.
- 6.6.4 As the company will no longer employ any staff beyond 31 March 2016 the activities to wind down the company and ensure they meet their statutory legal and financial filing requirements will be supported by Council officers.

### **Treatment of Company Overspends**

- 6.6.5 As CoSocius is a Council owned company, both Councils have given assurances that no third party will be disadvantaged by the decision to close down the company. The Councils will therefore ensure that the company is able to honour its residual liabilities with suppliers, staff, HMRC and the Cheshire Pension Fund, amongst others.
- 6.6.6 The fact that the company overspent in its first year, and is expected to do so again in 2015-16 will mean it does not have sufficient cash balances to meet all of its liabilities to third parties and to fully repay each Council the working capital loan facilities advanced to it. In order to ensure that creditors are protected and fully paid the Councils will need to fund the combined cost of the two years' overspends (estimated to be circa £2.8m).

### **Other Assets and Liabilities**

- 6.6.7 Balance sheet assets held by CoSocius at 31 March 2016 will be transferred to the appropriate Council to utilise in delivering future services. The assets largely comprise equipment and furniture; they will be purchased at fair value for the Council that inherits the relevant activity/staff.
- 6.6.8 The primary liability held by CoSocius is its pension deficit. This liability will transfer to the Councils from 31 March 2016 in keeping with the assurances given to the Cheshire Pension Fund at the time CoSocius were admitted to the Fund. The deficit (as valued through the triennial valuation due early in 2016-17) will be evenly split between Cheshire West and Cheshire East.

## **7.0 Staffing**

### **7.1 TUPE & Staffing implications**

- 7.2.1 ICT Delivery staff will transfer under TUPE regulations to Cheshire East Council. Transactional Services staff will transfer under TUPE regulations to Cheshire West and Chester Council on 1<sup>st</sup> April 2016.
- 7.2.2 A joint consultation (Cheshire East Council, Cheshire West & Chester Council & CoSocius) has been conducted with Unions, including fortnightly joint meetings and attendance by Unions at staff events.
- 7.2.3 A set of disaggregation principles and measures were agreed at Programme Board and consulted on with staff representatives. All staff have received notification of which Council they will TUPE to and the intended measures of that Council.
- 7.2.4 A full engagement and staff communication plan has been conducted including regular communication with staff, a set of questions and answers, floor walks and drop-in sessions, larger staff events and involvement at workshops to design the future service models.

### **7.3 Corporate Services Buy-back**

- 7.3.1 SSJC in October 2015 documented that the approach for buy-back should continue through existing arrangements with CWAC providing corporate services to ICT and Transactional Services. The HR workstream lead on a review of buy-back services and recommended to Programme Board that a more practical and efficient approach could be adopted towards existing buy-back arrangements
- 7.3.2 A mixed approach will be used to dissolve the current corporate services buy-back with CoSocius and this has been agreed by Programme Board.
- 7.3.3 This includes stopping some of the buy-back related to services the company will no longer require, e.g. Insurance. Dividing some of the services East and West where there is an obvious split, e.g. HR as CoSocius staff split between both Councils. In addition if there is a clear view that services are aligned to either ICT or Transactional services, e.g. Procurement which is mainly ICT focussed, transferring that service to the Council responsible for delivery. The latter approach can have TUPE implications and consultation will be conducted if this is the case.
- 7.3.3 The overall cost of buy-back support is largely unaffected by this transfer with marginal savings being made. There is however a shift in provision as support was previously largely provided by Cheshire West staff and will now be more balanced. Where this shift in roles is not accompanied by a TUPE transfer there will be a requirement for Cheshire West to manage the consequences of reducing its costs in line with the reduced funding.

## 8.0 Contractual Arrangements & Governance

### 8.1 Background

- 8.1.1 The Contract Documentation between the Councils has been prepared and as listed above in section 2.2. The Agreements are in the process of being finalised by CEC and CWaC lead officers and legal representatives.
- 8.1.2 The host authority for each service (Cheshire West and Chester Council for Transactional Services, and Cheshire East Council for ICT Delivery Services) will operate those functions on a trading account basis within their host organisation and on behalf of both Councils. Existing work on development of a refined pricing model and service catalogue will be taken forward in support of the new delivery models in accordance with contractually documented timescales.
- 8.1.3 The host authority will retain a “customer relationship” function, for delivery accountability and ongoing service management capacity to the function’s customers, within both the host authority and the other Council. Equally, both Councils as “customer” of each shared function will retain an appropriate client function for each service area (ie HR / Payroll, Payments / Income / Finance, ICT) to act as commissioner of services and to receive and act upon service delivery information.
- 8.1.4 The host authority will continue to produce regular delivery and performance reporting to both Councils as customers, based initially on the service definitions and subject to revision as an outcome of ongoing work on the service catalogue.
- 8.1.5 **Administrative Agreement:** The administrative agreement replaces the existing agreement and covers all of the shared services. A new agreement has been drafted to address historic operational issues and ensure clarity in relation to urgency provisions.
- 8.1.6 **Financial Memorandum:** The Financial Memorandum covers all shared services agreements and sets out the general financial principles that apply to all of the shared services.
- 8.1.7 **Shared Service Agreements:** A Shared Service agreement has been drafted for each service (ICT and HR & Finance Transactional Services). These agreements describe the services being provided. They include a level of commercial drafting to ensure provision of the services in accordance with the service descriptions. Scheduled to these agreements are the service definitions, the Performance Management Framework, pricing schedules, process for commissioning projects and key outputs for the initial period including the timetable for agreeing the detailed catalogues, pricing mechanism, specifications
- 8.1.8 **Business Transfer Agreements:** A Business Transfer agreement has been drafted for each service (ICT and HR & Finance Transactional Services). These agreements set out the detail of the staff and assets being transferred

from the Company to each of the Councils in order for them to provide the shared services.

- 8.1.8 **Property Leases:** The current leases held by the company for Goldsmith House and Kelly House will be terminated.

### **a) Kelly House Data Centre**

- 8.1.10 The Data Centre is jointly owned by Cheshire West and Chester and Cheshire East, having been inherited from the former County Council. The building itself is leased (on a 20 year arrangement which was entered into shortly before the formation of the Councils).

- 8.1.11 At present CoSocius has access (in all senses) to the Data Centre in order to go about its business and deliver services to its customers. An access charge is paid by CoSocius to the two Councils for this access. This access charge forms part of the cost base which CoSocius then recovers through its charges to customers.

- 8.1.12 The Data Centre will continue to be jointly owned as a shared asset. It is proposed that Cheshire East Council continues the practice of paying an access charge, which is then recovered from both Councils as part of the cost of ICT service delivery.

### **b) Goldsmith House**

- 8.1.13 Goldsmith House is owned by Cheshire West and Chester Council. CoSocius currently pays a rental charge to Cheshire West for use of this building (which is currently shared with the Occupational Health Unit), which forms part of the cost base which CoSocius then recovers through its charges to customers.

- 8.1.14 It is proposed that moving forward Cheshire West and Chester will charge Cheshire East the existing rental charge split pro-rata based on the occupancy of Goldsmith House by East staff, for any period of time where East staff are based in this building. This charge will be recovered from both Councils as part of the cost of ICT service delivery. Equally, Cheshire West and Chester's share of the rental value will form part of the cost of Transactional service delivery and will be recharged to both Councils.

## **8.2 Contractual & Operational activation**

The contract for services will commence on 1<sup>st</sup> April 2016 which will trigger a transfer of staff under TUPE and will be the effective date for all other legal documentation.

## **8.3 Governance**

- 8.3.1 Governance of the shared services will be through the existing mechanism of the Joint Officer Board and Shared Service Joint Committee. Each Service Agreement also sets out a detailed scheme of delegation and list of reserved matters. These documents allow for business as usual in accordance with the

business plan to continue at officer level while key issues in terms of risk, finance or commissioning have to be referred back through the shared decision making structure. This structure will facilitate transparent, efficient and proportionate decision making while ensuring as shared services that strategic decisions remain shared.

- 8.3.2 The Administrative Agreement sets out the governance arrangements including the terms of reference for the Shared Services Joint Committee and Joint Officer Board. The Administrative Agreement does allow for service specific detail to be set out in the Service Agreements. In terms of the transitional services, both Service Agreements set out the key outputs for the initial period. In order to ensure timescales for agreeing the detailed service catalogues, pricing mechanism and service specification do not slip reports to update and gain agreement of JOB and SSJC will be taken regularly during the initial period as set out in the agreed key outputs schedule.

#### **8.4 Existing customer contracts**

- 8.4.1 External customer contracts relating to ICT Delivery functions will novate to Cheshire East Council, while those relating to Transactional functions will novate to Cheshire West Council.
- 8.4.2 Many customer contracts held by CoSocius relate to customers which existed prior to CoSocius' formation (e.g. Academies). Therefore it is anticipated there will be no significant relationship issues arising as a result of the novation to the host authorities.
- 8.4.3 A number of the subsidiary companies established by both Councils have arrangements with CoSocius to deliver some or all of their Transactional Services requirements and ICT Delivery requirements. In these situations, separate contracts will be required with Cheshire West and Chester for Transactional Services functions, and with Cheshire East for ICT Delivery functions, subject to appropriate advice on procurement issues.
- 8.4.4 The contract between CoSocius and CoWest Services Limited t/a QWest ("QWest"), the joint venture between Engie and Cheshire West and Chester for customer services and integrated workforce management, has been established on commercial terms. The services provided by CoSocius to QWest relate solely to ICT Delivery. Therefore the contract will be novated from CoSocius to Cheshire East. Cheshire East will enter into discussions with the Company about their future requirements and consulting with Cheshire West and Chester regarding any proposed changes.

#### **8.5 Existing supplier contracts**

- 8.5.1 Many contracts which existed prior to the formation of CoSocius were not novated to CoSocius. Instead, CoSocius were nominated to act as agent on behalf of the Council(s) as contract party. A smaller number of contracts were novated from the Council(s) to CoSocius, while others will have been entered into by CoSocius itself.

## 9.0 Risk Management

9.1 All risks have been regularly reviewed by the Programme Board, actively managed and mitigated. Some risks regarding future service delivery as hosted shared services remain, therefore appropriate risks will continue to be monitored by the host authorities and its management team through the organisation's risk management processes and progress reported to the Joint Officer Board and Shared Services Joint Committee at agreed intervals. The key risks and mitigating actions for the board to note are as follows:

1. Shared Services fail to implement the agreed measures as detailed in section 6.2 to close the gap between budgeted and actual spend during 2015/16. This will be mitigated through establishing 'transition boards' for each service and progress made by each service being subject of regular (monthly) monitoring through the Joint Officer Board and updates on progress being reported to the Joint Committee throughout the year.
2. During the 6 month transition process, there is a risk of a minor downward trend in KPIs (service requests and incidents) in the short term before medium term (< 12 months) stability and improvement (due to staff maturity, training and stabilisation of the new Target Operating Model). The operations are not predicting any causal impact or major outages. Monitoring of service performance through the new Performance Framework will be governed as detailed in section 8.3.1.
3. Significant cultural change will be required within the two shared services and host authorities to achieve objectives outlined in section 5.4.4. This will be mitigated through a 'transition' programme for each service, planned workforce and organisation development activity and active communication throughout any change activity.
4. Risk that existing knowledge/resource within CoSocius Ltd will be lost post April 1<sup>st</sup> 2016 as key personnel take the decision to leave. This will be mitigated through TUPE transfer of all staff into host authorities on day one, identification of skills and expertise required to deliver Target Operating Model and continuity of service as part of the business planning process and effective knowledge transfer where required.
5. Risk that the new service fails to deliver expectations/requirements of the two councils. Councils will continue with the service review programme and will still have the opportunity to identify and implement solutions which meet their strategic requirements, with opportunities to collaborate to reduce the cost of delivery still being pursued.
6. Shared Services fail to deliver the agreed objectives detailed in 5.4.4 including the implementation of the new Target Operating Model by 1<sup>st</sup> October 2016. This will be mitigated through establishing 'transition boards' for each service, development of a detailed project plan and resource plan and; progress made by each service being subject of

regular (monthly) monitoring through the Joint Officer Board and updates on progress being reported to the Joint Committee.

- 9.2 Ongoing risks will be managed via the developing ICT and Transactional Shared Services Business Plans which will focus on the objectives as articulated in paragraph 5.4.4. This process will help to ensure that that services offered are competitive and meet the needs and expectations of services and local residents going forward.

### **10.0 Expected Benefits**

- 10.1 The expected strategic benefits of the recommendations in this report are:

- The proposed approach builds on the existing good work achieved through joint working between the Councils and Cheshire Shared Services which has already led to the delivery of significant back office savings;
- Financial savings are expected to be delivered through removal of the existing governance and commercial overlay currently in place for the Company and additional activity planned within the Shared Services Business Plans;
- The Councils will continue with the service review programme and will still have the opportunity to identify and implement solutions which meet their strategic requirements, with opportunities to collaborate to reduce the cost of delivery still being pursued; and
- This approach retains the potential to work with other local authorities and public sector organisations to share services and reduce costs at a future date.
- Both Councils are working on a collaborative review programme, examining opportunities to design, commission and deliver a range of services on a shared or joint basis, with a particular focus on professional services and back office functions, having due regard for the need to retain sovereignty and decision making responsibilities within each organisation;
- Both Councils are committed to exploring opportunities through the regional Chief Financial Officers Group to extending shared or joint delivery opportunities with other public sector partners on a sub-regional / regional basis; and
- Residents of Cheshire expect digital services so we will ensure the ICT foundations are in place to enable each authority to achieve its Digital ambitions.

- 10.2 The expected operational benefits of the recommendations in this report are:

- The ability to explore synergies/opportunities with existing CWAC Transactional Services to drive efficiency, reduce the number of process 'hand offs' and drive down cost

- Opportunity to standardise, automate and align processes and procedures, delivering greater efficiency and much more robust offering to both Councils, schools, academies and companies.
- Improved client/contractor behaviours through standardisation and self-serve, where appropriate
- Streamlined processes for commissioning and monitoring ICT capital projects will reduce the inefficient and ineffective use of staff time and will transform the financial position of the shared ICT service.
- Streamlined processes for commissioning will reduce the time taken to respond to customers' requirements and will ensure the organisation delivers in an agile way.
- It will provide the platform for future collaboration and product development that will enable the exploitation of selected commercial opportunities going forward.

#### **11.0 Wards Affected**

- 11.1 This report relates to Shared Services that operate across both Cheshire East and Cheshire West and Chester so all wards are affected in both Councils.

#### **12.0 Local Ward Members**

- 12.1 Not applicable.

#### **13.0 Policy Implications including**

- 13.1 None.

#### **14.0 Other Options**

- 14.1 None.

#### **15.0 Conclusion**

- 15.1 On the basis of the assessment set out above, the overall conclusion of the Programme Board, is that all the essential pre-requisites for go-live are in place and that this can be effected from 1<sup>st</sup> April 2016.
- 15.2 An indicative timetable of activity has been provided below:

Date	Milestone
18.03.16	SSJC Approval to proceed with transfer of CoSocius Ltd
w/c 21.03.16	Communications to employees and two councils
	Communications to customers
	Issue contract novation letters
	Issue individual TUPE letters

	Transition to new branding
28.03.16	Finalise legal documents
31.03.16	Legal documents as outlined in section 2.2 signed by two authorities.
01.04.16	Cease the active trading of CoSocius Ltd.
	TUPE of CoSocius employees to host authorities as outlined in section 7.0
	Contractual operation and activation of two Shared Services as outlined in section 8.2
	Formal closure of CoSocius Transfer Programme as outlined in section 5.0
	Established ICT Transformation Programme (CEC) to deliver agreed measures and objectives outlined in section 5.0 and 6.0
	Establish HR&F Transformation Programme (CWaC) to deliver agreed measures and objectives outlined in section 5.0 and 6.0
07.04.16	JOB: Review of reinstatement of ICT and Transactional SS including Day 1 deliverables
	Progress Update on delivery of Business Plans
	ICT Commissioning Process
05.05.16	JOB: Progress review of Phase 2 deliverables
	Finalisation of ICT and Transactional SS Business Plans
20.05.16	SSJC: Update on Transition and Phase 1 closure
	Mobilisation Update
	Approval of ICT and Transactional SS Business Plans
02.06.16	JOB: Progress review of Phase 2 deliverables
	Review of Financial performance
30.06.16	JOB: Review, Service definitions and emerging specifications
	Mid-point Checkpoint Review of delivery of Business Plans
	Closure of CoSocius Limited
28.07.16	JOB – Review of costed Service Catalogues
	First quarter Financial Review
29.07.16	SSJC –Progress Update
	First quarter Financial Review
	Formal closure of CoSocius Ltd
25.08.16	JOB – Revised Performance Management Framework, Specifications and Pay Mechanisms
22.09.16	JOB
23.09.16	SSJC –Progress Report and Future Operating Mechanisms
	Reviewed Shared Service Agreements approved.

## 15.2 To summarise:

- From April 1<sup>st</sup> 2016, delivery of HR & Finance Transactional Services will be delivered as an in-house shared service hosted by Cheshire West & Chester Council under a Shared Services Agreement.

- From April 1<sup>st</sup> 2016, delivery of ICT Delivery Services will be delivered as an in-house shared service hosted by Cheshire East Council under a Shared Services Agreement.
- From March 31<sup>st</sup> 2016 CoSocius Ltd will no longer be actively trading and will be unable to take on any new business, employ staff or deliver services. For a maximum of 3 months thereafter, 'winding up' activity will take place to formally close the company and prepare its final set of accounts.
- ICT Delivery staff will transfer under TUPE regulations to Cheshire East Council. Transactional Services staff will transfer under TUPE regulations to Cheshire West and Chester Council.
- A series of cost reduction measures equating to more than £4m, have been identified in order to enable the two shared services to operate within existing approved funding levels of the two councils.
- Efficiencies of £0.5m have been identified which will reduce the costs of ICT and HR & Finance Transactional Services to each council in 2016/17.
- Each service will enter a 6 month 'transition' period from 1<sup>st</sup> April 2016 to 30<sup>th</sup> September 2016, during which time the business plans of the two services will be implemented, including delivery of planned savings.
- The existing Programme Board will be disbanded. Each Shared Service will establish a 'Transition Board' that will manage the delivery of the transition process, business plan, planned savings and where appropriate operational delivery. The respective host authority will establish the board with representation from the client authority.
- Progress made by each service in delivering planned savings will be subject to regular monitoring through the Joint Officer Board and Shared Services Joint Committee.
- During the initial 6 month period the costs of each shared service will be split across the two councils in line with the existing funding arrangements. From 1<sup>st</sup> October onwards, it is expected that costs will be allocated based on new service catalogues to reflect the new Operating Models of the two services.
- During initial 6 month period focus will be on operational stability and transformation that will lay the foundations, financially and technically, for significant service improvement and future resilience..
- The ongoing Service Review programme will continue. Solutions will be identified through the Service Review process which meet the Councils' strategic requirements for service delivery, and these will be taken forward to optimise future delivery models for the Councils

- The legal agreements between the Councils have been prepared as listed above in section 2.2. The documents are in the process of being agreed between CEC and CWaC lead officers and legal representatives in readiness to sign on 31<sup>st</sup> March 2016.
- All activity to ensure the smooth transition of the service on the 1<sup>st</sup> April is in place, including; TUPE transfer process, branding of the two shared services; communications with staff transitioning to new arrangements, communications with external customers and communications within the two councils. There are no planned changes to 'on the ground' operational service delivery on the 1<sup>st</sup> April.

15.3 The Programme Board supports the recommendations in this paper.

## **16.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writers:

*Officer: Peter Bates, Chief Operating Officer – Cheshire East Council /*

*Mark Wynn, Director of Finance – Cheshire West & Chester Council*

*Tel No: 01270868013 / 01244972537*

*Email: [peter.bates@cheshireeast.gov.uk](mailto:peter.bates@cheshireeast.gov.uk) /*  
*[mark.wynn@cheshirewestandchester.gov.uk](mailto:mark.wynn@cheshirewestandchester.gov.uk)*

### **Background Documents:**

*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*

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## **CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL**

### **REPORT TO: SHARED SERVICES JOINT COMMITTEE**

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**Date of Meeting:** 18 March 2016

**Report of:** Sam Brousas – Cheshire West and Chester and Peter Bates  
– Cheshire East

**Subject/Title:** CoSocius Service Reviews

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#### **1.0 Report Summary**

- 1.1 The purpose of this report is to update Members on the progress being made in the delivery of the Service Review programme which Members approved at the meeting of this Committee on 27 February 2015.

#### **2.0 Decisions Requested**

Members are asked to:

- 2.1 Note the continued progress to date with the series of service reviews underway, and the opportunities for collaboration and sharing across both Councils identified so far.

#### **3.0 Reasons for Recommendations**

- 3.1 To update Members on the progress to date in delivery of the Service Review programme and the direction of travel for each review subject at the time of reporting.

#### **4.0 Report Background**

- 4.1 This committee at its meeting on 27 February 2015 approved a programme of work to review the delivery of applications and services by CoSocius to the two Councils.
- 4.2 This report will provide an update to Members on the key themes and issues arising from the work to date, and an indication of the direction of travel for each area of review.

#### **5.0 COSOCIUS TRANSFER PROGRAMME**

- 5.1 The Service Review programme continues to be delivered alongside the CoSocius transfer programme. Progress with the transfer activity will be reported to this Committee separately.

- 5.2 Given the competing demands placed by both Programmes on the resources within CoSocius and within the Council's client teams, the Service Review work is being managed carefully so as to minimise the impact on the transfer of activities on 1 April 2016.
- 5.3 The work is also being managed so as to align wherever possible with existing procurement deadlines within each Council. Where such deadlines appear to present a barrier or a threat to collaboration opportunities, these are being escalated and managed closely.
- 5.4 The formal transfer of CoSocius activity into the two Council-hosted Shared Services provides an opportunity to consider the objectives of the service review programme, which was scoped and approved prior to the decision to cease CoSocius' operation as a commercial entity. The scheduling of proposals arising from the service reviews needs to be reviewed alongside the redesign of the target operating model for delivery of ICT services. An update will be brought to the next Committee on proposed timescales for the remaining reviews.

## 6.0 SERVICE REVIEWS – PROGRESS UPDATE

- 6.1 The programme of service reviews approved by Members at the previous Committee is set out below, showing proportion of total application support costs charged by CoSocius to the Councils for each review:

Tranche 1 – April '15 to December '15	Tranche 2 – October '15 to May '16
Enterprise Business Systems (50%)	Revenues and Benefits (5%)
Health & Social Care (Adults & Children) (3%)	Cash Receipting and Income Management (2%)
End User Computing (desktop, mobile, etc) (11%)	Highways (1%)
Geographic Information Systems (3%)	Children and Young Persons (1%) – <i>now included in Health &amp; Social Care review</i>
Business Intelligence and Reporting (2%)	Document Management (1%)
Schools Information System (0%)	Elections (1%)
Resource Planning (Homecare) (1%)	Environmental Health (1%) – <i>now included in Planning &amp; Building Control review</i>
Customer Service (5%)	Transport (1%)
Planning and Building Control (3%)	

CoSocius cost associated with Tranche 1	CoSocius cost associated with Tranche 2
£5.1m	£0.83m

- 6.2 Progress against each review is outlined below.

### Tranche 1 Reviews

#### Enterprise Business Systems

**Status: Complete**

- 6.3 At the last meeting of this Committee, approval was given to proceed with the development of a more detailed business case, in support of a formal procurement process to replace our current Oracle solution.
- 6.4 This next phase of work is underway, with officers across both Councils engaged in developing a shared view of the opportunities which exist to deliver business process efficiencies, in addition to savings relating to a change in technology platform, both of which will inform the detailed business case to follow.
- 6.5 A Member / Officer Steering Group is being formed as an essential element of the governance arrangements for this significant programme of work, in addition to an officer governance structure that includes a Programme Board and project team. The outputs from the ERP programme will be reported to the Steering Group, with updates being brought to this Committee at appropriate intervals and where key decisions are required.

### **Health and Social Care / Children and Young Persons**

#### **Status: On track for recommendations by May**

- 6.6 Work is continuing to document the risks and benefits of continuing with the current diverse hosting, support and delivery models. The focus of this work is to agree from a business perspective the preferred hosting and support model, including a view of baseline costs, and a proposal for harmonising the use of the different modules within the core systems of Liquidlogic and Tribal.
- 6.7 Recognising the importance of ongoing contract compliance, CE continue to focus on procurement to secure the solutions that are required to deliver the Care Act technical components alongside the renewal of the existing Liquidlogic social care solution. The service review team is working with CWaC to review current requirements and finances, in order to decide whether to proceed with an accelerated re-procurement timetable for Liquidlogic alongside CE. Moving both Councils onto the same procurement model will provide the opportunity to review their business processes over the life of the contract and enable them to identify further efficiencies and/or best practice
- 6.8 Again focussing on contract compliance, CWaC have begun a framework procurement exercise in relation to the Tribal CYPD solution with a March 2016 deadline. In parallel, the service review team are working to ensure the CWaC tender specification is shared with CE, in order to review the feasibility of a joint procurement process for March 2017.

### **End User Computing**

#### **Status: Risk of slippage beyond May**

- 6.9 Both Councils have now signed up to a shared set of requirements around the ongoing Microsoft Modernisation Programme, which aims to identify and implement opportunities to replace a range of existing technology solutions, many of which are relatively “invisible” to end users, with Microsoft equivalent

products, maximising the benefit from both Councils having significant licencing arrangements in place with Microsoft.

- 6.10 The overall potential savings associated with this programme, when compared to the cost of the existing set of solutions in this area, are being developed at present, alongside options for delivery and the associated cost of change. These savings will contribute to the wider savings proposals associated with the CoSocius transfer programme.

### **Geographic Information Systems (GIS)**

#### **Status: Complete**

- 6.11 The Councils use an aging solution to deliver current GIS capabilities. Since the last update on this service review, both Councils have agreed to adopt the GIS solution which has been proposed by CoSocius, using “open source” software which is effectively free to use, but would require the Councils to pay our ICT Delivery service to support and maintain the solution instead of paying an external system supplier to deliver this role.
- 6.12 This solution will preserve cost savings achieved in previous years through avoidance of external support charges.
- 6.13 External expertise has been sought, to validate the approach being proposed by CoSocius and to provide assurance that the solution and the software it is based upon are a robust platform which is likely to offer value for money. This external advice has been positive in respect of the direction of travel now agreed by both Councils.

### **Business Intelligence and Reporting**

#### **Status: Risk of slippage beyond May**

- 6.14 This Service Review is focusing on the key strategic questions to be addressed by Business Intelligence (“BI”), and on the strategic adoption of an incumbent CoSocius-hosted corporate BI tool – Microsoft Business Intelligence (MSBI), to help address these. The costs and benefits of migrating existing 'legacy' reports into MSBI are also being considered. The roles required to support a successful corporate BI tool, including any opportunities for synergies across organisations, will also be referenced.
- 6.15 Since the last report to Members, work on this review area has been paused while key resources within CoSocius focus on preparation for the transfer of activities into the two Councils. An update will be brought to the next Committee on this subject.

### **Schools Information Management System**

#### **Status: On track for recommendations by May**

- 6.16 Although CoSocius provides a wide range of services to local authority schools, this review focusses on the Capita SIMS product, being the widely used system to deliver schools management and reporting capabilities to all types of school across the two Boroughs.
- 6.17 Work is ongoing to develop proposals around different options for delivering a cost effective solution to schools which also meets the Councils' reporting requirements. At the time of reporting, costs for one option have been put forward, with work continuing on an alternative approach. A decision can be taken when the cost of both proposals is available.
- 6.18 The ongoing role of the Councils in respect of provision of school management systems, particularly with the ongoing direction of travel in terms of conversion of schools to Academies, is also under consideration. While the Councils will retain a mandatory role in the provision of a solution for maintained schools (numbers of which are expected to decline significantly over the next few years), the option of brokering a common solution for Academies is being explored. Potential benefits would include lower costs to Academies when compared to solutions procured on an individual basis, and the ability to maintain consistent information flows in support of Academies' mandatory reporting duties to local authorities.

### **Resource Planning – Homecare**

#### **Status: Complete**

- 6.19 This system is used to allow employees who deliver home care services to vulnerable service users to manage their schedule while on the move. The legacy system had reached end of life and required replacement.
- 6.20 Both Councils took a decision to move forward with the procurement and implementation of the same replacement solution, being the "cloud" hosted version of the current product. At the time of reporting the replacement solution is in the process of being implemented, supported by CoSocius, with a go live date planned for March 2016.

### **Customer Services and Website**

#### **Status: Risk of slippage beyond May**

- 6.21 This review focusses on the systems being used to deliver customer services, ensuring they are the best choice of solution for delivering the "digital by design" agenda that will enhance customer service whilst allowing savings to be made through increased efficiency in how these services are delivered.
- 6.22 The review continues to work with both Councils to understand the scope of the delivery arrangements they have entered into with external organisations, to identify opportunities to share solutions with those third parties, and to ensure any retained responsibilities consider the benefits of shared solutions.
- 6.23 In relation to contact centre telephony requirements, CE and Qwest have agreed a joint approach to capturing requirements and undertaking soft market testing at

an appropriate time in order to identify the most appropriate solution to meet the needs of both organisations.

- 6.24 It is anticipated that through the planning for the implementation of the Microsoft Modernisation Programme (see above – End User Computing), a decision will be taken to extend the Councils' arrangements with our current telephony provider Avaya beyond the current calendar year. The timescales for identifying and implementing a replacement for the specific needs of the contact centres will be dependent upon this decision. It is now expected that while requirements gathering can be completed in the short term, the timing of soft market testing leading into a formal procurement exercise will be driven by the likely timescales for implementing a replacement.

### **Planning and Building Control / Regulatory Services**

#### **Status: On track for recommendations by May**

- 6.25 A number of stakeholders across services in both Councils have been engaged to develop a shared understanding of the current suite of products which are used to support these service areas. At present a completely different set of products are used in each organisation to support similar service activities.
- 6.26 Requirements are being developed in support of a procurement deadline within CWaC. However, opportunities to align this exercise with CE continue to be actively explored.

### **Tranche 2 reviews**

### **Revenues and Benefits**

#### **Status: Requirements gathering and market testing likely to extend beyond May**

- 6.27 Key business stakeholders have been engaged to determine the appetite for moving towards greater collaboration in this area, both in terms of core systems and supporting business processes. With current system contractual deadlines in mind, it has been agreed that a joint requirements definition exercise will be undertaken, leading to potential market testing and formal procurement processes in due course.
- 6.28 The business case for a system replacement for either or both Councils would need to give consideration to the potentially significant cost of change associated with the replacement of this fundamental and complex system, and the associated payback which would be achieved. The impact of the rollout of Universal Credits on benefit processing within the Councils is also still to be confirmed.

### **Cash Receipting and Income Management**

#### **Status: Requirements brought within scope of ERP detailed business case**

- 6.29 Both Councils use the Capita CRIM solution, albeit implemented separately and with slightly different configurations. Both organisations have expressed a desire for a period of stability where the benefits from the current solution are embedded, prior to any significant activity around a future replacement decision.
- 6.30 The timelines for the next essential upgrade to the CRIM product are likely to align with the timing of the ERP implementation project. This seems to offer a timely opportunity to review the current configuration and hosting options to determine whether proposals for greater harmonisation would deliver benefits. Cash Receipting requirements are also included in the scope of the ERP programme, to determine whether a standalone solution will continue to be required in future.

## **Document Management**

### **Status: Risk of slippage beyond May**

- 6.31 Initial discussions have been held across both Councils and CoSocius to identify the current application landscape and opportunities to review potential future opportunities to share solutions.
- 6.32 Cheshire East are already in the process of procuring and implementing a corporate electronic document management solution, which links to the established Sharepoint product used by both Councils. This has been driven by the requirements of the Care Act in relation to social care records, but with a view to rolling out across other significant business areas.
- 6.33 CWaC stakeholders are now actively documenting their requirements in this area, and will be working with CE to consider whether their solution could be used as the basis of an approach which both Councils could adopt in order to reduce overall costs.

## **Highways**

### **Status: Dependency on strategic direction regarding Highways Term Maintenance contract**

- 6.34 Discussions with key stakeholders in both Councils are underway, to understand the strategic direction for each authority, and to understand likely approaches for the renewal of the wider term maintenance contract for highways maintenance between each Council and their external partners. If the Councils take the decision to include provision of supporting ICT systems as part of the next term maintenance contract's scope, this will remove the need to take internal decisions around how such a system should be delivered and supported.

## **Transport**

### **Status: CWaC repurchase in hand; CE / TSS decision not due until late 2016**

- 6.35 CWaC and the subsidiary company TSS owned by CE currently use a long established product which was originally implemented prior to local government reorganisation.
- 6.36 CWaC's Transport service has already begun a system reprocurement exercise. At the time of reporting, a formal tender and selection process has been initiated. TSS have not been able to engage to the same timescales due to the ongoing "Total Transport" review, the outcomes of which will inform related system requirements across CE.
- 6.37 Via the service review process, key stakeholders within TSS have been engaged in this process in order to ensure the requirements defined by CWaC, and therefore the outcomes from the procurement process, could also be utilised by TSS in due course. TSS will continue to be actively engaged in the CWaC procurement exercise, so as to maximise the potential for a shared solution in future.

## **Elections**

### **Status: On track for recommendations by May**

- 6.38 Initial discussions have been held with key stakeholders in both Councils. At the time of reporting, existing contract end dates for incumbent solutions do not present an urgent need to work towards a system procurement and replacement exercise in either organisation.
- 6.39 Stakeholders in each Council have agreed in principle that a joint reprocurement exercise will be undertaken at an appropriate point in the medium term, having regard for the ongoing suitability of incumbent solutions. The pattern of local, national and EU elections over the next few years points towards 2021 as a likely target date for a system replacement, unless a compelling business case can be developed to support a change in the shorter term, on the basis of financial savings to be achieved.

## **7.0 Next Steps**

- 7.1 As noted in section 5, the phasing of the remaining service reviews, and the relationship between their outcomes and the development and future delivery of a revised ICT Delivery target operating model, continues to be actively reviewed. In particular, the impact of the revised ICT Delivery model on current and future service costs for both Councils will be a key determinant in the development of business cases to support the migration of systems onto shared platforms, where currently those platforms are separate.
- 7.2 Updates will continue to be brought to this Committee to articulate how this overall programme of work will continue to be delivered in order to maximise outcomes for both Councils alongside the launch and delivery of the new Shared Services for ICT and Transactional Services.

## **8.0 Wards affected**

- 8.1 None.

## **9.0 Policy implications**

9.1 None.

## **10.0 Financial Implications**

- 10.1 Each Council spends a significant amount of money on provision of line of business applications. The reviews currently in progress will ensure that the Councils receive value for money for their taxpayers. The service reviews underway will ensure that this situation is continually monitored in a fast changing ICT environment.
- 10.2 This committee is responsible for the oversight of management of the shared services to ensure effective delivery and to provide strategic direction. However approving the budgets for the functions discharged by the committee are reserved to the Councils and any future investment requirement will require approval by CWaC and CE respectively.

## **11.0 Legal Implications**

- 11.1 Where the decisions flowing from reviews requires procurement activity, this will be carried out in accordance with the Public Contracts Regulations 2015, including any pre market consultation.

## **12.0 Risk management**

- 12.1 Programme risks are being identified and reported as necessary to the CoScoius Transfer Programme Board through normal programme management mechanisms. The Board will escalate any significant risks to the Committee as appropriate during the course of the programme.

## **13.0 Access to Information**

- 13.1 The background papers relating to this report can be inspected by contacting the report writers:

: Peter Bates / Samantha Brousas

: Cheshire East – Chief Operating Officer / Cheshire West and Chester – Director of Professional Services

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Background Documents:

*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,*

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