

## CABINET ITEM COVERING SHEET PROFORMA

### **AGENDA ITEM**

**REPORT TO CABINET  
1 February 2007**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

## **CABINET DECISION**

**Lead Cabinet Member – Councillor David Coleman, Deputy Leader**

### **STOCKTON DARLINGTON PARTNERSHIP**

#### **1. Summary**

The purpose of this report is to update Members on the detailed design work that has been undertaken looking into the potential for joint working between Stockton and Darlington Councils. The work has not yet reached absolute conclusion, however, there are considerable findings to date. Based on this, this report seeks approval in principle for the Partnership to proceed subject to a final report in the summer of 2007 presenting the final business case and governance/ management arrangements.

#### **2. Recommendations**

- 1 That progress is noted.
- 2 That approval to proceed be given in principle pending a final report to Cabinet later in 2007.

#### **3. Reasons for the Recommendations/Decision(s)**

Gershon, the CPA process, and continued financial pressures are driving local authorities into considering alternative methods of service delivery. In response a project has been undertaken looking into the possibility of Stockton and Darlington Councils delivering a number of joint services. The report seeks approval to proceed, in principle, pending a final report in the summer of 2007.

#### **4. Members Interests**

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

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**SUMMARY**

The purpose of this report is to update Members on the detailed design work that has been undertaken looking into the potential for joint working between Stockton and Darlington Councils. The work has not yet reached absolute conclusion, however, there are considerable findings to date. Based on this, this report seeks approval in principle for the Partnership to proceed subject to a final report in the summer of 2007 presenting the final business case and governance/management arrangements.

**RECOMMENDATIONS**

1. That progress is noted.
2. That approval to proceed be given in principle pending a final report to Cabinet later in 2007.

**BACKGROUND**

1. A report was presented to Cabinet on 1 December 2005 seeking approval for detailed work to be undertaken looking into the possibility of joint working with Darlington Council.
2. Members will recall that at that stage a piece of work had already been undertaken which considered the potential for joint working across most of the Resources Service Grouping areas, Benefits and Legal. This work concluded that there were benefits to be had and suggested that efficiencies between £0.9m and £1.5m may be achieved. The efficiencies took no cost of establishing joint working into account and were nothing more than high level estimates at that stage. The work identified four strands which it was felt would provide the most benefit and least challenge in terms of implementation, as follows:
  1. Transactional HR
  2. Transactional Finance
  3. Design and Print
  4. Information and Communication Technology

**APPROACH AND FINDINGS TO DATE**

3. The detailed design stage of the project has been quite a considerable task. The following paragraphs identify what has been involved.

4. Lead officers from both Councils were appointed for each of the strands and a part-time project support team was established. In the main, officers have undertaken these responsibilities whilst delivering their day-to-day duties. In addition, Darlington Council needed to replace the payroll system and to upgrade its existing financial system. To coincide, Stockton Council sought to upgrade its financial system to the next release in order that the two systems would be the same. All of this work has been ongoing at the same time as the detailed partnership design work.
5. A project plan was developed including officer monitoring and decision structures, a communications strategy and union/staff involvement. Objectives of the project were defined as follows:
  - To jointly provide a range of Corporate and Transactional Services to Darlington and Stockton Borough Councils;
  - To secure efficiencies whilst retaining highest rated performance;
  - To improve service capacity and resilience;
  - To form a nucleus around which both Councils and future partners could align service delivery;
  - To build capacity in partnership Councils, securing intellectual capacity, recruitment and retention and sustainability;
  - Act as an exemplar or prototype of collaborative working for the North East;
  - To ensure that the partnership is both “future proof” and expandable.

The Plan was used as a basis to submit a funding application to the North East Centre of Excellence and funds of £125,000 were awarded to assist in the preparation of the detailed design.

6. The first stage of the detailed design work was to establish which functions were to be included. Current processes, structures, equipment, financial resources etc have all been considered. In response to the perceived magnitude and complexity of the ICT strand, external consultants were appointed. This was to both assist in the process and to bring external advice around best practice in ICT and mergers. The work undertaken by the consultants has been substantial and, regardless of the decision on the partnership, will be invaluable to move both ICT services forward.
7. Governance arrangements have been considered. In this context Governance refers to items which would ultimately be included in some form of Management Agreement between the two organisations. This includes areas such as:
  - decision-making
  - Member involvement
  - HR implications
  - employing organisation
  - commercial requirements
  - sharing of cost/income and deficits/surplus
  - performance management
  - risks
  - exit strategies
8. There are clearly a number of issues to resolve here and although work has commenced it has not yet concluded. The governance work has been identified by many Councils as being particularly difficult. As a result assistance has been received from the North East Centre of Excellence and the 4P's, the latter being very interested in this project as a way forward for shared services. The current proposal is that the Partnership, if established, would be done so under an “Administering” or “Employing” Authority structure whereby one Council employs and supports (via legal, financial etc services) and both are represented on Officer and Member monitoring and decision-making bodies. A final conclusion has yet to be reached.

9. The location of the Partnership needs to consider the operational effectiveness and the impact on staff/clients is also an area of work yet to be concluded. Stockton Council's current issues with the Computer Room are a key feature. Initially it was felt that the accommodation for the Partnership would either be altogether in either Stockton or Darlington. In considering this further however, it was felt that the costs associated with this compared to the value Councils might receive via the sale of assets would be restrictive. The current suggestion is for the Partnership to operate from both Stockton and Darlington although it is likely to be beneficial for individual Services to be together. An example might be:

Stockton	Darlington
ICT Transactional Finance	Design & Print Transactional HR

An asset review is currently underway in both Councils to determine suitable accommodation.

10. A Gateway Review of the project has also been undertaken. This is an external assessment lead by the 4P's with peer officers from other Councils. The Gateway process has been available for some time and seeks to assess the operation of the project itself, as opposed to giving any views on the outcomes. Reviews can be undertaken at various stages of a project lifecycle. This project was subject to a Gate 0 Review which is an early stage review, and covered:

- Project objectives and contribution to Council strategy
- Stakeholder support
- Potential to succeed
- Leading, managing and monitoring arrangements
- Risks and risk mitigation
- Financial and organisational capacity.

11. The Review involved desktop work together with interviews of a number of key Officers and Members in both Councils. It was undertaken in December 2006 just as strand lead officers were beginning to report the outcomes of the detailed design work. As a consequence, Project Sponsors were at a stage where they needed to analyse the results and consider next steps, this was evident in the conclusions and recommendations from the Review Team. Key points included:

#### **Strengths**

- *"It's a good idea, don't cancel it!!*
- *Lots of potential*
  - *cultural alignment*
  - *excellent services*
  - *sensitive and tactful relations*
  - *enthusiasm and commitment*
  - *supportive and pragmatic staff and unions"*

#### **Issues**

- *"lost momentum*
- *business case not yet complete*
- *some confusion re objectives*
- *too polite!*
- *expectations different, not a problem but needs to be acknowledged"*

12. A number of recommendations were made, all of which were on the radar of Project Sponsors and the support team. An implementation plan is now being produced.

## OUTCOME SO FAR

### Transactional HR & Finance

13. Much of the work in transactional finance and HR has centred around changes to systems. Stockton has already carried out considerable re-engineering of these services following the implementation of new systems. More development is scheduled and more re-engineering will follow. Darlington expect to do the same. As a consequence both Councils have efficiencies built into medium term financial plans. The detailed design work firstly took account of the scheduled changes and then sought to consider whether other efficiencies could be made as a result of joining the two services together. Initial estimates are as follows:

- HR                    £210,000 per annum (full year/full implementation)
- Finance            £180,000 per annum (full year/full implementation)

As with other strands to be referred to later in the report, these are gross efficiencies, transitional costs such as accommodation and staff costs have not yet been established.

### Design & Print

14. A number of options have been considered for Design & Print. The analysis of the current situation established that in both Councils works goes outside to external design and print shops. One option was to join the two services and invest in additional equipment which would accommodate the work currently going outside. This would require considerable investment however, and print rooms have seen a reduction in usage over recent months, probably as a result of the expansion of electronic facilities. It was felt that this option was too risky at this stage. The option which is considered to be most relevant is a co-located service with one black and white copier at both Darlington Town Hall and Stockton Municipal Buildings. This option requires all print and design work to be routed through the Service, although external suppliers would still be used where necessary. This is to ensure that maximum procurement terms are achieved. Initial estimates of gross efficiencies are:

- Design & Print        £120,000 per annum (full year/full implementation)

### Information and Communication Technology

15. Consultants working with ICT Managers and staff from both organisations have analysed staffing structures, systems, hardware, etc, and determined a number of options. The most favourable option is a co-located (hosted) ICT service with shared operations. The proposals put forward suggest a fundamental change to the way in which the service is provided. In the past the ICT service has been seen as a utility service, ie delivering the engine room of the organisation and, as such, has evolved rather than been planned. Changes to technology and the increased reliance and use of it means it is time for this approach to change. It is suggested that changes to technology are planned for and funded (which is not always the case now) and a replacement programme is developed. In addition, a change to the way in which staff perform their tasks has been suggested. The new approach maximises the use of technology in the provision of the service, seeking to automate functions as much as possible. Initial estimates of gross efficiencies once fully operational are:

- ICT                    £730,000 per annum (full year/full implementation)

16. The new approach to ICT does however require substantial up front investment of approximately £1.6m. This mainly relates to capital expenditure of infrastructure and architecture, around half of this cost would be incurred again after 5 years. Over a 10-year period the potential gross\* efficiencies would be £2.4m.

*\*gross efficiencies are once again referred to as accommodation, transitional staffing costs have not been take into account.*

17. A summary of the gross efficiencies over a 10-year period are given below:

	Efficiencies over 10 years £000
Transactional HR	2,000
Transactional Finance	1,620
Design & Print	1,140
ICT	2,400
Total	7,160

This would be shared between the two Councils at a percentage to be determined.

## **REMAINING ASPECTS OF THE DETAILED DESIGN SCHEME**

18. The paragraphs above have identified a number of areas of work which have not yet reached a final conclusion. These centre around the completion of a detailed business case and the development of appropriate governance arrangements. The following list, although not exhaustive, outlines the remaining areas of work:

- Identification of the project team to take the phase forward. There may be an issue around capacity and skills which needs to be resolved.
- Identification of the transitional and indirect costs.
- Reconsideration of assumptions to challenge the robustness of the efficiency estimates.
- Assessment of risks and associated actions to mitigate against them.
- Assessment of timescales and interdependencies.
- Consider accommodation options and prepare a final proposal.
- Conclude deliberations around the decision-making structure, ie whether the Partnership should be operated as an "Employing"/"Administering" Authority.
- Develop proposals for decision-making and Member involvement.
- Preparation of outline Terms of Reference or Management Agreement.
- Identification and resolution of employment and staffing issues.

19. It is expected that the above will be finalised during the spring/summer 2007. As this report identifies that efficiencies can be derived from the Partnership, approval in principle to proceed is sought. A final report will be presented to Cabinet at around September 2007.

## **FINANCIAL AND LEGAL IMPLICATIONS**

### **Financial**

The report outlines gross efficiencies of £7.16m over 10 years to be shared between Stockton and Darlington Councils on a basis to be determined. It also identifies, however, that there will be substantial transitional/up front costs associated with the implementation. Details of these costs are to be provided in the final report to Cabinet at around September 2007.

### **Legal**

The legal issues associated with the establishment of the Partnership will be finalised as part of the next phase of the detailed design stage of the work.

## **RISK ASSESSMENT**

This partnership is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **COMMUNITY STRATEGY IMPLICATIONS**

A Partnership arrangement delivers efficiencies which assist in the retention of the current medium term financial plan. It also responds to the Government's Gershon Efficiency agenda which requires Councils to make 2.5% (rising to 3%) efficiencies each year.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

A consultation strategy is in place. Staff have been involved in the detailed design work in many areas and in others have received communications on progress. Joint meetings with Stockton and Darlington unions have been held to discuss progress. A Partnership Board with client representatives from both Stockton and Darlington has been held. It is intended that all consultation will extend during the final phase of the detailed design stage. A Members' Seminar will be arranged to discuss the detail in due course.

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### Background Papers

Cabinet report 1 December 2005 including extracts from a report produced by Deloitte MCS Limited, a full copy of which is available in the Members' Library and on the intranet.

### Ward(s) and Ward Councillors:

#### Property

The current review of assets will take into account any requirements of the Partnership.