



Policy and Resources Committee 9 January 2017

Shared Services Strategy

Purpose of report

To seek Member approval of the Shared Services Strategy.

Attachment

Appendix 1 – Shared Services Strategy

1.0 Background

1.1 The Council has been involved in many shared services over the years. We have taken an opportunistic approach to such opportunities, and have entered into these partnerships where one or more of the following outcomes can be achieved without jeopardising the others:

- Increased capacity
- Increased resilience
- Improved capability
- Improved quality of service
- Efficiency savings

1.2 While the rationale for our entering into these arrangements has always been clear, a recent Internal Audit report identified the need to document that rationale, to set out the criteria that should be used to evaluate new opportunities, and to clarify the governance arrangements that should be in place. The attached strategy aims to do exactly that.

2.0 Definition of Shared Service

2.1 Shared services are partnerships, and must therefore be based on shared outcomes / objectives, shared risk and shared reward. Otherwise they are simply contractual arrangements with service providers. The strategy makes this clear and provides examples of both kinds of arrangement.

3.0 Equality and Diversity Implications

3.1 No Equality Impact Assessment has been carried out in relation to the strategy because one is not required. The strategy does, however, note the need for equalities issues, along with other statutory obligations such as safeguarding, to be addressed where appropriate in the governance arrangements of each shared service.

4.0 Legal Implications

4.1 Each shared service will need legal arrangements to be put in place governing a wide range of issues, including the purpose of the service, the roles and responsibilities of each partner, cost-sharing and termination arrangements. This requirement is set out in the strategy.

5.0 Risk Management

5.1 Risk management is an inherent part of the arrangements that will need to be put in place for each shared service.

6.0 Resource and Financial Implications

6.1 Each shared service will need to assess the resources required to deliver the service, the costs to be incurred and the way in which those costs will be shared. The business case for each shared service will need to be considered by each partner before a shared service is entered into.

7.0 Constitutional Implications

7.1 There are no specific Constitutional implications arising from this report. Some specific proposals may have constitutional implications, for example changes to the Scheme of Delegation, which will need to be addressed when those proposals are brought before Members for approval.

8.0 Customer Service Implications

8.1 Shared services will often have improved customer service as one of the desired outcomes, and will certainly not be entered into where any deterioration in the level of service is likely.

9.0 Corporate Outcomes

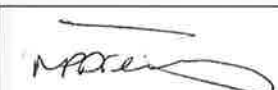
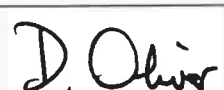
9.1 The strategy specifically supports some or all of the following Corporate Plan outcomes, depending on the nature of the shared service:

- Good Quality of Life
- Good Value for Money (seeking efficiencies from collaborative working)
- High Quality Service Delivery
- Effective Partnership Working

10.0 Recommendation

10.1 The Committee is recommended to approve the strategy set out at Appendix 1.

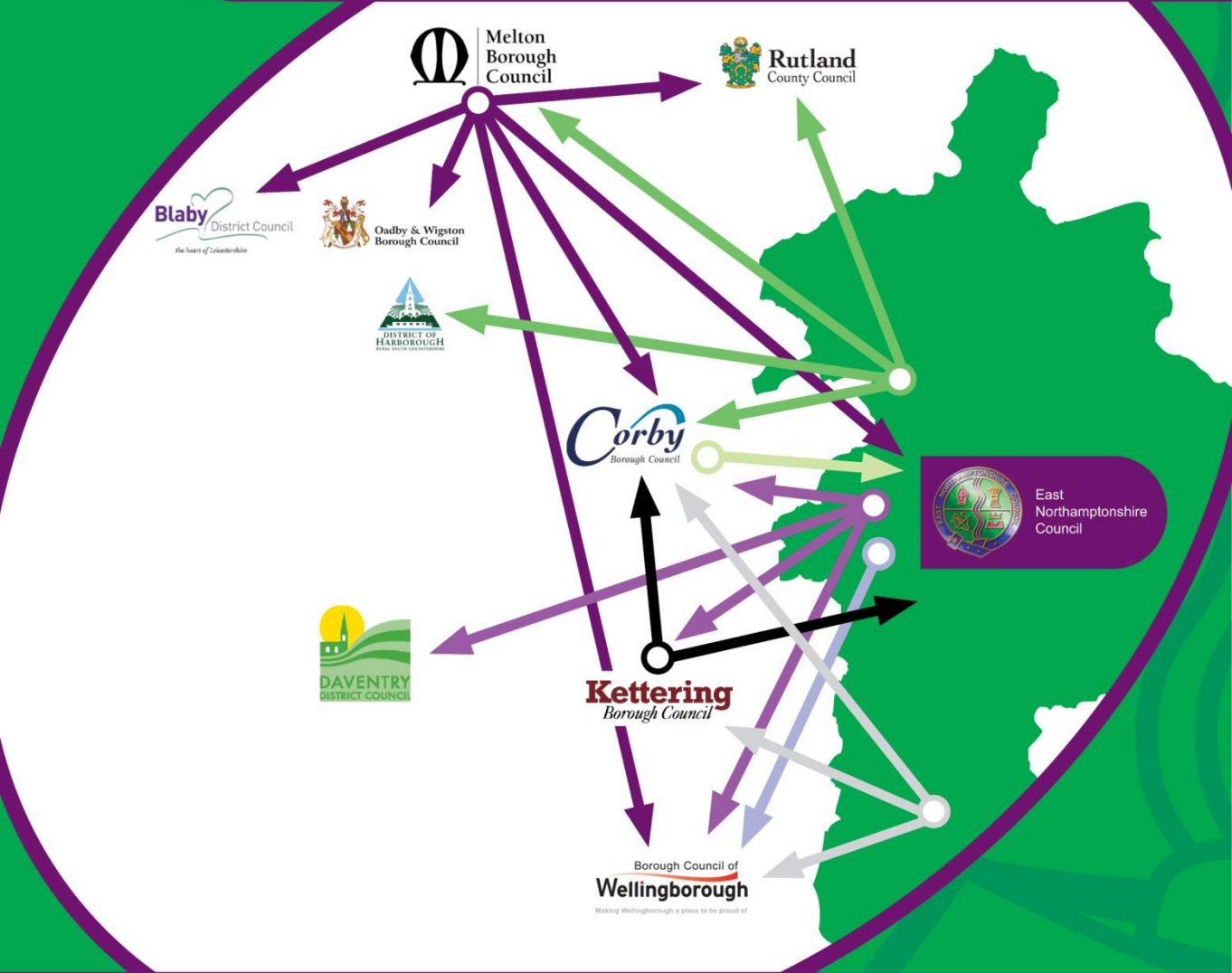
[Reason: to ensure that the shared service arrangements entered into by the council help to achieve its corporate outcomes and are properly governed].

Legal	Power: Local Government Acts 1972 and 2000				
	Other considerations:				
Background Papers: None					
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Date: 2/12/16					
CFO		MO		CX	



East Northamptonshire Council

Shared Services Strategy



January 2017

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Issue	Date	Comments
0.1	November 2016	Initial draft
0.2	November 2016	Second draft following review by CMT and addition of Appendix

NB: Draft versions 0.1 - final published versions 1.0

Consultees

Internal	External
CMT	

Distribution List

Internal	External
CMT	Partners in existing shared services
Middle Managers	

Links to other documents

Document	Link

Additional Comments to note

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1.0 Introduction

East Northamptonshire Council has, for many years, operated a 'mixed economy' of service delivery. We deliver some services ourselves, we commission some to be delivered under contractual arrangements, and we enter into shared services arrangements with like-minded partners for others.

This strategy sets out our approach to shared services, including the governance arrangements that need to be in place and the processes we will apply to ensure that we get best value out of each service.

We have been very successful over the years in maintaining or enhancing services while containing or driving down costs, frequently in partnership with others; this strategy sets out how we will build on that success.



Steven North
Leader
East Northamptonshire Council



David Oliver
Chief Executive
East Northamptonshire Council

2.0 Corporate Outcomes

2.1 The corporate outcomes which this strategy helps to deliver are:

- Good Value for Money
- High Quality Service Delivery
- Effective Management
- Effective Partnership Working

3.0 Definition

3.1 This strategy aims to provide an overarching framework for the Council's approach to shared services. To do so, we must first define what we mean by that description.

3.2 A shared service is a partnership between two or more organisations where services are either provided jointly by those partners or are provided by one or more partners on behalf of all of them. In the latter situation, one partner will typically host the service and employ all the staff involved in delivering it.

3.3 By definition, a partnership involves shared risk, shared reward and common goals / objectives. A shared service will therefore not involve the private sector, where the ultimate aim is always to maximise profit so the goals of the various parties are not aligned.

3.4 It is, of course, entirely appropriate to take advantage of the commercial expertise provided by the private sector to deliver services, but those arrangements will be contractual, the risk will often be transferred to the operator and the relationship is very much client / provider, so the term shared service does not apply, and such relationships are not covered by this strategy.

4.0 Examples

4.1 At the time of writing this report, the Council (ENC) was involved in a number of shared services including the following:

4.2

Service / partnership	Host	Other partners
ICT	ENC	Borough Council of Wellingborough (BCW)
Licensing Administration Unit	ENC	BCW, Corby BC, Daventry DC, Kettering BC
Welland Procurement Unit	Melton BC	ENC, BCW, Blaby DC, Corby BC, Oadby & Wigston DC, Rutland CC
Welland Internal Audit Partnership	Rutland CC	ENC, Corby BC, Melton BC, Harborough DC
Financial Services and Payroll (EnCor)	Corby BC	ENC
North Northamptonshire Joint Planning Unit	ENC	BCW, Corby BC, Kettering BC
Emergency Planning, Business Continuity and Health & Safety	Kettering BC	ENC, Corby BC

4.3 It was also involved in contractual relationships for the provision of services, including:

Service	Provider
Waste and Recycling	Kier Group plc
Healthy and Active Lifestyles	Freedom Leisure

5.0 Criteria for Shared Services

5.1 East Northamptonshire Council is a relatively small council and, in common with all councils, is facing the dilemma of how to meet increasing public expectations while financial resources are increasingly squeezed. To meet these challenges, new thinking and new ways of working will be required to ensure the public receives the level of service required. Sharing services is a key element of the Council's response.

5.2 Any function of a local authority is capable of being shared. However, some services are more suitable to share than others and, while the Council may be willing to share certain services with specific partners, it should be recognised that the preferred partner may not be. The Council will always be open to approaches from others when asked to consider sharing a service.

5.3 The delivery of shared services in partnership with other organisations has the potential to reduce costs, improve the quality of services and increase the resilience of delivery teams. Since every situation will be different, this strategy does not attempt to provide a definitive guide to the establishment of a shared service; instead, it aims to provide a general overview of issues to be considered when seeking to enter into a shared service arrangement.

5.4 Shared services present both opportunities and risks to the Council. Any shared service proposal should be supported by a business case demonstrating the service and financial benefits to the Council and its customers, together with the advantages and disadvantages of proceeding. The business case will be scrutinised and agreed by elected members before the business case can be implemented.

5.5 Any shared service into which the Council considers entering must conform to the following principles:

- There must be a clear business case outlining the benefits to the Council's customers and / or taxpayers in terms of service quality and cost.
- Shared services carry risks as well as benefits, so a risk assessment must form part of the business case. Measures should be put in place, commensurate with the level of risk, to control these risks for the life of the shared service.
- Shared service arrangements must incorporate a performance management and value for money framework so that all the partners in the service can be assured that the desired outcomes of the service are being achieved.
- Effective consultation and communication with affected employees and trades unions is required, in accordance with good employment practice, as shared services business cases are developed and implemented.
- In all cases, the Council's Constitution, Financial Regulations and Contract Standing Orders must be taken into consideration. Where variances are required to create a shared service, such variances must be approved by Full Council.

- Management governance arrangements for the shared service partnership should be set out clearly as part of the business case.
- Political governance arrangements should be considered to ensure elected members retain the appropriate level of oversight, scrutiny and control consistent with the nature of the shared service and the number of partners.

To assist with the development of any Shared Service, Appendix 1 includes a checklist of issues to be considered.

5.6 Shared services evolve over time. Some partners may decide to leave, others may wish to join. The nature and extent of the services being shared may also change. The governance arrangements need to recognise and allow for such changes, and must set out clearly the processes to be following in such situations, including provisions for dissolving the partnership altogether.

6.0 Review

6.1 As well as the routine performance management and governance arrangements referred to above, there should be a periodic review, at least every 5 years, of the effectiveness and value for money of each shared service. All partners should be involved in the review, and its outcome should be reported appropriately and any recommendations acted upon.

Shared Service Checklist

This is not an exhaustive list but is meant to prompt thinking in advance of agreeing any shared service or undertaking a review of an existing shared service.

1. Basics

- What is the service to be shared? – define what is explicitly in and out of scope to reduce opportunities for future ambiguity or ‘mission creep’
- What is the purpose of entering into the shared service e.g. cost savings, increased resilience, improved service?
 - It’s probably worth thinking at an early stage about how far you want to go with integrated service delivery/strategy or are you simply looking for someone else to deliver the service your way.
- How is the shared service to be set up - Contract/Service Level Agreement/Arms length organisation etc? Is the shared service to be with another local authority, public sector provider or private sector?
 - *Each has its own procurement route and legal advice needs to be sought early*
 - *Will the shared service count as in-sourcing, as the new regimen of disclosing costs under the Code of Transparency may apply*

2. Governance

- How will the shared service be managed at officer and Cllr level – will there a separate board or committee?
 - Are there agreed Terms of Reference for this?
 - When and where will minutes be published
 - Who is lead responsible officer from this council?
- How will the priorities for the shared service be agreed?
 - Is there any project or value for money framework that needs to be agreed?
- Who makes what levels of decisions?
 - Does the council’s Scheme of Delegation need changing as a result or does Full Council need to agree delegation of functions under the provisions of section 101 of the Local Act 1972 to the shared service?
- Where will overall reporting on the progress of shared service arrangement go?
- On what external bodies or partnerships will the shared service be required to represent the council?
- How will conflicts of interest be recorded and treated
 - Will a Code of Conduct apply to the shared service?
- How long is the Shared Service arrangement to last or be reviewed by?
 - Who will undertake review and what are the key criteria (see purpose of shared service)
- Who will have to agree the final shared service agreement?
 - Is there a deadline or particular date that is required for the new service to start?
- What are the arrangements for other parties to join or leave the shared service?
 - If not in place now how will these be agreed in future?

3. Employment arrangements

- Will there be any TUPE or Secondment arrangements?
 - Will staff have to change location or other conditions of employment?
 - Take HR advice at an early stage to ensure you build enough time into the timetable
- Who will be responsible for staff training?

- If there are redundancies, either at the start or during the shared service agreement, who is responsible for the costs?
- Are there any Sub-contracting Arrangements and how do they fit with the overall agreement for the shared service?

4. Stakeholders

- Should there be an agreed list of stakeholders to be consulted/informed on strategic or operational service changes?

5. Budget management and cost sharing process

- Who will hold the budgets?
- How will financial contributions be decided between the partners?
 - Pro rata to workloads, set percentage, as required?
 - When will financial contributions be required – monthly, quarterly etc?
 - What are the VAT implications?
- How far in advance will they be agreed and for what periods e.g. by December for following financial year?
- How will any over/underspends be allocated?
- How often and what financial information is required and to whom should it be reported?
- What information is needed for final accounts and by when?
- If charges to be levied for service who sets the charges and how is the income accounted for?
- What procurement processes will the shared service be expected to follow?
- What are the pension considerations? In particular, who will be responsible for any pension fund deficits that exist at the start of the arrangements or arise during the course of it?

6. Performance

- How will performance be measured?
 - Are there key service standards to be met – will Service Level Agreements be in place?
 - What are the key PIs to be measured – input, output or outcome?
 - How often will targets be reviewed– what level of tolerance is acceptable?
- Where will performance be reported and how often?
- Are there any ranges of performance that are not acceptable?
 - Over performance may not be value for money?
 - What are the penalties/resolution routes for under performance?
- How will complaints about the shared service be dealt with?
 - Does there need to be a separate policy for the shared service?.
 - Where will complaints (and outcomes) be reported? How will this link to other corporate systems?
- Who will the internal and external auditors be? There should be an agreement that one set of auditors should carry out an audit on behalf of all the partners rather than multiple audits being required, which wastes time and adds cost.

7. Risk assessment and notification

- What is the risk appetite for the shared service?
- What level will be reported where/when – regular agenda item?
- Whose system/protocol will be used to record the risks?

8. Data sharing and ICT

- What systems will staff need access to and who will host?
 - Are there any security or integration issues? Talk to ICT early to ensure enough time and resources are available to meet your deadline
- What data is it necessary to share in order for shared service to function?
 - How will that data be shared and stored – consider Data Protection Act (and future General Data Protection Regulation) responsibilities, information security classification schemes and ICT security?
- If the shared service partner is holding data on our behalf:
 - You will need a data sharing protocol which includes access and disposal/deletion arrangements.
 - We should be making sure data held for us is suitably protected, as part of the contract/agreement. (This is a straightforward set of clauses that could be used)
http://www.actnow.org.uk/media/articles/Sample_Data_Protection_Clauses_for_use_in_contracts.pdf
- How are Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests to be handled as, if the host of the service is holding data on ENC's behalf, then it is subject to FOI. Be clear which organisation is holding the data for the purposes of the FOI and Data Protection Acts.
 - What are the timescales, point of contact and process for notification of and response to requests?
- Will the shared service be subject to the Code of Transparency and if so who has responsibility for compliance and where will data be published?

9. Health and safety arrangements/reporting

- Are appropriate Health and Safety arrangements in place, including risk assessments and training?
 - How will these be monitored for appropriateness?
 - What breaches should be reported and to whom/where?

10. Insurance

- There need to be appropriate levels of public indemnity, business and employer cover.

11. Fraud

- Who will carry out internal audit responsibilities and how often?
- What are the fraud risks for the shared service delivery and how will these be mitigated?
 - Who does any actual or suspected fraud have to be reported to?
 - What general counter fraud measures should be included in the agreement?
- What will be the whistleblowing arrangements?

12. Business Continuity and Emergency Plan

- What are the business continuity plans for the shared service?
- What contribution is expected of the shared service in the case of Major Incident being declared?

13. Statutory Duties

- Are there any implications for the council's Prevent Duty - is there a need to include the standard Duty on Prevent paragraph in the agreement?
- Are there any requirements for Safeguarding processes or protocols because of the nature of the shared service?
- How will the shared service ensure that it complies with other legislation, such as the Equality Act 2010 and the Modern Slavery Act 2015?

14. Communications

- Who will agree and release any routine or critical incident press statements?
- How will information about the service be managed/updated on the council's website?

15. Exit arrangements

- What length of notice is required?
- What happens to staff, equipment, data, ICT systems and any other assets at the end of the arrangement?
- Who is responsible for any redundancy and pension burden payments arising as a result of the exit?

Tips and advice

As well as the formal checklist above, here are some tips based on our experience of entering into various shared services in recent years.

- **Councillor and senior officer 'buy in' from all partners.**
Establishing trust and a shared vision is a must as without it you will encounter delays and there will not be sufficient will to resolve the inevitable issues when they arise.
- **Share the workload between partners.**
After-all you are seeking to work partnership in the future so why shouldn't it start at the setting up stage? However, it should also be recognised each partner needs to undertake individual and confidential work to satisfy their own stakeholders.
- **Involve the lawyers early.**
Engage the lawyers from all partners as early as possible in the process. Firstly, to ensure the essence of the words reflects that this is a partnership & delegation agreement and not a contract. This will ensure you comply with the procurement rules. Secondly, to agree the core principles of the partnership & delegation agreement early, as it will save time and money later in the process.
- **Strong project governance and management.**
This is extremely important as it provides a clear route for escalating issues and keeps everyone focused on delivering what is required on time.
- **The detail is important.**
It might not seem appropriate to be talking about exit clauses and termination costs at the start of a partnership, but it is imperative and really shows the strength of a partnership if parties are willing to be clear on what happens in the event that the partnership needs to be dissolved.
- **Be willing to compromise but be clear about what you can't budge on.**
It is important to establish any 'red lines' early on to avoid wasting time trying to reach an agreement on things which are non-negotiable for one or more of the potential partners.
- **Agree the share of savings and costs early.**
Ideally this should be done prior to the outline business case being approved. Give staff from all partners the opportunity to work together to consider different ways of service delivery in order to maximise the benefits from the new arrangements.
- **Engage at an early stage those staff who may be transferring, and keep them engaged.**
Your key resource will be those staff transferring to the partnership, and they are likely to be feeling anxious and to fear the unknown, so ensure they are engaged with regular briefings, events and opportunities to ask questions, and enable them to contribute to the design of the shared service.
- **Expect the unexpected and a last minute issue**
Assume that something will crop up at the last minute that you hadn't planned for. Make sure you have your whole project team around you to ensure it can be resolved immediately.