



To: The Leader and Executive Councillor for Strategy and Transformation: Councillor Lewis Herbert

Report by: Ray Ward

Relevant scrutiny committee: Strategy & Resources
20/10/2014
Scrutiny Committee

Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

SHARED SERVICES

Key Decision

1. Executive summary

1.1 Cambridge City Council, Huntingdonshire District Council and South Cambridgeshire District Council all made decisions in July to work in partnership to deliver shared services. A significant amount of work has taken place since then and this report sets out progress together with proposed next steps to ensure momentum is maintained.

2. Recommendations

The Executive Councillor is recommended:

2.1 To note the good progress to date by all three Councils working together to deliver shared services.

2.2 To agree the general principles set out in Paragraph 4, namely:

The lead authority model in the first instance (4.2)

Proposed lead and location arrangements (4.3)

Proposed cost sharing proposals (4.4)

2.3 To agree to a phased approach to the development of ICT and Legal Shared Services, with interim project support appointed to assist with the process and develop full business cases.

- 2.4 To establish a Business and Legal Practice Manager in advance of the proposed shared legal service to assist with the transformation programme and development of the shared service.

3. Summary of Progress to Date

- 3.1 The three councils have been working well together to deliver Phase 1 of a series of shared services. Progress on ICT and Legal is included later in this report. Waste Collection, involving the City Council and South Cambridgeshire, forms a separate report and Building Control, involving Huntingdonshire and South Cambridgeshire, will be brought forward for decision in November. Other discussions involving shared services are also currently taking place through City Deal.

4. General Principles

- 4.1 As part of ongoing work on shared services, a number of general principles have emerged that will help to ensure coherence and consistency across all shared services moving forward. These general principles will help to provide a framework within which specific decisions can be made on a service by service basis to meet operational requirements.

4.2 Shared Service Models

- 4.2.1 There are a number of shared service models that can and have been adopted elsewhere in the country, each with advantages and disadvantages. These range from a lead authority model through to a company structure and joint outsourcing.

- 4.2.2 It is believed that, in the first instance, the lead authority model would best suit our circumstances and would enable current momentum to be maintained. Under the lead authority model, one authority would be responsible for the shared service, including staff seconded on their substantive terms and conditions from the remaining two authorities. However it is important to stress that shared member and officer governance arrangements would be put in place with regard to overseeing performance.

- 4.2.3 Whilst it is proposed that the lead authority model should be the starting point for consideration, other models may be suggested as part of specific business cases, or explored over time once a shared service model has been created.

4.3 Lead and host authority arrangements

4.3.1 It will be important to ensure overall across the first phase of shared services that the decisions on lead authorities are made equitably, bearing in mind the cumulative impact on each of the three authorities.

4.3.2 In the first instance, it is proposed that Cambridge City Council should lead on Legal Services, Huntingdonshire on ICT and South Cambridgeshire on Waste Collection. Decisions on building control and other services as appropriate will be made at a later date.

4.3.3 As far as location is concerned, it is proposed that this should be an operational decision made on a service by service basis as a part of each business case. However, the cumulative impact will need to be borne in mind together with the strategic accommodation priorities of each Council.

4.3.4 As part of developing shared services, it will be important to reduce the need for travel across the three authorities to minimise costs and environmental impact. It is proposed therefore to create:

- hot desking in each authority for other partners/services to use as appropriate;
- a common document management system for meetings;
- video conferencing and related ICT facilities

4.4 Cost Sharing / Efficiencies

4.4.1 There are a number of cost sharing models operating elsewhere, some of which are more sophisticated than others, including:

- An equal split of any savings achieved across the participating authorities.
- A proportional split based on an agreed formula (eg population, number of employees).
- A service by service approach based on the budget of each service incorporated.
- A service by service approach based on the level of service specification by each partner

4.4.2 It is important to be fair and transparent, whilst at the same time not creating a significant amount of work that is disproportional to potential outcomes. It is proposed that a service by service approach based in the first instance on the budget of each service incorporated should be the starting point, whilst also ensuring that appropriate efficiency

targets are built in for each Council. An appropriate cost sharing agreement will be made between the parties concerned at the outset.

4.4.3 Once the shared service is created, we will need to ensure a more sophisticated approach by which each authority can determine the performance required and target potential efficiencies appropriately.

5. ICT Shared Service

5.1 Progress to date

5.1.1 It was agreed in July that the three authorities would work towards a shared ICT Service as an early priority. Following the appointment of additional capacity to help with this process, progress has been made on mapping existing activity and resources, considering different delivery models, determining desired outcomes and using these to shape the next steps as part of the development of a shared service.

5.2 The proposed desired outcomes from a shared service are as follows:

5.2.1 Improving resilience – better able to prevent service loss or interruption and cope with peaks in workload and staff absences. A larger team will also give each council access to a greater breadth and depth of professional expertise.

5.2.2 Reduced external expenditure – additional resources and a broader skills base will lead to a reduction in the need for external advice. Where this is required, the combined purchasing power of all three councils should lead to more competitive procurement rates.

5.2.3 Improved customer service – access to a more comprehensive ICT service should result in a better and a more responsive service to officers and members.

5.2.4 Decreased fixed costs – sharing or joining up ICT services across three councils should lead to savings in, management, hardware, software and services, administrative support and accommodation costs.

5.2.5 Remodelling of ICT services – bringing together the ICT services of three councils gives the opportunity to look at models of operation that are not suitable or feasible for those councils at an individual level.

5.2.6 Staff development – a larger service will increase the opportunity for staff development, by allowing staff to work across a broader range of areas, or to become more specialised as appropriate.

5.2.7 Staff recruitment/retention – greater work opportunities should improve staff retention and help to reduce turnover. A larger shared service could provide increased opportunity to consider participating in a higher apprentice training scheme (growing our own).

5.2.8 Improved support for ICT users to ensure that the technical strategy aligns with and enables client council objectives.

5.3 Current Services

5.3.1 The three councils provide ICT services to approximately 2000 users across 60 sites within Cambridgeshire

- Huntingdonshire ICT serves 650 Users across 18 sites
- South Cambs ICT serves 350 Users across 2 main sites and several community hubs
- Cambridge City ICT serves 1000 Users across 40 sites (6 core sites)

5.3.2 Huntingdonshire and South Cambs operate an in house ICT operation covering all functions of ICT (Service Desk, Application Support, Infrastructure Services, Project Management and Web Services). Cambridge City operate outsource model, whereby 90% of ICT services are outsourced to Northgate.

5.3.3 All three councils operate their own Data Centres located in their core offices. Cambridge City and South Cambs operate a traditional Disaster Recovery contract with a 3rd party, whilst Huntingdonshire have an in house full failover system to a secondary site. All three ICT services provide very similar systems to each other and often are using the same applications, each with their own contract arrangements.

5.3.4 All three Councils have implemented changes in recent years to improve services and reduce costs, including via staffing restructures. Cambridge City has achieved this through contract efficiencies and the new core contract with Northgate.

5.3.5 All three services are challenged to meet the increasing demands from services for modern ICT as well as from central Government through initiatives such as Digital First, Cloud & G-Cloud and PSN /

CESG controls. Huntingdonshire and South Cambs have continued to invest in Microsoft infrastructure platforms for delivering services, whereas Cambridge City until recently had continued to use the Novell platform. With Cambridge City now implementing a programme to move to Microsoft, by the end of 2014 all three will be fairly aligned in their infrastructure platform.

5.3.6 There is significant spend in the ICT services of the three councils, amounting to more than £6.1m

•	South Cambs ICT budget	£1,540,220
•	Huntingdonshire ICT budget	£1,485,489
•	Cambridge City ICT budget	£3,169,470
•	TOTAL SPEND	£6,195,179

5.3.7 Experience in other authorities suggests that the next stage of modernisation, through moving to the Cloud alone, achieves savings in the range of 5% to 10%. This enables ICT activities to be less focussed on the day-to-day maintenance of the service infrastructure and more focussed on modernising customer-facing services. In addition savings will flow from reduced energy consumption, consolidation of the supply chain and management efficiencies. Based upon experience in other councils, a minimum 15% saving on the combined ICT spend should be possible.

5.3.8 The average cost, including all on costs, of a member of ICT staff within the services is in the region of £48,000 PA.

Topic	HDC	SCDC	CCC
FTE (exc Outsourcers)	30	17	6
Vacancies	9	0	0
Actual Personnel	21	17	6
Av Cost of ICT staff	£45,386	£45,919	£56,020

The variation in cost between Huntingdonshire and South Cambs, when compared with Cambridge City, is due to the impact of the different operational models leading to Cambridge City having fewer but more senior client staff. The majority of the City Council's operational staff are with the contractor.

5.4 Proposed Next Steps

A phased approach to the development and implementation of an ICT Shared Service is believed to be appropriate in the circumstances, given the complexities of the services. This will enable early efficiencies to be identified and secured as part of Phase 1, whilst further work takes place on the full business case and on shaping the shared service to be delivered in Phase 2. Cambridge City would work with Northgate to maximise the value from this initial phase. The adoption of a lead authority model in the first instance does not rule out any options on other service delivery models at a future point, should they be supported by a business case.

6. Legal Shared Services

6.1 Progress to Date

6.1.1 It was agreed in July that the three authorities would work towards a shared Legal Service as an early priority. Following the appointment of additional capacity to help with this process, progress has been made on mapping existing activity and resources, considering different delivery models, determining desired outcomes and using these to shape the next steps as part of the development of a shared service.

6.2 Desired outcomes from a shared service

The proposed desired outcomes from a shared service are as follows:

6.2.1 Improving resilience – better able to cope with peaks in workload and staff absences. A larger team will also give each council access to a greater breadth and depth of professional expertise.

6.2.2 Reduced external expenditure – additional resources and a broader skills base will lead to a reduction in the need for external advice and representation. Where this is required, the combined purchasing power of all three councils should lead to more competitive procurement rates.

6.2.3 Improved customer service – access to a more comprehensive legal service should result in a better and a more responsive service to officers and members.

6.2.4 Decreased fixed costs – sharing or joining up legal services across three councils should lead to savings in software (licences), legal library resources, administrative support and accommodation costs.

6.2.5 Remodelling of legal services – bringing together the legal services of three councils gives the opportunity to look at systems, processes and workflow arrangements at each, and finding a leaner solution and more agile service offering.

6.2.6 Staff development – a larger team will increase the opportunity for staff development, by allowing staff to work across a broader range of areas, or to become more specialised as appropriate.

6.2.7 Staff recruitment/retention – greater work opportunities should improve staff retention and help to reduce turnover (always a problem around the Cambridge area). A larger shared service will give the opportunity to consider participating in a higher apprentice training scheme (growing our own).

6.2.8 Increased opportunities for income generation – a larger, more commercially focused legal services team, should make it possible to increase income generation, for example by offering legal services to other public and voluntary sector bodies.

6.2.9 Support for client officers to enable them to properly instruct legal services, incorporating:

- The development of a collaborative culture between client and legal services.
- Consistency in how the client accesses services.
- Strong client leadership – setting the tone for each council.
- Focus on early involvement of legal services in their role as supplier of services.
- Establishment of mutual objectives.
- Commitment to continuous improvement.
- Transparent issue resolution.
- Opportunity to innovate.

The development of a more effective client function across all services in the three authorities will assist the shared legal service with regard to managing priorities and workloads, reducing unnecessary work and managing risks.

6.3 Current Services

6.3.1 Each council currently operates its own discrete legal services section with a small to medium sized team of legal and support staff. The total number of staff currently employed across all three councils is 27.

There are 19 lawyer/solicitors and 8 legal assistants/support staff. Cambridge City has the highest number of legal staff overall, including a relatively large team of 10 lawyers. All councils are currently carrying vacancies and facing recruitment challenges.

- 6.3.2 Within the existing legal services functions, a range of roles are carried out by the Heads of Legal. These include the Monitoring Officer role, professional leadership of the team, management of the practice and commissioner of legal work. Moving forward would enable these roles to be separated with greater clarity.
- 6.3.3 The total direct spend is currently estimated at around £1.7m, including at least £300,000 spent on external legal advice not including departmental budgets. Research suggests that approximately 15% of savings should be expected from direct costs in a shared legal services arrangement – around £255,000 between all three councils. This is a conservative estimate, with more savings possible from improved procurement and more efficient use of staff, including reductions in buying external legal services. Further, more detailed work would be carried out in this regard as part of the full business case. Looking ahead, we would also expect an established and high performing shared legal service team to be in a position ultimately to generate additional income, thereby further reducing the need for subsidy.

7. Service Delivery Models

- 7.1 There are already a number of models for shared legal services operating across the country and various options for change have been considered including those set out below.
- 7.2 Simple Shared Service – this includes a sharing of knowledge and information as well as some joint procurement activity. Specialists are available to work across a number of councils, thus improving resilience and reducing the need to go externally for support.
- 7.3 Joint Outsourcing – councils join together to outsource part or all of their legal services functions to another legal provider.
- 7.4 Alternative Business Structures (ABS) – councils who want to trade with third parties and generate income could need to set up an ABS. This could be jointly with other councils or also in partnership with a private sector organisation. ABSs are relatively new and several councils are currently exploring a wide range of trading and partnership options.

- 7.5 Cost Sharing Group (CSG) – This involves councils setting up a cost sharing company with members of the not for profit sector, allowing the trade in legal and other back office services exempt from VAT, with other members of the group.
- 7.6 It is considered, however, that the most appropriate option in the first instance would be a lead authority model. This would enable momentum to be maintained whilst managing the risks associated with moving to a shared service.
- 7.7 The adoption of a lead authority model in the first instance does not rule out any options on other service delivery models at a future point. Recent changes in the law have increased the opportunity for councils to be more innovative about how they operate their legal services, including increased opportunities for generating income through trading, and this may be worthy of consideration at some point in the future.

8. Proposed Next Steps

- 8.1 As with ICT, it is proposed that a phased approach to the development and implementation of a Legal Shared Service would be appropriate. The first phase would incorporate the delivery of early efficiencies, the putting in place of a programme to transform practices and processes and the development of a full business case for implementation in Phase 2. A phased approach will also help to ensure the management and mitigation of risk whilst moving the proposed shared service forward.
- 8.2 Interim project support will continue to be necessary in order to maintain momentum moving forward as the new shared service is developed. In addition, it is proposed that a shared legal service would benefit from the appointment of a Business & Legal Practice Manager to manage workloads and priorities across the three authorities, as is common in private law practice. Given that a post of this nature does not currently exist in any of the three services, it is recommended that such a post be created at this stage in order to support the transformation programme, the delivery of early efficiencies and the move to the shared service.

9. Capacity

- 9.1 As far as the overall programme is concerned, each Council has informally provided project management and support for different

aspects of the Programme. However, overall co-ordination and capacity to move forward with momentum has proved challenging and this will need to be more structured in future if we are to maintain momentum, improve co-ordination and address more effective internal and external communications.

9.2 The successful outcome of the TCA bid is excellent news and can be used for this purpose. It is anticipated that this will be spent on:

- overall project management / co-ordination;
- interim and permanent shared posts to ensure momentum and the early delivery of efficiencies/additional income within legal, ICT and building control;
- shared training programmes;
- ICT harmonisation.

9.3 We will also continue to make applications to other funding streams where possible. We have, for example, been successful in securing funding from EELGA for joint training of key staff in developing shared services and producing business cases.

10. Member Governance Arrangements

10.1 It was agreed in July that overall progress would be overseen by a joint steering group involving Leaders, and relevant portfolio holders where appropriate, reporting back to the respective Cabinets and other decision-making bodies.

10.2 In addition, portfolio holders from each authority will also need to be involved in overseeing performance once specific shared services have been established.

11. Implications

(a) Financial Implications

The delivery of shared services will require additional capacity upfront in order to ensure effective delivery. However it is anticipated that this will be recovered via future efficiencies and via external funding, in particular the Transformation Challenge Award.

(b) Staffing Implications (if not covered in Consultations Section)

Whilst moving to shared services creates uncertainty for staff, it will also help to ensure greater capacity and resilience together with enhanced career opportunities. In the longer term, this will help to

provide better job security and to minimise the need for compulsory redundancies.

As part of the process, it will be important to ensure full engagement and consultation with both staff and trade unions moving forward. The lead HR officers from all three Councils are currently working together to ensure a co-ordinated approach.

(c) Equalities and Poverty Implications

Has an Equality Impact Assessment been conducted on this strategy/policy/procedure/process/service change/decision?

Yes.

(d) Environmental Implications

None.

(e) Procurement

(f) Consultation and communication

See (b) above.

(g) Risk Management

A dedicated risk log will be set up for the Shared Services Programme Board to ensure that risks are identified and managed. In addition, specific operational risks will be identified and managed through the business plan process.

(h) Legal

Any legal implications will be addressed as part of outline business cases as they are brought forward.

(i) Community Safety

12. Background papers

These background papers were used in the preparation of this report:

If an Equality Impact Assessment has been undertaken please include details in the background papers

13. Appendices

14. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Ray Ward
Author's Phone Number: 01223 - 457006
Author's Email: ray.ward@cambridge.gov.uk