LOCAL GOVERNMENT SHARED SERVICES - INFORMATION TECHNOLOGY AND FACILITIES MANAGEMENT

To:	**Cabinet**
Date:	**5th July 2011**
From:	**Chief Executive**
Electoral division(s):	**All**
Forward Plan ref:	**2011/046** *Key decision:* **Yes**
Purpose:	**The purpose of this paper is outline the opportunity to increase the scope of the Local Government Shared Services (LGSS) arrangement between Cambridgeshire County Council and Northamptonshire County Council in October 2010, to include Cambridgeshire County Council's Information Technology (IT) and Facilities Management (FM) services.**
Recommendation:	**Cabinet is recommended to approve the transfer of Cambridgeshire's IT and FM Services to LGSS with effect from 1st October 2011, or earlier if feasible, subject to the acceptance of the business case by the LGSS Joint Committee.**

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1.0 BACKGROUND

1.1 Cambridgeshire County Council (CCC) is facing unprecedented financial challenges due to the current deficit reduction plan that means core funding is being reduced by 14 per cent, with growing demand for high cost services required by an increasing and ageing population. In this context, the authority has to look for innovative ways to reduce costs and find a sustainable budgetary position.

On 15th February 2011 Full Council agreed the 2011-12 budget and The Integrated Plan 2011-12 which included budget savings of £50.4 million in 2011/12 and £160.6 million over the life of the plan. The cumulative impact is over £500m less spend by the Council in the five year period.

The Council's Corporate Services are undergoing fundamental change as part of their contribution towards these savings. This includes the LGSS partnership with Northamptonshire County Council (NCC) which was formally launched in October 2010 and currently includes the following Services:

- Finance
- Human Resources and Payroll
- Organisational Development & Learning
- Procurement
- Internal Audit
- Legal

In addition, NCC also included Information and Communications Technology (ICT), whilst Cambridgeshire County Council added Research, Performance Management, Estates Strategy and Property Commissioning Services. In March 2011 NCC's Cabinet took the decision to include their Property and Asset Management function within LGSS.

As part of the LGSS arrangement £5.5 million budget savings have been identified as a contribution to the CCC integrated plan (the same level of saving as NCC).

Table 1 shows the total annual budget savings and cumulative cash saved by LGSS during the period 2011-16;

Table 1 - LGSS Savings	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	Total £000s
LGSS	-1,893	-893	-941	-1,297	-531	-5,555
Annual budget reduction	**-1,893**	**-893**	**-941**	**-1,297**	**-531**	**-5,555**
Cumulative Budget Reduction	**-1,893**	**-2,786**	**-3,727**	**-5,024**	**-5,555**	
Total cash saved during period	**-1,893**	**-4,679**	**-8,406**	**-13,430**	**-18,985**	

Within the retained corporate services approx £9.9 million budget savings have been identified.

Table 2 shows the total annual budget savings and cumulative cash saved in the retained organisation during the period 2011-16 before any further transfer of function to LGSS;

Table 2 - Integrated Plan Savings - Current Retained Corporate Services	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	Total £000s
Retained Corporate Services	-3,561	-2,265	-1,307	-1,474	-1,267	-9,874
Annual budget reduction	**-3,561**	**-2,265**	**-1,307**	**-1,474**	**-1,267**	**-9,874**
Cumulative Budget Reduction	**-3,561**	**-5,826**	**-7,133**	**-8,607**	**-9,874**	
Total cash saved during period	**-3,561**	**-9,387**	**-16,520**	**-25,127**	**-35,001**	

As the anniversary date of the initial transfer of services to LGSS approaches it is a timely point to consider the transfer of additional services. This is particularly the case where better alignment of services in LGSS can be achieved in order to gain the full benefits of a shared service. Accordingly, and with the NCC services already in LGSS in mind, it is recommended that the following CCC services transfer to LGSS:

- Information Technology (IT)
- Web Functions (currently within Service Transformation)
- Business Support Helpdesk
- Facilities Management - contract and operational management for cleaning, grounds maintenance and waste management.
- Property services, including engineering and client premises services (including associated support staff)
- County Offices Team

With these services remaining out of scope at the present time:

- Reception, security, parking review and site facilities
- Pool cars and residual lease car scheme
- Reprographic services
- Education ICT services
- Service specific IT related staff (eg One Vision team in CYPS)

Table 3 shows the total annual budget savings and cumulative cash saved for those areas proposed to transfer to LGSS (excluding 2011/12 savings already achieved) (in total 46% of the corporate retained total for 2011-16);

Table 3 - From table 2 - Those transferring function to LGSS	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	Total £000s
IT Services	-869	-356	-349	-229	-1,803
Proposed elements of Service Transformation	-50	0	0	-58	-108
Proposed elements Business Support & FM	-247	-431	-550	-419	-1,647
Annual budget reduction	**-1,166**	**-787**	**-899**	**-706**	**-3,558**
Cumulative Budget Reduction	**-1,166**	**-1,953**	**-2,852**	**-3,558**	
Total cash saved during period	**-1,166**	**-3,119**	**-5,971**	**-9,529**	

Table 4: This table shows the total annual budget savings and cumulative cash saved that are either dependant, enabled or aided by the transfer of function to LGSS (in total 42% of the above);

Table 4 - From table 3 - savings with a dependancy or aided by LGSS	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	Total £000s
IT Services	-329	-200	-309	-229	-1,067
Proposed elements of Service Transformation	-50	0	0	-58	-108
Proposed elements Business Support & FM	-95	0	-100	-419	-614
Annual budget reduction	**-474**	**-200**	**-409**	**-706**	**-1,789**
Cumulative Budget Reduction	**-474**	**-674**	**-1,083**	**-1,789**	
Total cash saved during period	**-474**	**-1,148**	**-2,231**	**-4,020**	

In addition the retained corporate organisation has a savings target of £100k during 2012-13 in relation to Head of Service restructure and other restructures.

2.0   MAIN ISSUES

2.1   Financial Overview

2.1.1   CCC IT provision is funded by a mixture of centralised cash limit revenue and capital budgets together with service specific budgets supporting "line of business" applications which are primarily but not exclusively managed within individual services and are subject to an internal trading arrangement. This is a common arrangement for IT in many local authorities and in that sense varies from other "back office" services such as Human Resources (HR) and Finance where this "mixed economy" is rarely the case. It is a very long standing approach within Cambridgeshire but does add a certain amount of complexity when trying to ascertain the "true cost" of IT. For simplicity all budgetary figures referred to henceforth in this paper will refer to centralised cash limit budgets managed within the IT Service as opposed to those controlled and managed within individual services.

2.1.2   As outlined above, the IT Service faces significant budgetary pressures and has been reducing spend considerably through new service models and efficiency savings over recent years. The actual and target budget represents a 47% reduction in cash limit funding over a six year period from 2009/10 through to 2014/15 from £4.3m to £2.3m. In addition the cash limit funding for the CCN (Cambridgeshire Community Network) Contract budget (excluding schools contribution) will be reduced by an overall 76% from £3.8 million to £0.9 million p/a over five financial years as it transitions to the new CPSN (Cambridgeshire Public Sector Network) Contract. In addition there is an unidentified saving of approximately £229k in 2015/16 for IT services and CSPN.

The CPSN related savings targets have been confirmed, although as outlined in a previous report to Cabinet, these are predicated on a partnership arrangement with other Cambridgeshire public sector agencies and will only accrue if the partnership arrangement continues.

Around £1m savings from non-CCN related IT budgets have been achieved over the last two financial years by focusing mainly on procurement, software

and hardware efficiencies along with some staff efficiencies. However the IT Service related savings target of £864k for this financial year has primarily been achieved via staff savings and the final stages of a comprehensive restructure of the IT Service to reduce and merge teams and delete posts is currently underway. This includes a net reduction of 19 Full Time Equivalent (FTE), just under 25% staff reduction. As a result, service levels and response times will be redefined and there will inevitably be some loss of specialist skills and organisational knowledge.   As part of the Integrated Planning Process (IPP) savings targets a further £949k per annum reduction of IT Service budget is planned by 2014/15.

2.1.3   The Facilities Management and County Offices functions which are within scope for this report similarly have aggressive savings targets with overall budgets reducing by over £2m from £6.2m in 2010/11 to £4.1m by 2014/15. Certain functions within FM have a small number of staff with specialist skills with single points of failure which represent a business continuity risk at present. In addition there is an unidentified saving of approximately £419k in 2015/16 for Facilities Management, County Offices and Business Support.

2.1.4   The proposed level of savings are such that there is a risk of the identified services not being sustainable over the planning period. This can be mitigated by the improved critical mass gained by incorporating the services into LGSS. Given this context together with CCC's stated vision for the future provision of Corporate services within the LGSS arrangement, the transfer of IT and FM services to LGSS is a logical next step.

2.2   Transfer Process

As part of the preparation for the establishment of the LGSS Joint Committee and the transfer of the initial tranche of services from both CCC and NCC in October 2010 a standard process was created which simplifies the transfer of IT and FM services.

However there are a number of steps that have to be completed in order to affect the transfer as follows:

- The LGSS Joint Committee will be asked to agree the business case for the transfer to LGSS of the IT and FM services outlined above together with confirmation that the outcome will be both sustainable and able to respond to the changing business needs of both organisations.

- The initial change will be a simple change of line management and does not involve Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) transfer of staff or job losses.   In these circumstances the transfer of services will be discussed at the LGSS Consultation Forum, which includes representatives from both NCC and CCC as well as Union representation and any affected staff will have written confirmation of the new arrangement. Formal consultation with affected staff is not required as part of the transfer process, engagement with and communication to affected staff in both NCC and CCC will be included as part of the transfer process.

- Some clarification will be needed to confirm which individual posts will

transfer from the Web Team and FM services and any line management changes will be implemented within the CCC retained organisation where functions are not migrating to LGSS.

2.3 Integration of LGSS IT and FM services

The approach will be in line with the transfer of other functions to LGSS, in that current service delivery mechanisms and methods will be unaffected in the first instance. Following the transfer the target operating model for shared IT and FM services will be developed and refined by LGSS to ensure the optimum outcome for CCC and NCC.

2.4 Business Risks

A diverse and complex organisation such as the Council is critically dependent on IT systems and services which are intrinsic to every element of service delivery across all functions of the authority. Over recent years the scope of IT based services has broadened to include not only key business systems but all forms of electronic communications from telephony, web and email and service demands now reflect the "always on - 24/7" society. The outcome of this is that the operational efficiency of the entire organisation is critically affected by the availability of key IT systems.

In addition as the engine of service transformation IT is critical to the Council's change agenda and key to the provision of cheaper and more efficient front-line services.

The fact that IT underpins both service delivery and implementation of change within the organisation means that there is an operational and strategic risk for the authority in relation to any significant change in the provision of IT Services. This is mitigated by fact that the LGSS arrangement is in place and operating successfully with other services.

Whilst the transfer method to LGSS incorporates minimal changes in the first instance a key measure of success will be that sufficient time is allowed to effect the transfer without loss of focus on current significant projects that are underway in the Council; such as the implementation of CPSN, implementation of the revised IT Service structure and high profile transformation projects for highways, adults and children's services, property rationalisation and flexible working practices.

3.0 ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Supporting and protecting vulnerable people when they need it most

There are no significant implications for this priority.

3.2 Helping people lives healthy and independent lives in their communities

There are no significant implications for this priority.

3.3   Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.4   Ways of Working

The proposals contained within this report are consistent with the agreed ways of working:

- **Making sure the right services are provided, in the right way –** we'll only provide services directly when it's clearly better value for the taxpayer that we do it ourselves. We will work with partners, to make sure the best placed organisation provides services that are value for money. We will minimise the energy we use as an organisation and ensure services are provided in a sustainable way.
- **Working together –** we want to continue to work in partnership with other organisations to get the best possible value for money. We want to go further and identify more opportunities, sharing services and doing things together where it's more efficient to do so.

4.0   SIGNIFICANT IMPLICATIONS

4.1   Resource and Performance Implications

The report above sets out details of significant implications above

4.2   Statutory, Risk and Legal Implications

The risk implications are set out in 2.4 above

4.3   Equality and Diversity Implications

There are no significant implications regarding equality and diversity

4.4   Engagement and Consultation

There are no significant implications regarding engagement and consultation

Source Documents	Location
None	