

Chichester District Council

THE CABINET

10 January 2017

Shared Services

1. Contacts

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2. Recommendation

2.1. That the Cabinet resolves not to enter into a shared services arrangement with Arun and Horsham District Councils.

3. Background

- 3.1 Over the last twelve months Chichester, Arun and Horsham District Councils have been working together to explore the possibility of delivering services on a shared basis. Arun and Chichester were looking at joint ICT, Revenues and Benefits and Customer services. Horsham was working with the other two councils on proposals to share Internal Audit, Human Resources and Legal services.
- 3.2 In July the three Councils approved outline business cases for sharing these services subject to the development of detailed business cases to establish in more detail the costs, benefits and savings allocation model to be applied. Full business cases have now been produced and evaluated by senior managers and the conclusions have been discussed with the three Councils' Leaders and relevant Cabinet Members. Leaders and Officers agree that the work undertaken to pursue these projects has been valuable in analysing and comparing resources, operating methods and productivity. However, they consider that the projected scale and timing of savings and the degree of difference in the Councils operating models, resource levels and systems do not justify the costs and risks of implementation.
- 3.3 The savings model applied was based on a 'user pays' basis rather than an equal split. Each detailed business case projected annual revenue savings to be achieved at the end of a five year period. Applying this model, Chichester District Council's projected annual revenue savings were £936,000 across all services. These projections need to be caveated with particular implications, risks and assumptions. Set out below is a high level summary of those risks and assumptions that were taken into account in assessing the robustness of each business case and the likelihood of realising these savings:

Audit	£59,000	Based on CDC reducing annual audit days from 630 to 400 pa
HR/Payroll	£0	CDC staffing levels in HR operate at an efficient level. Therefore no staff savings would be achieved by CDC
ICT	£230,000	These projections were based on a 10% reduction in asset replacement costs, a 10% saving on annual support and maintenance costs and a reduction in staff. These savings would be subject to agreeing a joint strategy going forward, each partner making equal investment, maintaining a strong commitment to share systems and ensuring the service retained adequate resources to deliver each partners enabling plans going forward. As a key service provider, relied upon by all service areas across both partner sites, it was felt that the risks and assumptions outweighed the projected savings
Revenues & Benefits and Customer Services	£480,000	Although a significant saving, due to the number of staff transferring, it would be necessary for ADC to recharge a proportion of their management costs. Applying the user pays model this would reduce CDC savings to a figure nearer £300,000,
Legal	£167,000	These projections were applied on existing workloads. Within this work-stream a significant amount of change management was required to align all three Councils' practices. Once applied, this would significantly diminish CDC share of the savings. Therefore this savings allocation was not felt to be reliable.
Total	£936,000	The adjustments likely to occur under the Revenues and Benefits and Legal work streams would reduce this total likely saving to a figure in the region of £589,000. In addition, the savings projected for ICT were reliant on wider issues which could potentially further diminish the overall savings figure to £500,000 .

- 3.4 In assessing the risks, assumptions, implementation costs and payback periods for each business case, the Programme Steering Board (Chief Executives and Portfolio Holders of each authority) recommend that none of the proposed business cases be progressed. It was felt that much of the proposed savings could be made in house.
- 3.5 One of the key drivers for considering shared services was the financial imperative to reduce operational costs. A £400,000 savings target for support services has been identified within the Council's deficit reduction plan. This saving is profiled to be delivered in 2017-18 and 2018-19 in equal proportions. This target will remain within the deficit reduction plan.

4 Outcomes Achieved

- 4.1 Although the recommendation is not to proceed with shared services, CDC has gained very detailed benchmarking data and analysis of processes as part of this project. This work will be the basis for reviewing existing operating models within the services and applying, where appropriate, those changes that can be delivered by CDC to meet the £400,000 deficit reduction target for support services. Officers are confident that this target can be achieved.

5 Proposal

- 5.1 That a project be undertaken with immediate effect to review the operating models of those services within the shared services programme to make efficiency and financial savings to off-set the deficit reduction target for support services. The Chief Executive is confident that savings in the region of £400k can be made and delivery of them will be monitored via the Business Improvement Programme Board.

6 Alternatives Considered

- 6.1 The alternative option would be to retain the existing operating models for the service areas within shared services. The shared services programme has demonstrated opportunities to improve in-house processes and operating models to allow services to continue to provide a good quality service, whilst meeting the £400,000 savings target. If this exercise is not undertaken, the savings target will need to be achieved through efficiency savings in other service areas across the Council.

7 Resource and Legal Implications

- 7.1 At their meeting in July, Cabinet authorised the release of £25,000 to fund CDC share of project resources and associated costs in compiling the detailed business cases, this was in addition to the original £20,000 agreed by Cabinet in February. Each Council equally contributed staff resources to the project and therefore did not recharge for this time. Therefore, the costs incurred consisted of a reduced amount of external management and technical consultancy and some small additional staffing costs, CDC's share of which is less than £10,000 £35,000 will therefore be returned to reserves.

8 Consultation

- 8.1 This project did not require external consultation. Staff were continually provided with updates as the project progressed using staff briefings by the Chief Executive, regular newsletters and reports to the Joint Employee Consultative Panel.
- 8.2 Branch Secretaries from each Council met with a lead Chief Executive and Project Lead Officers on a monthly basis during the process and were given the opportunity to raise questions or concerns which were formally addressed.
- 8.3 Overview and Scrutiny Committee received a verbal update in June 2016 at the conclusion of the initial business cases.
- 8.4 A Member Task and Finish Group were consulted as the detailed business cases were being compiled. The Task and Finish Group consisted of Councillors Penny Plant, Simon Lloyd-Williams, Jane Kilby, Stephen Morley and Josef Ransley. The notes of the Task and Finish Group 8 December 2016 have been circulated to all members. The Group concluded that the Council should not proceed with sharing of the services set out in this report.

9 Community Impact and Corporate Risks

9.1 There are no community impacts or corporate risks in the decision not to proceed with a shared service. However a customer impact assessment and corporate risks will form part of any future operating models proposed for these services.

10 Other Implications

Crime and Disorder	None
Climate Change	None
Human Rights and Equality Impact	None
Safeguarding	None

11 Appendices

None

12 Background Papers

None