

CANNOCK CHASE COUNCIL
CABINET
15 APRIL, 2010
REPORT OF CHIEF EXECUTIVE
RESPONSIBLE PORTFOLIO LEADER – LEADER OF THE COUNCIL
SHARED SERVICES – CANNOCK CHASE DISTRICT COUNCIL AND
STAFFORD BOROUGH COUNCIL
KEY DECISION – NO

1. Purpose of Report

- 1.1 To provide an update on the current position on the development of Shared Services between Cannock Chase District Council and Stafford Borough Council in accordance with the attached joint report of the Leaders of Cannock Chase District Council and Stafford Borough Council.
- 1.2 To agree to the implementation of the first phase of the shared services programme.

2. Recommendation(s)

- 2.1 That the joint report of the Leaders outlining the current position be noted.
- 2.2 That the first phase of the shared services programme be implemented as set out to a timetable to be agreed once external support for the project has been finalised.

3. Summary (inc. brief overview of relevant background history)

- 3.1 A comprehensive summary of the background to the recommendations is contained in section 5 of the joint report of the Leaders.

4. Key issues and Implications

- 4.1 The joint report of the Leaders highlights the following key issues:
 - i. In order to meet the significant potential impact of the national economic situation on Councils, it is important to consider all methods of delivering services in the most efficient and effective manner.
 - ii. Cannock Chase District Council and Stafford Borough Council have developed a Memorandum of Understanding within which discussions are continuing to identify services that could be delivered on a shared basis.

5. Conclusions and Reason(s) for the Recommendation(s)

5.1 These matters are covered in the main body of the joint report of the Leaders.

6. Other Options Considered

6. These matters are covered in the main body of the joint report of the Leaders.

7. Report Author Details

Steve Partridge, Democratic Services Manager, ext. 4588

SCHEDULE OF ADDITIONAL INFORMATION

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Section 1

Contribution to Council Priorities (i.e. CHASE, Corporate Plan)

The consideration of Shared Services forms part of the Corporate Improvement Priority Delivery Plan and is integral to the Management of Finance/Resources in order to provide the capacity and capability to deliver future improvements

Section 2

Contribution to Promoting Community Engagement

Section 3

Financial Implications

Outline financial implications are covered in section 9 of the attached joint report of the Leaders, and have been agreed, in principle, with the S.151 Officer.

Cabinet should also note the Financial Implications detailed in section 7.1 and 7.2 of the joint report whereby the £78,000 additional assistance available from WMREIP will be refundable by both authorities in equal parts if the shared services programme was not delivered.

Although no specific budget provision exists for such a refund the shared services project will be effectively managed to mitigate any such risk.

Section 4

Legal Implications

At this stage, there are no formal legal implications, though the Memorandum of Understanding (Appendix 1 to the joint report), outlines the principles that will apply to shared services between Cannock Chase District Council and Stafford Borough Council.

Section 5

Human Resource Implications

A significant range of HR issues arise from the proposals contained within the joint report. An HR framework has been drafted and will be finalised once a final strategic decision is taken to pursue the SLA route. There are a number of different approaches that could be adopted in respect of the employment rights and employment status of employees affected by the proposals and these are currently the subject of discussion. However, the key areas in relation to HR implications may include the following:

- TUPE: as one authority will manage services on behalf of another, this could effectively involve the transfer of an undertaking and, consequently, could involve the transfer of employees between the two authorities. Should this approach be taken, it is a complex process that requires sharing of information, employee and trade union consultation, identification of any risks and liabilities in relation to employees (such as any pending tribunal cases, insurance

claims etc). It should be noted that a transfer of employees under the TUPE regulations ensures a degree of protection of terms and conditions of employment for those affected. No changes may subsequently be made to such terms and conditions unless there is a genuine justifiable business, economic or technical reason to do so.

- Equal Pay – If the TUPE approach is taken this could result in employees doing similar work being paid at different rates of pay. This could result in risk of equal pay claims against each authority.
- Information and Consultation – any potential TUPE situation requires that consultation with employees and their representatives is undertaken ‘in good time’ and for a reasonable period sufficient to allow all issues to be considered. Even if TUPE were not to apply for any reason (for example if a different approach is taken) employees and trade unions would still need to be consulted as the revised working arrangements would result in significant changes to roles and responsibilities.
- Management Structure – a mechanism will need to be determined to address not only which will be the lead authority for any particular function but also which manager will run each function. Consideration will need to be given to how issues of assimilation or selection for posts will be undertaken under the SLA model. No assumptions should be made until it is clear what the managerial role will be and which employees may have some form of ‘claim’ over any role.
- Employee engagement – the proposals will result in significant upheaval across both organisations and it will be important to ensure that a strategy is in place to ensure that employees are both involved and engaged in this process. This is necessary to maintain the morale of the workforce during the transitional period and ensure their co-operation and involvement in making the change a success.

Section 6

Section 17 (Crime Prevention)

There are no identified implications in respect of Section 17 (Crime Prevention) arising from this report.

Section 7

Human Rights Act Implications

None identified.

Section 8

Data Protection Act Implications

There are no identified implications in respect of the Data Protection Act arising from this report.

Section 9

Risk Management Implications

Risk management implications are covered in section 10 of the joint report.

Section 10

Equality and Diversity Implications

Equality and diversity implications are covered in section 11 of the joint report.

Section 11

List of Background Papers

Section 12

Report History

Council Meeting	Date

Annexes to Report

Annex 1 (Joint Report) Submission by Leader of Cannock Chase District Council and the Leader of Stafford Borough Council, including (Appendix 1) Memorandum of Understanding – Cannock Chase District Council and Stafford Borough Council

Annex 2 (Appendix 2) Implementation Timetable

ITEM NO D1(i)**ITEM NO D1(i)**

CABINET - 15 APRIL 2010	
Contact Officer:	Malcolm Vickers
Telephone No:	01785 619203
Ward Interest:	Nil
Report Track:	Cabinet - 15/4/10 (Only)

**SUBMISSION BY LEADER OF CANNOCK CHASE DISTRICT COUNCIL
AND THE LEADER OF STAFFORD BOROUGH COUNCIL**

Shared Services

1 Purpose of Report

1.1 To:-

- (a) provide an update on the current position of the development of Shared Services between Cannock Chase District Council and Stafford Borough Council;
- (b) to agree to the implementation of the first phase of the shared services programme.

2 Proposal of Cabinet Member

- 2.1 That
- (a) the current position be noted;
 - (b) the first phase of the shared services programme be implemented as set out to a timetable to be agreed once external support for the project has been finalised.

3 Key Issues

- 3.1 In order to meet the significant potential impact of the national economic situation on Councils, it is important to consider all methods of delivering services in the most efficient and effective manner,
- 3.2 Cannock Chase District Council and Stafford Borough Council have developed a Memorandum of Understanding within which discussions are continuing to identify services that could be delivered on a shared basis.

4 Relationship to Corporate Priorities

- 4.1 The delivery of services supports all the Council's corporate priorities.

5 Background

- 5.1 Officers from Stafford Borough Council and Cannock Chase District Council have been examining the potential for sharing services between the two authorities as a method of reducing costs and ultimately improving quality of service. This is particularly important in view of the potential impact on local authority funding as a result of the national economic situation.
- 5.2 For some time, discussions have been held with a view to sharing services within the two authorities. Initially discussions centred upon identifying services where opportunities for sharing existed as a result of vacancies in one or both authorities or where links between both authorities meant that sharing services would deliver an efficient and potentially better service for the customer at a reduced cost. The principle of sharing services is not new to both authorities as Stafford Borough Council currently provides the Payroll Service for Lichfield District Council and Stafford and Rural Homes and Cannock Chase District Council provides an out of Hours Service for Lichfield District Council and Newcastle under Lyme Borough Council for example. These arrangements have proved to be successful and have resulted in savings/additional income for both authorities.
- 5.3 Following on from officer discussions an informal meeting of the Cabinets of both authorities was held in January 2009 and it was agreed that the principle of sharing services be developed. To this end a Memorandum of Understanding was agreed which essentially sets out the framework within which the two authorities would move forward toward developing an agreed approach to shared services. A copy of this Memorandum of Understanding is attached as **APPENDIX 1**. It is accepted that the Memorandum of Understanding should develop into a formal agreement between the two Councils following external advice.
- 5.4 Initially two services were identified for potential sharing, Building Control and Information Technology. Building Control was identified as external providers of Building Control Services are increasingly taking market share and by combining two authorities services a more resilient service, able to meet the competition from external providers, would be created. IT was chosen, as there are efficiencies to be gained from providing one service to two authorities, potential economies of scale arising from bulk buying together with increased resilience. These are dealt with in more detail later in this report.
- 5.5 During 2009 it became apparent that as a result of the worsening national economic situation, funding to local authorities into the future (potentially from financial year 2011/12 onwards) would become significantly tighter resulting in local authorities being required to reduce their budget of expenditure. One of the methods of reducing costs within authorities is the development of shared services and this is being developed in various areas throughout the Country (one of the most notable being Staffordshire Moorlands and High Peak).

- 5.6 There are a number of strategic benefits of sharing and whilst the financial driver is very strong it is not the only benefit that can be derived. Other key benefits include:-
- Increased resilience in respect of workload peaks, sickness or vacancies
 - Improved services
 - Strong positioning for sharing with new partners
 - Learning from each other to achieve best practice
 - A stronger voice working in combination
 - Better competitive position for trading services
- 5.7 In order to extend the potential of sharing services across all the authorities services and as a result of the indications of the worsening national financial situation, a joint process was undertaken where senior officers in every service area in each authority met. The object of this exercise was to obtain an indication of those services that might deliver savings, to assess ease of implementation and help set a timetable for implementation.
- 5.8 This exercise was undertaken during September 2009. During October and the beginning of November 2009 the respective Heads of Service met with a group of officers from both authorities to discuss the proposals and to assess the potential benefits of sharing. The role of this group was to scrutinise and to ensure that there was consistency across all services and that all opportunities, barriers and savings had been explored.
- 5.9 The overriding conclusion that came from this exercise was that apart from some selected services the vast majority of services would be suitable for sharing. In addition there was a clear view that the maximum benefit that would accrue to both Councils would be realised by sharing at the highest possible management level; normally Head of Service. The exercise also assisted both Councils in determining which services should be considered first.
- 5.10 There are significant Human Resource, Legal and Financial issues associated with the sharing of every service. It became apparent that it would be necessary to develop framework documents that addressed those corporate issues. Officers of both authorities have undertaken this work and draft versions of these documents have been completed. However, there is still considerable work still to be undertaken on these documents, but the nature of that work will be dependent upon the final shared services model adopted.
- 5.11 In parallel with the exercise undertaken in September 2009, staff on Revenues and Benefits from Cannock Chase District Council have been working with Stafford Borough Council with an ultimate objective of constructing a case for the development of a shared revenues and benefits service. This case is in the process of being finalised. In addition, Stafford is gaining from the expertise in the procurement of a new IT system, which Cannock Chase currently use.

- 5.12 Furthermore, following the resignation of the Head of Legal and Democratic Services at Cannock Chase District Council, Stafford Borough Council's Head of Law and Administration (Alistair Welch) has been temporarily appointed Monitoring Officer and Council Solicitor at Cannock Chase and is also "keeping watch" on their legal and democratic services.

6 The Proposal

- 6.1 As referred to above, a strong argument was made by Heads of Service that the starting point of developing shared services should be the examination of joint Heads of Service posts. This was borne out by experience in other authorities who have gone or are going through the process of examining shared services for example, Staffordshire Moorlands and High Peak, Bromsgrove and Redditch, South Oxfordshire and Vale of White Horse. All of these authorities have in place shared Management Teams and have delivered significant savings arising from this process. This has been seen as the first stage of the process of delivering shared services as it allows the single Head of Service to bring together two sets of staff, review the processes that are in place across the two Councils to see if they can learn and achieve further efficiencies from this. This allows further savings and improved services to come from this process.
- 6.2 However, there is a fundamental difference in the process and outcomes that Cannock Chase District Council and Stafford Borough Council can achieve when compared with the examples of authorities entering into shared service agreements. This links to the decision made in early 2008 that each Council will have its own Chief Executive within its organisation. As it is not planned that this position changes then the principle of developing a fully shared Management Team across all services of both authorities is not achievable. However, that does not preclude some derivative of the model to be considered.
- 6.3 An option that could be considered is adopting a process where services are provided by a lead authority under a service level agreement (SLA). A SLA is a form of contract between two organisations, which will specify a level of service to be provided, and the payment to be made for those services.
- 6.4 A further issue associated with the SLA approach is the need to define the delegated authority under which services are to be shared. Whilst this arrangement is referred to as sharing services it is essentially a client/contractor relationship with one authority leading on a service depending on circumstances and agreement. This would work in the following way
- 6.5 Both authorities would take a strategic decision and agree to share a service with one Council being the lead. In the case of Stafford Borough Council being the Lead authority for IT for example, then Cannock Chase District Council would "contract" with Stafford Borough Council for the provision of this service. This would require the lead authority to be authorised at the outset by the other authority to undertake the service that is to be shared. This

approach would potentially need to be reviewed once the service had been established and was operating successfully. The monitoring of this arrangement would be the responsibility of Cannock Chase District Council who would have a member of staff with that responsibility as part of their duties and responsibilities.

6.6 The main advantages to this approach are:

- It allows the principle of a shared services to be tested in a controlled way
- It provides confidence for the “non lead” authority that their service level requirement would be met
- it is a manageable process putting limited demands upon the capacity of both organisations

6.7 The main disadvantages, however, are:

- The level of savings is less than would be available through full integration due to the need to establish a “client” in each authority
- The need to compile detailed service specifications to ensure that each authority understands the nature of the service being provided
- in the event that changes in service were required under a SLA, formal contractual negotiations and amendments would be required. This is an issue that would need to be addressed in the legal framework document

6.8 In order to implement shared services through the principle of service level agreements, it would be necessary to first identify those services to be considered.

6.9 The strategic decision to identify those services to be considered for sharing at the outset are based on the detailed work that has already been, and is currently being undertaken (particularly Information Technology and Building Control). In addition the table below also recognises the work currently underway (including the development of the Revenues and Benefits and Legal business cases). For services being considered as part of the first phase of development it is necessary to be clear as to the lead authorities for each service area, as this will quite clearly assist in the planning and delivery of the subsequent shared services. This strategic choice has been outlined below based on the work undertaken to date but will finally be determined as part of consideration of the merits of the potential shared service. It is also important to note that the identification of a lead authority does not determine, where there may be a potential clash, which Head of Service would ultimately lead the service.

Service	Initial Authority Proposed Leads
Implemented by 1 October 2010	
Information Technology (incl. Reprographics)	SBC
Building Control	CCDC
Other services currently being progressed	
Human Resources	SBC
-personnel	
-payroll	
-training and development	
Finance	CCDC
-accountancy	
-revenues and benefits	
Legal & Democratic Services	SBC
-legal services	
-democratic services	
-elections	
Internal Audit, Insurance & Risk Management, Civil Contingencies	CCDC
Community Safety	SBC

6.10 The services shown above will form the first phase of services for consideration for sharing. It is important to understand the proposals would not go ahead unless it lead to clear savings to both authorities or the sharing of services would demonstrate clear improvements in service or both. Other services can be considered by managers from the two authorities for sharing and be bought forward for consideration if felt to be viable

7. **Other Issues**

7.1 There are significant resource and capacity issues associated with this proposal. Both authorities will need to commit staff time to the project and this work will impact on senior officers resulting in capacity issues. External support will be crucial and discussions have been held with the West Midlands Leaders Board. In addition it will be necessary to take external advice as to any issues associated with Human resources, legal and financial guidance. Discussions have been held with the West Midlands Regional Improvements and Efficiencies Partnerships (WMRIEP) and a formal agreement has been received and a grant of £40,000 is available to both authorities to support the cost of this advice.

- 7.2 In addition the WMRIEP have indicated that a further £78,000 could be made available although this would be refundable by both authorities in equal parts, if for any reason, the programme of shared services outlined in Section 6 were not delivered. WMRIEP will also assist the Councils in procuring any necessary support for the project

8 Implementation

- 8.1 An indicative timetable showing key processes and milestones is attached at **APPENDIX 2** for the implementation of the two initial services (Information Technology and Building Control) although the practicalities of meeting this timetable will need to be examined closely following discussions with the providers of external support referred to in the previous section. Other services would follow a similar process but within a timescale to be determined.

9 Financial Implications

- 9.1 Obviously there are significant financial implications arising from the sharing of services. Indications from the experience of other authorities suggest that savings of 10% of overall salary costs are ultimately achievable from the implementation of shared services. This is clearly only a crude guide but does not differ significantly from initial assessments within Cannock Chase District Council and Stafford Borough Council.
- 9.2 However, clearly these savings would not be achievable immediately because
- severance costs may be incurred in certain cases
 - some areas, particularly IT and HR would be intensively involved in the implementation and therefore unlikely to make savings in the first instance
 - there is a need to unify systems and processes wherever possible which would result in some upfront costs
- 9.3 Offset against these savings would be the cost of any contract management arrangements, which would clearly be a matter for each authority to determine. In addition there may also be costs, such as indemnities and equal pay, as a result of transferring staff and services between authorities. However, as far as is possible, these costs would need to be reflected within the SLA and the 50/50 sharing agreement.
- 9.4 The general principle of allocating costs and savings from the sharing of services would be to share those costs and savings equally between each authority.

10 Risk Management Issues

10.1 The risk issues contained in this report are strategic and therefore should be included in the Strategic Risk Register.

- in sharing services there is a potential for both Councils to experience reduced capacity
- any agreement to share services requires very clear guidance as to the position if either Council decides to withdraw from any agreement
- in considering sharing existing systems the Councils needs to ensure that they are in compliance with all procurement regulations
- if action is not taken to align both Councils' policies and procedures the ability to make savings from sharing will be severely restricted
- there is a need to have proper arrangements in place to deal with situations where conflicts of interest arise for any shared officers required to advise both authorities
- consideration of sharing services can be unsettling for the staff of both authorities
- there is a need to ensure full and proper communication strategy
- there is a need to be aware of the impact of shared services on the individual cultures of both authorities
- there is a need to ensure that proper project management arrangements are in place
- it is essential to ensure adequate external funding is accessed to support the complex processes required to support the implementation of shared services.
- The specifications for any shared services need to be clear and unambiguous to avoid misunderstandings
- The process for variations to SLA's need to be clear

11 Equality Issues

11.1 Consideration needs to be given to each of the equality strands listed below:

	Positive Impact	Negative Impact	Comments
Age	X		Where proposals leads to a service redesign or reconfiguration an Equality Input Assessment will be required under Single Equality Scheme requirements
Disability	X		
Gender	X		
Race	X		
Religion/belief	X		
Sexuality	X		

This report has been produced having considered the following additional issues Strategic Plan Implications, Sustainability Issues, Human Rights Issues, Crime and Community Safety Issues, Data Protection Act Implications, Legal Implications, Human Resource Implications.
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Previous Consideration

Nil

Background Papers

File available in Chief Executive's Office

APPENDIX 1

Memorandum of Understanding

Cannock Chase District Council and Stafford Borough Council

Objective: to explore and where applicable implement the joining up and sharing of certain service provision for the 2 communities based upon the following principles:

- Providing services at a reduced cost, whilst retaining at the outset a minimum of the current level of service quality with the long term aim being to improve quality of service provision
- Securing cost savings for taxpayers
- Keeping jobs local to both districts and within Staffordshire
- Building capacity and expertise to offer the best services to citizens
- Creating opportunities for staff and Councils in delivering shared services
- Ensuring that the customer experience is not diminished

We will do this by:

- Identifying common areas of service delivery and exploring how we can be more efficient by working together
- Making implementation decisions based on robust business cases which are supported by evidence
- Ensuring that the implementation of identified shared service areas is actioned jointly
- Acknowledging that a better service may be best delivered from one service point
- Ensuring equity in the way the services and their management are shared between the two councils
- Agreeing a common message before it is shared with staff, Trade Unions, citizens and suppliers.
- Maintaining our independence by promoting and preserving our separate identities.

APPENDIX 2

Month	No	Task		Resources
April 2010	1	Define scope of each service for sharing		Leads
	2	Complete HR Framework		Heads of HR, External
	3	Commence Finance Framework		Heads of Finance, External
	4	Commence Legal Framework		Head of Law and Administration, External
	5	Agree communications strategy		Communication Officers
May	6	Union discussions re service scope (including identification of future union consultation) and Frameworks		Leads, Heads of HR
	7	Finalised service scope and HR Framework		Leads
	8	Start development of service specifications (SLAs)		Leads, Heads of Service
	9	Complete Finance Framework		Heads of Finance, External
	10	Complete Legal Framework		Head of Law and Administration, External
June	11	Start design of “client sides”		Leads
July	12	Complete design of “client sides”		Leads
	13	Undertake final viability assessment		Leads
	14	Prepare final report to both Councils		Leads

APPENDIX 2

Month	No	Task		Resources
September	15	Members consider final report		Members
	16	“Client side” arrangements implemented		CEs
	17	Lead Authority SLA’s finalised		Members, CEs
October	18	SLA’s implemented		All

Notes:

1. Overall steering group of Leaders, CEs and Leads to meet each month for project overview.
2. Resources identified are key staff only. Other staff and Leads will be involved at all stages.