



Report To: Cabinet 1 July 2019

Lead Cabinet Member: Councillor Philippa Hart,
Lead Cabinet Member for Shared Services

Lead Officer: Trevor Roff, Interim Director of Finance

SUBJECT: SHARED SERVICES – ANNUAL REPORTS

PURPOSE

1. To receive the Annual Reports of the services currently delivered in partnership with Cambridge City Council and Huntingdonshire District Council.
2. This is not a key decision as the Annual Reports are provided for information only and the proposals in the report seek to improve the arrangements for monitoring the performance of the existing shared services.

RECOMMENDATIONS

3. **That Cabinet is requested to consider the report and, if satisfied, to:**
 - (a) **Note the 3C Shared Services Annual Report attached at Appendix A;**
 - (b) **Note the Greater Cambridge Shared Services Annual Report attached at Appendix B;**
 - (c) **Agree that relevant Officers engage in discussions with Cambridge City Council and Huntingdonshire District Council regarding the potential extension of the original Shared Services Agreement for Legal, Building Control and ICT services beyond the expiry date of 30 September 2020;**
 - (d) **Agree, as part of the discussions identified in 3(c) above, that prompt attention be given to the outstanding milestones and actions identified in the original Shared Services Partnership Agreement and to ensuring that the quality standards, performance levels and benefits from the integrated services are defined, understood, clearly documented and effectively monitored and measured.**

REASONS FOR RECOMMENDATIONS

4. To enable the Cabinet to consider how the various shared services have delivered against the approved business plans for the year ended March 2019. The Annual Reports, at Appendices A and B, provide service specific details on the operation and performance of the shared services.

BACKGROUND INFORMATION

5. There has been a commitment of the Council to shared services and approximately 40% of South Cambridgeshire District Council's services are delivered through shared services arrangements. The development of shared services to date has been opportunistic, with decisions taken on a case by case basis, rather than being led by clear strategy. The commitment culminated in the establishment of 3C Shared Services and Greater Cambridge Shared Services as providers of key services.
6. South Cambridgeshire District Council, Cambridge City Council and Huntingdonshire District Council commenced sharing Legal, Building Control and ICT Services in October 2015 (known as 3C Shared Services). The shared services are based upon a "lead authority model" where an agreed lead Council is responsible for the operational delivery of the service. The formal partnership agreement between the authorities, signed on 14 June 2016, contains a requirement that an Annual Report is prepared on the services' activities and performance. The 3C Shared Services Annual Report, at **Appendix A**, sets out the context for the operation of each of the shared services with a summary of performance against the approved business plan.
7. South Cambridgeshire District Council and Cambridge City Council have also developed a range of shared services comprising planning, waste and internal audit (known as Greater Cambridge Shared Services). The services have each identified service objectives and produce an annual business plan designed to meet these objectives. The Greater Cambridge Shared Services Annual Report, at **Appendix B**, provides an assessment of how the services have performed against these plans.
8. To ensure that the governance arrangements promote transparency and public accountability, both the Annual Report and Business Plans are submitted for formal Member consideration. The achievement of the following outcomes is regarded as the primary objective of sharing services:
 - Protection of services which support the delivery of the wider policy objectives of each Council
 - The creation of services that are genuinely shared between the relevant councils with those councils sharing the risks and benefits whilst having in place a robust model to control the operation and direction of the service;
 - Savings through reduced managements costs and economies of scale;
 - Increased resilience and retention of staff;
 - Minimise the bureaucracy involved in operating the shared service;
 - Opportunities to generate additional income, where appropriate;
 - Procurement and purchasing efficiencies, and
 - Sharing of specialist roles which individually, are not viable in the long-term.
9. There is a continued commitment at the Council to be a good partner to enable effective strategic relationships, collaboration and to drive service integration where this improves shared outcomes. There is a continued commitment, as part of this, to the effective delivery of shared services and to ensure that governance arrangements are effective and service levels are agreed and effectively monitored. This should include a documented understanding of the quality standards, performance levels or benefits from the integrated services.

10. This report, therefore, provides the opportunity for Cabinet to consider the extent to which these outcomes have been delivered and the performance of the range of services that are being administered on a shared basis.

3C SHARED SERVICES

11. The original Shared Services Partnership Agreement, for services that commenced on 1 October 2015, also requires the parties (at Clause 2.2) to “engage in discussions” to agree whether to extend the term of the agreement beyond the expiry date of 30 September 2020 – and provides that this engagement should take place by “no later than the fourth anniversary of the commencement date” [on 1 October 2015], thus by no later than 30 September 2019.
12. The Executive Procedure Rules require Cabinet to approve policies, objectives, targets, or substantial commitments entered into with partner organisations (and Council if the policy framework would be affected or if the commitment would bind the Council in future years). It is considered that the reference to “a substantial commitment” is relevant and, as such, Cabinet are requested to agree that the partners engage in discussions at this stage in line with the terms of the Agreement. Any agreement to extend, or to not extend services (if it was prudent to do so and if the risks of termination could be mitigated), would require Cabinet approval. The parties may, by written agreement, extend the term for a further period of twelve months or such other period as may be agreed in writing. There is no limit on the number of times that the parties may by written agreement extend the term.
13. The governance of the shared services is constantly under review and it has been recognised that proposed changes to the current arrangements will be incorporated into the new Agreement, that will come into force from 1 October 2020. The scheduled renewal of the Agreement provides the opportunity to ensure that outstanding issues and concerns are addressed. This should include:
 - Positive developments (during 2019/2020) to enhance the transparency of shared services by reviewing the basis on which services are recharged to the three partner authorities. In this regard a “recharge model” is being developed to ensure that recharges are fair and consistently applied;
 - Ensuring that services have formal agreements in place to make explicit what is expected of the service. There is concern that there is limited objective management information on the performance of the current shared services and in the absence of a specification, or Service Level Agreement (SLA), to define the scope and standards expected of the current shared services, the limited knowledge of service levels and achievements makes it difficult to hold services to account against defined quality and performance indicators.
 - Ensuring that outstanding key milestones and actions identified in the Shared Services Agreement, scheduled for completion by the end of September 2016, are concluded to ensure that Councils are not exposed to risk and uncertainty over performance levels and standards. The 3C Chief Executives’ Shared Services Board has identified a number of “technical” matters, relating to the (i) the establishment of an effective exit plan (which should be updated annually), (ii) the arrangements over time and at the termination of the shared service for the treatment of assets (ownership and procurement) and (iii) cost share calculations. The requirement for some external input has been identified and a budget made available for this purpose.

14. A draft Memorandum of Understanding has been prepared to guide the prompt review of the outstanding issues and to provide the framework for determining whether to extend the current range of services beyond September 2020. This document is attached at **Appendix C** and has been shared with the partner Councils.

GREATER CAMBRIDGE SHARED SERVICES

15. To enhance the governance arrangements, the planning and waste services are nearing completion of Memoranda of Understanding governing their operation. Similar progress needs to be made with the 3C shared services comprising ICT, Legal and Building Control.

HOME IMPROVEMENT AGENCY

16. A separate shared service agreement exists for the Home Improvement Agency, between South Cambridgeshire District Council, Cambridge City Council and Huntingdonshire District Council (known as Cambs HIA Shared Service). The shared service commenced on 1 April 2012 and its purpose is to support disabled and vulnerable people of all ages to improve their living conditions by enabling them to remain living independently and safely in their home. The arrangement enables the Council to meet statutory duties under the Housing Grants, Construction and Regeneration Act 1996 to award Disabled Facilities Grants to assist vulnerable people to carry out essential adaptations subject to qualifying conditions.
17. The Cabinet, at its meeting on 10 September 2015, approved the renewal of the shared service agreement for Cambs HIA for three years to cover the period 2016/2017 to 2018/2019. The Cabinet also supported, in principle, the extension of the service to cover East Cambridgeshire District Council from 1 April 2016. This was subject to the approval of East Cambridgeshire District Council to join the partnership.
18. A revised Shared Services Agreement for the continuation of the HIA, effective from 1 April 2019, has been drafted but the extension has not been approved by the Cabinet. The position needs, therefore, to be regularised and a separate report is included on the Cabinet agenda for this purpose. It is proposed that the agreement is extended and that it continues to incorporate the areas of South Cambridgeshire District Council, Cambridge City Council and Huntingdonshire District Council.

OPTIONS

19. The Annual Reports are provided to Cabinet for information. Cabinet is invited to consider and note the content of these reports but may request further information or clarification if helpful in that deliberation.
20. The report seeks approval to engage in discussions with Cambridge City Council and Huntingdonshire District Council regarding the potential extension of the original Shared Services Agreement for Legal, Building Control and ICT services beyond the expiry date of 30 September 2020. The option of not entering into these discussions is not considered to be appropriate; these discussions will not formally commit the Council and a formal decision would, in any event, be required to either extend, or to not extend, the range of services covered subject to shared arrangements.
21. The option of not renewing the Home Improvement Agency does exist but the benefits derived from the existing shared service agreement would not be realised. Alternative organisational capability would also need to be established.

IMPLICATIONS

22. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial

23. It is estimated that 55% of the Council's net budget is invested in shared services. The report identifies the need to review the basis on which services are recharged to the three partner authorities to ensure that recharges are fair and consistently applied. The partner authorities have all committed to the development of a "recharge model" to ensure that host authorities are not subsidising partner organisations.

Legal

24. There are existing formal legal agreements that underpin the shared services between the three partners. Regard needs to be given to the period of these agreements and timely arrangements need to be made to ensure renewal or, if not renewed, the establishment of organisational capacity, capability and resilience.

Other

25. The Annual Reports, at **Appendices A and B**, set out the staffing and other implications arising on a service by service basis.

Effect on Council Priority Areas

26. The operations of the various shared services are designed to assist the three Councils in achieving their Corporate Objectives through the creation of resilient, cost effective services that make best use of shared resources and assets while eliminating duplicating and enhancing capacity. In relation to Business Plan priorities:

- **Growing local businesses and economies**

The business plans for the shared Planning Service and the shared Building Control Service include work to support growing local businesses and economies.

- **Housing that is truly affordable for everyone to live in**

The work of the shared Planning Service is relevant here in ensuring that developments meet the council's requirements for affordable homes.

- **Being green to our core**

The general principle of shared services should help to achieve reductions in accommodation and energy use. The work of the shared ICT Service includes initiatives to increase mobile and remote working and this should lead to a reduction in car journeys.

- **A modern and caring Council**

All the shared services have workstreams to modernise working practices and increase efficiency. The key service in enabling this for other services is the ICT Service and there is a need to ensure that this service is efficient and effective.

BACKGROUND PAPERS

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- 3C Shared Services Partnership Agreement – Dated 14 June 2016
- Shared Services Annual Reports – Report to Cabinet: 28 June 2018
- Shared Services 2019/2020 Business Plans – Report to Cabinet: 3 April 2019
- Cambridgeshire Home Improvement Agency – Draft Shared Services Agreement effective from 1 April 2019.

APPENDICES

1. 3C Shared Services Annual Report
2. Greater Cambridge Shared Services Annual Report
3. Memorandum of Understanding

REPORT AUTHOR: Trevor Roff – Interim Director of Finance

APPENDIX A

APPENDIX B



3C SHARED SERVICES STRATEGIC PARTNERSHIP

MEMORANDUM OF UNDERSTANDING

1. SCOPE AND STATUS

- 1.1 This memorandum of understanding (MOU) covers the 3C Shared Services strategic partnership (the "Partnership") between Cambridge City Council, Huntingdonshire District Council and South Cambridgeshire District Council (the "Partner Councils"). The MOU sets out:
 - 1.1.1. The shared commitment to be each other's preferred partner for all shared services opportunities;
 - 1.1.2. The principles and objectives in sharing services (the "Shared Services");
 - 1.1.3. The framework and governance for the Shared Services; and
 - 1.1.4. The initial agreement on the first service areas considered for a joint service as outlined in the Shared Services Agreement, dated 14 June 2016, and as summarised in Schedule 1 [Note: For completeness this also identifies the Greater Cambridge Shared Services].
- 1.2 The MOU further sets out the current understanding of the roles and responsibilities of the Partnership and the relationship of this agreement to other shared service opportunities.
- 1.3 This document is not intended by the Partner Councils to be legally binding in any way nor does it represent a complete summary of the aims and proposals of the Partnership.

2. BACKGROUND

- 2.1 The Partner Councils to the MOU are neighbouring local authorities in Cambridgeshire with identical statutory duties and powers within their respective geographical areas.
- 2.2 The Partnership has explored and continues to explore shared service opportunities with a range of partner authorities and bodies. In a number of service areas, successful joint working arrangements already exist with other partners and there is no provision in this agreement that will preclude these existing arrangements from continuing.

- 2.3 The Partnership recognises that substantial budget savings will continue to be required in the foreseeable future and they also share a common priority of improving and focussing services on the needs of residents.
- 2.4 To this end, the Partnership agree that joint and shared services are the practical means to create resilient and improved services for residents within the joint area whilst delivering financial savings.

3. AIMS AND PRINCIPLES OF JOINT WORKING

3.1 Overall Vision

3.1.1. The core aims of the Partnership are to share services to deliver:

- (a) Improved and resilient services in both areas focussed on and responding to the needs of residents, and
- (b) Value for money and financial savings.

3.1.2. The approach of the Partner Councils to all shared service opportunities will be pragmatic and flexible in meeting these aims. There will be no preferred delivery vehicle for joint working.

3.2 Principles of Joint Working

3.2.1. The principles of collaboration are as outlined in the Shared Services Agreement of the Partnership dated 14 June 2106.

3.2.2. The Partnership is committed to be each other's preferred partner for all shared services opportunities. Where a service or function is assessed by any one of the Partner Councils as appropriate for a shared service, that Partner Council will seek agreement with the other Partner Councils under the terms of this MOU.

3.2.3. If any one of the Partner Councils is not ready or able to share further services or has an existing partner, each Partner Council is able to seek other alternative partners.

3.2.4. Where one of the Partner Councils seeks other partners for potential shared services opportunities, any arrangement or agreement reached should allow for the other Partner Councils to join that arrangement at a future date.

3.2.5. For services and functions where there are no current proposals for shared services, the Partnership will pro-actively work towards aligning those services (e.g. structures, scope, procurement cycles, business processes, information technology) to make future potential sharing opportunities viable and also to enable "soft" sharing of skills, knowledge and resources.

3.3 Values

3.3.1. To underpin the commitment to improving services for residents and delivering value for money, the Partnership will share the following values when delivering and further developing shared services:

- **Innovation:** seeking innovative and imaginative solutions to improve service delivery and create resilience.
- **Challenge:** being open to challenge from each other – as well as by regional and national bodies.
- **Best practice:** utilising best, and “next/future practice” approaches to procurement.
- **Best fit:** adopting a “best fit” approach to seeking solutions.
- **Partnership:** developing positive and effective partnership working across the Partner Councils.
- **Accountability:** achieved through delivery of agreed outcomes within a sound governance framework.
- **Transparency:** making open and clear decisions in relation to service provision and demonstrating the improvements and savings made from shared services to residents and scrutiny bodies within each Partner Council.
- **Information sharing:** sharing information and seeking to keep each other informed whilst respecting legal obligations of confidentiality and data protection.

3.3.2. These values apply equally after a shared service agreement is implemented to ensure that there is continuous improvement of services and value for money.

4. FRAMEWORK FOR JOINT WORKING

4.1 The Partnership will develop a framework to progress each shared service opportunity with the intention of creating (i) a suitable and effective model agreement for sharing services and (ii) to allow for the quick implementation of identified shared services opportunities.

4.2 Shared service opportunities will continue to be assessed against a set of criteria to determine whether services are compatible for sharing. The criteria used for this purpose are as follows:

- Strategic Fit.
- Political alignment.
- IT compatibility.
- Business Processes.
- Staffing Arrangements.
- Cost Sharing/Value for Money.
- Risk.
- Organisational Issues.
- Delivery Timescales.
- Ease of Implementation.

- 4.3 A business case evaluation, service design and detailed implementation plan will be developed for services deemed compatible for potential sharing.

5. GOVERNANCE ARRANGEMENTS AND LEGAL BASIS

- 5.1 A corporate governance structure has been established for shared services in accordance with the Shared Services Agreement of the Partnership dated 14 June 2016.
- 5.2 Governance Bodies' meetings will be subject to the provisions of the Freedom of Information Act 2000, Environmental Information Regulations 2005 and any other applicable information legislation or regulations.
- 5.3 Requests for information and management of responses will be dealt with under a Protocol to be agreed by the Partnership.
- 5.4 The Partnership shall be mindful of the need not to prematurely disclose documents or decisions relating to meetings of the Governance Bodies' ahead of formal decision or ahead of any agreement by the relevant body to circulate the information more widely.
- 5.5 The Partnership has a range of powers to enter into joint arrangements for the delivery of services including but not limited to sections 2, 19 and 20 of the Local Government Act 2000 (and regulations made thereunder), sections 101 and 111 of the Local Government Act 1972 as well as specific powers in relation to joint provision of specific service areas. Both authorities are also subject to a duty to achieve best value in the discharge of their functions under section 3 of the Local Government Act 1999.
- 5.6 The Partnership agrees that:
- 5.6.1. All decisions will be made in accordance with their existing constitutional requirements, executive arrangements and schemes of delegation and will be subject to their scrutiny arrangements.
- 5.6.2. Each shared service will:
- (a) Be subject to a legal agreement between the Partner Councils;
 - (b) Have the necessary legal powers to discharge the functions delegated to it;
 - (c) Be provided through an appropriate delivery vehicle determined on a case by case basis;
 - (d) Have proportionate governance arrangements to ensure the proper discharge of those services;
 - (e) Be subject to scrutiny arrangements in each Partner Council;
 - (f) Ensure compliance with all applicable laws and regulations;

- (g) Where necessary, data sharing agreements will be agreed and implemented; and
- (h) Clear financial agreements will be made on apportionment of costs and benefits on a case by case basis.

6. PERFORMANCE MANAGEMENT

- 6.1 An appropriate performance management framework will be put in place and approved by the governance structure to cover:
 - 6.1.1. The Partnership itself;
 - 6.1.2. The operational performance of established shared services.
- 6.2 Service Level Agreements shall exist for each shared service to specify the commitment of the service provider to the Partner Councils and to define particular aspects of the service – quality, availability, responsibilities – including key service indicators to enable effective and regular monitoring.
- 6.3 Annual Reports, submitted for each shared service in line with established governance arrangements, shall include performance data to enable key service indicators to be monitored and reviewed.

7. FUNDING AND RECHARGING

- 7.1 The Partnership agrees that:
 - 7.1.1. The costs of the Governance arrangements, including the Board and the Joint Programme Team will be shared fairly by the Partner Councils;
 - 7.1.2. The costs of programme activities from the compatibility analysis, outlined at 4.2 above, to design of a shared service solution for each service in scope shall also be shared appropriately and fairly; and
 - 7.1.3. The apportionment of costs to each Partner Council for implementing and operating the agreed shared service solution for each service shall be separately agreed informed by the specific business case and incorporated into the legal agreement for that solution.
 - 7.1.4. A “Recharge Model” would be developed and adopted to ensure that recharges to the Partner Councils are fair and consistently applied.
 - 7.1.5. Costs recharged shall include direct costs and attributable overheads and support costs and shall be certified as proper, accurate and fair by the designated S151 Officer of the Partner Council responsible for the delivery of the shared service in liaison with the S151 Officer at the Partner Councils.

8. TECHNICAL MATTERS

- 8.1 The operation of shared services will be subject to an agreed position of the Partnership in relation to the following technical matters:
 - 8.1.1. Treatment of Assets (Ownership & Procurement). This should cover the arrangements over time and at termination of the shared service;
 - 8.1.2. Cost Share Calculation – to provide a model for a cost allocation agreement;
 - 8.1.3. Termination and Withdrawal – to establish an effective exit plan;
 - 8.1.4. Hosting – to establish criteria for determining the host authority;
 - 8.1.5. Intelligent Client;
 - 8.1.6. Returning Services – to establish a process for the return of shared services that do not strategically align, including the consideration of relevant matters (e.g. the treatment of assets procured during the life of the shared service, protocol for disaggregating resources employed);
 - 8.1.7. Development of the Shared Service – in terms of strategic evolution, trends and best practice development routes;
 - 8.1.8. Integrated services – to establish arrangements and sound protocol for dealings with situations where the host authority is reliant on another service that is hosted by another Partner Council.
- 8.2 The matters identified in 8.1 above may not be exhaustive and the list may be extended by mutual agreement of the Partner Councils.
- 8.3 The options for responding to the matters identified in 8.1 above may be different for each shared service.

9. COMMENCEMENT, DURATION AND TERMINATION

- 9.1 The MOU will commence from the date it is signed by the Chief Executives of the Partner Councils and following appropriate consideration by the executive body of the Partner Councils. Formal agreement is not, however, a barrier to developing existing shared service opportunities.
- 9.2 The MOU may be terminated by any one of the Partner Councils by giving written notice of the intention to terminate with reasons from a future date. Twelve months' notice of termination must be given in line with the Shared Services Agreement of the Partnership dated 14 June 2016.

10. REVIEW AND VARIATION

- 10.1 The Partnership recognises that the preferred partnering agreement will be a dynamic and iterative process as the programme of shared services progresses. This MOU must reflect this and require regular review including:
- 10.1.1. An annual review as part of the Annual Report prepared in accordance with established governance arrangements.
 - 10.1.2. Quarterly review by the Shared Services Management Boards;
 - 10.1.3. Quarterly reports to the relevant Portfolio Holder;
 - 10.1.4. Annual review submitted to the Executives of the Partner Councils;
 - 10.1.5. The Leader of each Partner Council agrees to retain executive power individually to vary the terms of this agreement and may further delegate this power to the Chief Executive of their authority.

11. DISPUTE RESOLUTION

- 11.1 In the unlikely event of a dispute which cannot be resolved through the Governance structure at 5.1, disputes will be resolved by agreement of the Chief Executives of the Partner Councils in consultation with their respective Executive leaders.

SCHEDULE 1

SERVICES SUBJECT TO JOINT SERVICE: INITIAL TRANCHE



SERVICE AREA	EFFECTIVE DATE	STRATEGIC LEAD
Legal Services	October 2015	Cambridge City Council
ICT	October 2015	Huntingdonshire District Council
Building Control	October 2015	Cambridge City Council
HIA	1 April 2012	Cambridge City Council

GREATER CAMBRIDGE SHARED SERVICES

SERVICE AREA	EFFECTIVE DATE	STRATEGIC LEAD
Planning	April 2018	South Cambridgeshire District Council
Waste	2015	South Cambridgeshire District Council
Audit Services	December 2017	Cambridge City Council