

Chichester District Council

CABINET

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Shared Services

1. Contacts

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2. Executive Summary

This report provides an outline business case for the sharing of six support services with Arun and Horsham District Councils with indicative revenue savings and requests Cabinet to agree that this work be progressed to a detailed business case.

3. Recommendations

- 3.1. **That detailed business cases and implementation plans be developed for all of the six service proposals.**
- 3.2. **That a contribution of £25,000 from reserves be made towards the cost of a Project Manager and project support to develop the detailed business cases and implementation plan.**

4. Background

- 4.1. Arun, Chichester and Horsham District Councils continue to face financial challenges as government grants reduce over the coming years. By the financial year 2019/20 Councils will no longer receive revenue support grant and most, including Arun/Chichester/Horsham, will have to pay a levy to the government, commonly referred to as "negative RSG". This means all district councils need to seek efficiencies to ensure they can continue to provide quality services to residents, businesses and visitors.
- 4.2. At their meeting on 9 February 2016 Cabinet approved decisions to investigate the business case for a shared service of Revenues and Benefits, ICT, Customer Services, HR & Payroll, Legal, Internal Audit and transactional Financial Services with Arun and Horsham District Councils. All three authorities share a common objective to "use our resources well and innovatively" and already share some services either with each other or with other Councils within West Sussex. In addition to the benefits to the authorities in terms of reduced costs and resilience from larger delivery teams and access

to expertise that may not be available in house, experience of shared services in the public and private sector demonstrates that they typically can provide career opportunities for staff and the sharing of best practice to improve service quality through transformation of service delivery; a key reason why this type of delivery approach is now so widely used

- 4.3. The work to prepare outline business cases took place between February and the end of May 2016. The three Councils shared the lead for developing the business cases as follows:

- (a) Arun – Revenues & Benefits and Customer Services
- (b) Chichester – ICT, Human Resources & Payroll and Transactional Finance
- (c) Horsham – Legal and Internal Audit.

The project leads were supported by a project assurance officer from a different council and the relevant heads of service from all three councils formed part of the project team. Horsham was not involved in the work on ICT or Revenues & Benefits due to its existing CenSus partnership with Mid Sussex and Adur & Worthing for these services.

- 4.4. The development of the business case preparation was overseen by a Steering Group of the Chief Executives and relevant Portfolio Holders of the three councils. The day to day work of preparing the cases was directed by a Project Board comprising the Project Leads/Director level representatives from the Councils, the project assurance officers and the Chief Financial Officers of the three councils.
- 4.5. In April the Steering Group stopped further work on investigating a shared transactional finance service. This decision was based on the fact that the number of staff involved (less than 10) and the fact that all three Councils have different financial systems meant that a shared service could not provide economies of scale and was not therefore viable.

5. Outcomes to be achieved

- 5.1. With reduced government funding and each authority's objectives to use our resources well and effectively, the sharing of services can achieve reduced revenue and investment costs, provide resilience in service delivery through the sharing of infrastructure and staff expertise and support improved career opportunities and stability for staff within a larger service base.

6. Proposal

- 6.1 Having considered the outline business cases the Steering Group recommend that these be progressed to a detailed business case for further consideration and approval by Cabinet. The outline business cases have considered what efficiencies and benefits might be achieved and how a shared service would impact on customers, staff and users of the services. Managers of the services were members of the work-stream groups and their knowledge and expertise was key in analysing service data, performance and processes and advising on

the requirements for any future shared service. This work has provided indicative revenue savings within a 5 year period across the partners as follows:

Service	Partners	Annual Savings
HR & Payroll	Arun/Chichester/Horsham	£324,000
ICT	Arun/Chichester	£485,000
Customer Services	Arun/Chichester	£305,000
Revenues & Benefits	Arun/Chichester	£338,000
Legal	Arun/Chichester/Horsham	£403,000
Audit	Arun/Chichester/Horsham	£169,000
Total Projected Opportunity		£2,024,000

These projections are based on the need to provide some initial investment, the sharing of systems and infrastructure and a reduction in staffing numbers through joint management, service redesign and economies of scale. The detailed business case will specify the savings allocation model with partners paying for the proportion of the service they use and associated indirect costs such as accommodation. Savings derived from the sharing of services will contribute towards the Council's deficit reduction programme.

6.2 The outline business cases clearly demonstrate the potential opportunity to deliver in excess of the targeted savings, particularly by adopting an integrated model of all six services being shared. Members are requested to consider these indicative savings and advise whether to progress all or some of the work streams to a detailed business case. The next stage of the project is due to take up to six months and will develop the strategic approach and detailed business case detailing:

- a) The recommended operating model and how this compares with other alternatives for each authority if shared services were not progressed
- b) The employing authority
- c) Systems to be shared/used
- d) Staffing protocols to be applied
- e) An equalities impact assessment
- f) A community impact assessment
- g) Detailed investment costs
- h) Cost savings profile
- i) Cost sharing profile and recharge mechanisms
- j) Any procurement implications
- k) The potential for accelerated delivery over a shorter timescale

Members will also be provided with a project implementation plan, identifying priorities, dependencies and timescales for full implementation and the delivery of savings.

6.3 Structured governance is fundamental to the success of shared services and the future governance model will be a key part of the next stage of development. It will be necessary therefore to ensure any constitutional arrangements support a shared governance arrangement.

7. Alternatives that have been considered

7.1 In the current financial climate there are clear choices to be made and Members will be aware of the spectrum ranging from do nothing to full outsourcing. Wider experience in the public and private sector demonstrates that there is opportunity in a shared services model and the initial business case phase concentrated on identifying the potential opportunity in a shared service arrangement but did consider high level alternatives for each work stream. These alternatives will need to be considered further once the future proposed shared service operating model is defined to ensure Members have sight of the potential alternative options for future development of support services for each authority. In addition, each work stream will need to demonstrate to their respective Cabinets whether an enhanced 'as is' in-house service i.e. a leaner in-house service could deliver comparable savings to a shared arrangement and how this model would compare in terms of cost, quality and resilience. The alternatives considered to date were:-

7.2 Do Nothing

The Councils could continue to operate as at present. This would require future contributions to savings to be identified from service reviews, but would leave little opportunity for service transformation and would not enhance career opportunities and resilience.

7.3 Work in Collaboration

The three Councils could continue as they are but collaborate more with each other. This could enable the sharing of specific expertise such as Auditors experienced in ICT or specialised legal knowledge to avoid employing external advice at a greater cost. Generally collaboration should improve resilience and might improve quality through closer working, but is unlikely to enhance career opportunities or contribute in any significant way towards savings on its own since neither costs, incentives, accountability or management for delivery are shared

7.4 Join Larger Partnerships

Many authorities have been sharing services for a number of years. The Appendix provides an analysis recently completed by the Local Government Association summarising those currently in existence. The work streams have contacted some of these local partnerships, particularly Audit, ICT and HR which has informed some of the decisions made in considering the initial business cases, for example, the Audit work stream contacted another publicly owned internal audit service provider. This larger partnership would have offered better career opportunities and greater resilience. However the total indicative savings from the partnership were £50,000 lower than those achievable from a shared team. Therefore the Steering Group did not consider this a viable option going forward. There are a significant number of existing partnerships at varying stages of maturity and development; therefore although it could potentially be possible to negotiate joining these partnerships, the opportunity to shape the service delivery would be

extremely limited and indeed, some of the larger partnerships have evolved to a point where they are no longer in a position to accommodate new partners.

7.5 Outsource

There are many examples of authorities outsourcing support services with varying degrees of success. The challenge for smaller district councils to successfully outsource services to the private sector is their lack of scale and therefore lack of attractiveness to providers. Without entering into a formal procurement process, it is not possible to attain a costed model to enable a detailed comparison of cost and quality against other options available. Therefore, to date, statement savings in the region of 20% have been indicated by outsource providers but no further detail is to hand. Due to the scale of large providers and smaller public authorities, the challenge would be in negotiating a robust charging model to accurately forecast longer term contractual costs. In 2013 Chichester District Council employed external consultants to review their internal ICT service and specifically asked the consultants to advise on whether an outsourced model would be a viable option. Due to the size of the authority, the advice at that time was that savings would be more likely derived from a sharing of services with other district councils compared to an outsourcing contract.

7.6 There are however recent examples of larger private providers combining existing district council contracts and delivering services from a centralised hub to gain efficiencies. An example of this is the five Councils with existing services outsourced to Capita (Havant, Vale of White Horse, South Oxfordshire, Hart and Mendip). This type of model can provide career opportunities for staff but would also have significant implications in terms of their place of employment.

7.7 Members are requested to consider whether they wish to pursue more detailed analysis of how an outsourced model would compare for any of the proposed business cases going forward.

8. Resource and legal implications

8.1 To date, delivery of the outline business cases has been undertaken with existing staff resources across all partner sites with some advice from external consultants. To date each authority has contributed £20,000 to fund external consultancy and specific project costs. However, it is recognised that there is a need for dedicated project resource and external expertise to deliver the detailed business cases and project plan. Members are requested to authorise an allocation of £25,000 as Chichester's share of a £75,000 project budget to fund this additional resource during the next phase.

8.2 For the period to production of the final business cases the governance arrangements will remain largely as at present:

Project Steering Group (Chief executives & portfolio holders)

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Project Board (Individual authorities' Lead Officers, Chief Financial Officers and appointed Project Manager)

Project Work streams (Project Manager, Project expertise from Finance, ICT and HR)

- 8.3 In developing the final business cases procurement issues will arise, specifically in respect of systems provision. Once the operating model is defined and services/systems required are agreed, procurement implications will be identified within the detailed business case and factored into the implementation plan, taking into account the Contract Standing Orders of each participating authority.
- 8.4 To date, service managers have provided detailed input to developing the initial business cases. As part of defining the operating model that would be required to deliver a shared arrangement, careful consideration will be given to the implications for staff. TUPE (Transfer of Undertakings (Protection of Employment) Regulations does not technically apply to inter-public transfers under the regulations. However, the Cabinet Office Statement of Practice (COSoP) overrides this and requires the public sector to treat such transfers as if TUPE fully applies. Therefore, if a final business case is approved, the Councils will carry out a TUPE type transfer to the employing authority. In addition, the project implementation plan will include staff protocols to reduce staff displacement through wider re-deployment opportunities and vacancy management as well as any joint disturbance allowance schemes for transferring staff.

9 Consultation

- 9.1 There is no need for public consultation on sharing between local authorities.
- 9.2 Staff were briefed about the start of this work in February 2016. They have received written updates from the Project Board and briefings on the content of this report took place in mid-June with staff in the affected areas and Joint Employee Consultative Panel on Monday 13 June. The future project will require a communications plan to ensure staff continue to be kept informed.
- 9.3 A meeting, led by the Chief Executive of Horsham District Council and the Project Board leads from each Council took place with the three Unison Branches on 17 June 2016. On-going consultation will take place during detailed business case development and implementation stage. Members have agreed to monthly joint meetings during the next phase.
- 9.4 An update was provided to Overview and Scrutiny Committee on 5 July 2016 on the content of this report and officers will provide a verbal update to Cabinet on the outcome of this at this meeting.

10 Community impact and corporate risks

- 10.1 If the Revenues and Benefits Service and Customer Services work streams progress, it will be necessary to undertake a community impact assessment as part of the detailed business case as these are direct customer facing services

and the business case will need to clearly identify the impact on customers and any mitigating measures to ensure services are not diminished.

- 10.2 The outline business cases considered risk and issues in detail but there is limited impact on corporate risks at this stage other than staff resources to support the project. To address this in the short term, the appointment of dedicated project resource will mitigate this to a great extent. However, each individual business case will be required to identify specific corporate and service risks associated with their recommended model. The implementation plan will need to collate these risks and provide mitigating actions to satisfy Cabinet that savings will be achieved on time, staff impact will be minimised and legal implications such as procurement, TUPE and Constitutional requirements are met.

11 Other Implications

Crime & Disorder:	None
Climate Change: Shared services are likely to involve more officer travel during the development of the full business case and certainly should a case be approved	Yes
Human Rights and Equality Impact: A TUPE type transfer and potential redundancies will lead to the need of an equalities impact assessment on employees alongside each full business case.	Yes
Safeguarding and Early Help:	None
Other (Please specify): eg Biodiversity	None

12 Appendices

- 12.2 Appendix – Examples of Shared Services in operation

13 Background Papers

None