

Part A

Report to: Cabinet

Date of meeting: 13 June 2022

Report author: Executive Head of Commercial Finance and Innovation (WBC)

Title: Shared Services

1.0 Summary

- 1.1 This paper has been developed in the context of the Council's existing shared service initiatives, and the ambition across all Hertfordshire councils to build upon our collaborative foundations by exploring opportunities for greater sharing of services. This has resulted in an opportunity for Watford Borough Council (WBC), Three Rivers District Council (TRDC) and St Albans District Council (SADC) to consider the development of a number of shared services with the purpose of providing efficient, resilient and high quality services to our residents.
- 1.2 WBC and TRDC already share a number of services. The three neighbouring authorities therefore wish to build on this success and widen the scope, creating resilience to meet the challenges ahead and benefit from a greater ability to deliver efficiencies through economies of scale, increased capacity revenue generation and greater opportunity to re-design services to meet the future needs of residents. Further opportunities lie ahead in terms of greater staff resilience, efficiency savings and opportunity to generate greater revenues to support core services. During 2021, the three authorities agreed to investigate the possibility of sharing additional services. All expressed a desire to share Legal services whilst WBC and SADC sought to additionally explore shared Planning Enforcement and Building Control services.
- 1.3 Business cases have been developed for all three services, testing various scenarios. The conclusion from this work is that it is not currently possible to find a model that works for all three authorities for Legal services due to differences in the way they operate. Therefore it has been agreed that TRDC will not join the shared service in this initial phase but will look to join at a later date. The business cases for Planning Enforcement, Building Control and a revised business case just for SADC and WBC have been developed which demonstrate that, on the basis of the assumptions made, there is a small

financial benefit for both councils by entering into these shared services before further efficiencies are made.

- 1.4 Local Partnerships have been consulted in the development of the business cases and their feedback has been reflected.
- 1.5 This report therefore recommends the implementation for shared services for Legal, Building Control and Planning Enforcement services between WBC and SADC. The sharing of these services is intended to allow more resilient and financially sustainable services whilst seeking to improve the service for customers and embrace further opportunities for commercialisation. The successful delivery of the existing shared services over the past decade between WBC and TRDC, as well as widespread adoption of shared services between local authorities across the country, provide confidence that such a model can allow high quality services to residents, businesses and the community to be retained whilst improving their daily operation, building resilience, providing additional career opportunities to attract and retain staff and potentially delivering revenue savings.
- 1.6 This would build upon the existing shared services model between WBC and TRDC which includes Human Resources, IT, Finance, Revenues and Benefits services, Procurement and Environmental Protection.
- 1.7 The new shared services will have a strong governance and performance management framework which will monitor the shared services regularly. This will link closely to the Council Plan, EPMO reporting processes and contract management good practice. Whilst the duration of the arrangement is intended to be five years as a minimum, both councils recognise that changes may be necessary and that these will be addressed at the earliest opportunity.

2.0 Risks

2.1

| Nature of risk | Consequence | Suggested Control Measures | Response <small>(treat, tolerate, terminate or transfer)</small> | Risk Rating <small>(combination of severity and likelihood)</small> |
|---|---|--|---|--|
| Staff unrest/unease at the changes, key staff members may leave and lose that | This may impact on the quality of the service | Continue to communicate with staff and unions, emphasising the benefits to all councils and them | Treat | Likelihood = 3 Severity = 3 Total risk = 9 |

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| resilience/corporate memory | | of the new shared service Ensure that the business cases are robust and bear scrutiny | | |
| Transformational change does not happen | Efficiencies and wider benefits are not realised | Bring in a new Shared Services Managers / Leads to each service instigate change combined with a programme of activity to move towards new ways of working | Treat | Likelihood = 2 Severity = 4 Total risk = 8 |
| IT issues with data migration | This may impact on the quality of service if historical data records from the non- host council cannot be loaded or easily accessed when shared service starts It may also increase the cost of the shared service if there are issues with the data migration which require additional support | Ensure there is a plan in place as a back up Regular communication with the IT consultants to monitor the costs and issues relating to the data migration | Treat | Likelihood = 3 Severity = 4 Total risk = 12 |

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| Political risk of a change of direction for shared services due to members' dissatisfaction with proposals | This will mean the service will not be able to progress as a shared service | Regular updating of leaders and members and temperature checks of their views. Member reporting to emphasise the benefits of the shared service | Treat | Likelihood = 1 Severity = 3 Total risk = 3 |
| One of councils decides to withdraw from the shared service | Both councils will revert to in-house delivery with the associated disruption, cost and reduced efficiency | Constant review of each council's position via the regular Partnership Boards and political oversight, negotiating where necessary | Treat | Likelihood = 2 Severity = 4 Total risk = 8 |
| Financial and non-financial benefits not realised | This will mean that the service will cost more than was originally planned in the business case | Constantly review the emerging financial benefits from the shared service and raise with senior management if these are not going to be delivered | Tolerate and keep under review | Likelihood = 2 Severity = 3 Total risk = 6 |
| Insufficient oversight of the shared service | Benefits not fully realised and may give rise to challenge/desire to exist by one or both councils | Ensure that robust governance procedures are in place and that the shared service is regularly and actively monitored | Treat | Likelihood = 2 Severity = 4 Total risk = 8 |

3.0 Recommendations

Cabinet is asked to approve the following recommendations to Council:

- The creation of a shared Planning Enforcement service between WBC and SADC with the aim to go live from 1 September 2022, with WBC as the lead authority.
- The creation of a shared Building Control service between WBC and SADC with the aim to go live from 1 September 2022, with WBC as the lead authority.
- The creation of a shared Legal service between WBC and SADC with the aim to go live from 1 January 2023, subject to the appointment of a Head of Legal Service, with SADC as the lead authority.

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4.0 Shared Services – Background and Principles

4.1 Shared services involves joint provision of either front or back office services between local authorities. They are underpinned by a Shared Services Agreement and associated documents rather than the procurement of contracted services. The use of shared services is common amongst district councils and is often used to deliver services to facilitate resilience as it provides strength in scale with flexibility to adapt. The principles of sharing have been agreed between the councils and will underpin the development of the shared services business cases. These include:

- Seeing each other as natural neighbours with common interests geographically, economically and environmentally. By working together we

will create a culture of collaboration and become stronger, and more influential, locally, regionally, and nationally.

- Taking an approach which is strategic in intent, and will position the councils collectively in the best way to support and consolidate our mandates.
- Retaining own constitution and identities.
- Ensuring no one will be more influential than the other.
- Seeking new collective opportunities but with no obligation to participate.
- Agreeing principles for levelling up and devolution in a joined-up way.
- Building resilience into existing services through scale efficiencies driven by further service sharing, contract consolidation and sharing of staff.
- Strengthening finances more widely through income generating opportunities.
- Sharing an ambition to extend collaboration and horizon scan for new opportunities.

4.2 The objectives for the proposed shared services are set out below:

- Transform services – to develop transformed, digitally enabled, proactive, solution focused and cost effective services which will deliver a better customer experience for all customers and better value for money for both councils.
- Best practice service improvements - to allow for the sharing of best practice in service processes to improve the service for residents, customers and businesses and have a consistent approach across the geographical area.
- Build resilience – to develop services which have a greater depth and breadth of resource to maintain high quality service delivery as workloads peak and during periods of staff absence, including annual leave and sickness.
- Provide staff development opportunities – to provide greater opportunity for staff progression, skills transfer and job satisfaction, allowing the councils to attract and retain experienced staff in a challenging recruitment market.
- Achieve financial savings – although not a primary driver, to reduce the overall revenue cost of services or drive more commercial opportunities.

4.3 The following different potential options for delivery have been considered:

| Delivery model | Key features | Key advantages | Key disadvantages |
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| Option 1 – Do Nothing | Continue to provide in-house | <ul style="list-style-type: none"> Minimal disruption Existing management approach and structures can be maintained | <ul style="list-style-type: none"> No opportunity for scale improvements Service more at risk from external factors |
| Option 2 - Shared Service (Transformation Approach) | Collaboration through a Shared Services Agreement, whereby an organisation-wide approach is taken, carrying out corporate transformation to achieve efficiencies, with either staff retained by their respective council or with one council as host authority | <ul style="list-style-type: none"> Services remain in direct/close control of the councils | <ul style="list-style-type: none"> Opportunity for savings more limited than more arm's length models as the services remain within direct control Significant organisational disruption and additional resource required |
| Option 3 – Shared Service (Organic Approach) | Shared service whereby options are considered where opportunities arise on an ad-hoc basis. | <ul style="list-style-type: none"> Services remain in direct/close control of the councils | <ul style="list-style-type: none"> Opportunity for savings more limited than more arm's length models as the services remain within direct control |
| Option 4 - Local Authority Trading Company (LATC) | Commercial company set up with the relevant councils as shareholders. Staff would transfer to the company which would contract with the councils to deliver services | <ul style="list-style-type: none"> Councils retain strategic control Company has freedoms to act in a commercial setting to generate revenues Company has freedoms to set its own staff | <ul style="list-style-type: none"> Entails significant resource to set up and once set up is liable to tax therefore only suitable if a strong revenue generating opportunity exists |

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| | | terms and conditions <ul style="list-style-type: none"> • This is not an option for the Legal Shared Service without creating an ABS and it would need to be stand alone | |
| Option 5 - Outsource | The councils let a contract to a third party (public or private sector) provider to run the service. Staff already involved in the service would TUPE transfer to the new provider. | <ul style="list-style-type: none"> • More opportunity to reduce costs • Risk transferred to a third party | <ul style="list-style-type: none"> • Councils do not have direct control • Contract management may be challenging • No guarantee of reduced costs |

4.4 Option 3 - shared services (organic approach) was selected as the preferred model for all the services under consideration as it creates the greatest opportunity to move to a more collaborative way of working and realise both financial and non-financial benefits, without the significant organisational disruption that a transformational approach would create. The detailed business cases are being developed with the aim of implementation in September 2022 for Building Control and Planning Enforcement services, and with the aim of implementation in January 2023 for Legal services.

5.0 Building Control

5.1 Both WBC and SADC currently deliver this service in house.

5.2 Each have similar functions in terms of nature and scale. The nature of the issues with the current model in both are summarised below:

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| Financial constraints | <ul style="list-style-type: none"> • The Building Control service is unusual in Local Government is that it has two areas of work – chargeable (which can be recovered by the local setting of fees) and non-chargeable (which cannot be recovered). Both councils face increasing pressure from reducing budgets and the general financial pressures on councils following the Covid-19 pandemic. There is a regulatory limit to the amount |
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| | of revenue that may be generated to support the services. |
| Staffing | <ul style="list-style-type: none"> • Both councils are finding staff recruitment and retention a challenge because there are limited people with these skills and there is strong competition from elsewhere in the market, in both public and private sector roles (such as Approved Inspectors). • The teams are under-resourced which exposes the services to risks of not being able to deliver the service. This has been exacerbated by the effects of the pandemic. • Because of the relatively small size of the councils, there is a limit to staff development and career opportunities. |
| Customer/Citizen service | <ul style="list-style-type: none"> • Building Control provides a number of public and consumer protection activities which are at risk due to the limited resources at each council. |

5.3 The business case recommending the bringing together of the SADC and WBC Building Control services is attached at Appendix 1 and recommends that WBC are the lead authority for the service, mutually agreed by both authorities. It is expected that the initial implementation of the new arrangements, including the transfer of staff, will be in place by September 2022.

6.0 Planning Enforcement

6.1 Both WBC and SADC currently deliver this service in house.

6.2 Each have similar functions in terms of nature and scale. The nature of the issues with the current model in both are summarised below:

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| Financial constraints | <ul style="list-style-type: none"> • The Planning Enforcement teams at each authority are relatively small and the structure of the teams is not necessarily the best fit for the work being carried out which does not represent value for money |
| Staffing | <ul style="list-style-type: none"> • The teams are under-resourced which exposes the services to risks of not being able to deliver the service during peak periods. This has been exacerbated by the effects of the pandemic. • Because of the relatively small size of the councils, there is a limit to staff development and career opportunities. |
| Customer/Citizen service | <ul style="list-style-type: none"> • Planning Enforcement is customer-facing, providing services to the public which are at risk due to the |

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| | limited resources at each council if not delivered correctly. It is a high profile service politically. |
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6.3 The business case recommending the creation of a shared service for Planning Enforcement between SADC and WBC is attached at Appendix 2 and recommends that WBC are the lead authority for the service, mutually agreed by both authorities. It is expected that the initial implementation of the shared service, including the transfer of staff, will be in place by September 2022.

7.0 Legal

7.1 Both councils currently provide these services in-house, with external support from experienced law firms purchased as necessary.

7.2 The current issues for the legal services in each of the councils are:

| Issue | Description |
|--|--|
| Financial constraints | The Legal service in both councils face increasing pressure from reducing budgets and general financial pressures on councils following the Covid-19 pandemic and ongoing funding cuts. |
| | There is also pressure on the legal service of both councils as they look to make financial savings across other services in as that will involve provision of legal advice. They will need advice if they intend to implement projects for revenue generation or risk challenge. |
| Staffing | Both Councils are finding it more difficult to recruit staff to the service. Given each one's proximity to London they find it difficult to compete with the salaries which London firms can offer. |
| | The skills/capacity mix in current legal services is also an issue as this is forcing some councils to have to outsource work as they do not have the right mix of staff. |
| Procurement and contractual matters | There will potentially be more demand for legal support to enable the councils to be more robust and creative in dealing with procurement and contractual matters to ensure that they do business on the terms that are most advantageous. As councils seek to make more money due to funding gaps they may look to be more innovative and this will require careful legal advice. |
| Partnering arrangements | There could be a need for specialist advice on partnering arrangements with the public, private and other sectors as other organisations have become more innovative in their approach and willing to enter into such arrangements. |
| Council alternative delivery models | In the past few years councils have been more receptive to exploring more radical options for delivering Council services and to consider which functions it will no longer exercise, accordingly there has been greater need for corporate governance advice. |

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| HR issues | There is potential for more demand for legal advice on human resource matters as services strive to be more efficient or if services have to be downsized. There is ever increasing amounts of legislation affecting councils that they need advice on across all services. |
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- 7.3 Through the development of the business case, it has become apparent that it is not currently possible to bring TRDC into one shared service at this stage, due to the different mechanisms for recording data resulting in a financial disadvantage for one or more of the councils. It has therefore been mutually agreed that TRDC will not join the shared service at this stage, looking initially to implement the same case management system with a view to joining at a later date.
- 7.4 It has been agreed that a new post of Shared Head of Legal should be created which will oversee the new combined team and drive the change programme. It is intended that both councils will continue to retain monitoring officers that would be outside the shared service. This may change in due course.
- 7.5 The shared service will provide the opportunity to create a wider team allowing for specialisms which will enhance the in-house offer, reduce reliance on external support (and therefore cost) and create a platform for future transformational change including the ability to generate revenue from selling services.
- 7.6 The business case recommending the creation of a shared service for Legal between SADC and WBC is attached at Appendix 3 and recommends that SADC is the lead authority for the service, mutually agreed by both authorities. The ambition is to implement this shared service in January 2023, subject to a number of caveats including the successful recruitment to the newly created Shared Head of Legal post, hence the longer period of implementation.

8.0 Implications

8.1 Financial

- 8.1.1 The Shared Director of Finance comments that business cases have been developed for all three services. The full business cases are appended to this report.
- 8.1.2 The business cases are based on the following key assumptions:
- Savings are calculated by comparing future costs with current costs, inflation is excluded to provide a like for like comparison.
 - Non salary costs are broadly in line with current costs, allowing for minimal IT implementation costs.

- There are no anticipated redundancy costs assuming that existing staff will transfer to the new structure or remain with their original authority.
- There are efficiency targets built into the modelling from year 3.
 - Legal Services c.£35k pa
 - Planning Enforcement c.£10k pa
 - Building Control c.£20k pa
- Some legal work currently outsourced is brought back in house but it is recognised that there will continue to be a need for specialist external advice.
- No costs have been included for senior management (i.e. Head of Service) oversight for Planning Enforcement and Building Control as these are expected to be the same as current costs.
- The future budgeted costs for Building Control are based on a 66% chargeable to 34% non-chargeable split.

8.1.3 The table below summarises the latest position in term of both authorities compared to current budgets. It can be seen that the savings and costs do not fall evenly and as a result there is likely to be some movement in the split of costs between the two authorities.

| Service | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | £ pressure /(saving) | £ pressure/ (saving) | £ pressure/ (saving) | £ pressure/ (saving) | £ pressure/ (saving) |
| Legal | | | | | |
| WBC | (353) | (20,981) | (20,981) | (20,981) | (20,981) |
| SADC | 40,416 | 16,992 | 2,328 | 2,328 | 2,328 |
| Total | 40,063 | (3,989) | (18,653) | (18,653) | (18,653) |
| | | | | | |
| Building Control | | | | | |
| WBC | (8,226) | (16,403) | (18,336) | (18,336) | (18,336) |
| SADC | 35,691 | 17,454 | 13,142 | 13,142 | 13,142 |
| Total | 27,465 | 1,051 | (5,194) | (5,194) | (5,194) |
| | | | | | |
| Planning Enforcement | | | | | |
| WBC | 7,410 | (15,655) | (20,567) | (20,567) | (20,567) |
| SADC | 53,303 | 30,178 | 25,266 | 25,266 | 25,266 |
| Total | 60,717 | 14,523 | (4,699) | (4,699) | (4,699) |

8.2 Legal Issues (Monitoring Officer)

8.2.1 The Group Head of Democracy and Governance comments that whilst Building Control and Legal services are executive functions, Planning Enforcement is a non-executive function. It is therefore recommended that all of these proposals are recommended to council for approval. SADC operates a committee model of governance so will also need to have the proposals agreed by its relevant committee and council. The arrangements will be documented in a shared services agreement between the councils.

8.3 Equalities, Human Rights and Data Protection

8.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

In order to fulfil our duties under the Equality Act 2010 and the Council's commitment to equality and diversity, each business case includes an Equalities Impact Assessment (EIA). In the preparation of this report, an EIA has been completed and the main conclusions of that analysis are that each shared service would provide an enhanced and more resilient service for the residents of WBC and SADC no indication of negative impacts on those with protected characteristics.

8.3.2 As this is a change in service delivery involving processing likely to result in an impact to the rights and freedoms of individuals, a Data Protection Impact Assessment (DPIA) will be undertaken as part of the next stage of work to review the IT requirements for each service.

8.4 Staffing

8.4.1 There will be an impact on staff as a result of these proposals. TUPE provisions will apply when staff are moved from their current council to the lead council. However, there are not expected to be any redundancies arising. A joint HR Plan has been developed between WBC and SADC to facilitate collective management of the staff issues and formal consultation. This is complemented by a communications plan.

8.4.2 All staff impacted by the proposals outlined within this paper have been briefed on the context, as have the Union representatives. Formal consultation will follow formal approval.

8.5 **Accommodation**

8.5.1 Both councils have adopted a more agile way of working over the past two years and are committed to continuing this approach. Staff for each of the services impacted by the proposal within this paper will continue to be able to work flexibly, depending on their roles. They will have access to accommodation at both SADC and WBC. However, the policies of the Lead Authority for each service will prevail. This will mean that Legal services staff would be primarily based at SADC's offices.

8.6 **Community Safety/Crime and Disorder**

8.6.1 Section 17 of the Crime and Disorder Act 1998 requires the council to give due regard to the likely effect of the exercise of its functions on crime and disorder in its area and to do all it reasonably can to prevent these. Consequently, the implications that the creation of these shared service will have on crime and disorder have been considered and it is noted that more resilient teams, particularly for the Legal service, will provide the councils will additional flexibility in dealing quickly and efficiently with matters of crime and disorder.

Part B

Appendices

- Appendix 1 – Building Control Business Case
- Appendix 2 – Planning Enforcement Business Case
- Appendix 3 – Legal Business Case

The appendices are exempt under paragraph 1, Part 1 Schedule 12A, as they contain information that may enable the identification of individuals.