



# Corporate Services - Proof of Concept

An assessment of the opportunity for joint  
service delivery between Darlington and  
Stockton Borough Councils

## Summary Report

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**Appendix 2 – Categorisation of Corporate Services**

# 1. Background

## 1.1 Purpose of the project

Darlington and Stockton-on-Tees Borough Councils (the Councils) have informally discussed the joint delivery of Corporate Services and believe that such an arrangement provides the opportunity to further improve service delivery and service efficiency.

The purpose of this project is to formally assess the benefits from the joint delivery of services by developing a proof of concept. It is a short and focused review to the level of detail sufficient to robustly answer the question “is there mutual benefit from the Councils jointly delivering Corporate Services?” It does not address questions of design, such as location and governance arrangements, as they do not need to be considered at this point.

## 1.2 Objectives

The key outcome from the project is a proof of concept that:

- Demonstrates practical examples of improvements in service delivery and service efficiency from joint delivery of services
- Secures buy-in from Corporate Services management in both Councils to the concept of joint delivery of services
- Identifies quick wins but also sets out a roadmap for the phased inclusion of services in the joint delivery arrangement.

## 1.3 Document Structure

The structure of this document is as follows:

|                           |
|---------------------------|
| <b>Section 2</b>          |
| • Approach to the project |
| <b>Section 3</b>          |
| • Conclusions             |
| <b>Section 4</b>          |
| • Next steps              |

## 2. Approach

### 2.1 Introduction

This section describes the key components of our approach to the project.

### 2.2 Interviews and data gathering

Deloitte consultants assimilated background material relating to the Corporate Services included in the project (such as service plans, customer surveys and performance reports) and held 3 interviews with each of the Services' representatives (see Appendix 1 for the list of interviewees).

The purpose of these interviews was to identify the Service activities which could be delivered jointly, the benefits from the joint delivery of Services, the challenges to collaboration, risks, dependencies and the phasing of joint service delivery.

These interviews have been particularly successful as a result of:

- The openness of interviewees to the concept of joint service delivery
- The innovative ideas proposed by the interviewees as to areas of joint service delivery
- The high degree of consensus across the interviewees. We noted that the joint interviews resulted in enhanced commitment to the concept of joint service delivery.

We also appreciate the project management support provided by Ian Wilson, Catherine Peacock and Mike Wray.

The interviews and background material have enabled us to gather information about the Services. This information, and how it has been used in the project, is summarised in the table below:

*Table 1: Project information*

| Information gathered   | Use in the project                   |
|--|--------------------------------------|
| Scope of the Services<br>Opportunities for joint service delivery  | Identification of potential services |
| Organisation structure<br>Technology<br>Strengths of each service<br>Service development plans<br>Performance measures | Opportunity assessment               |

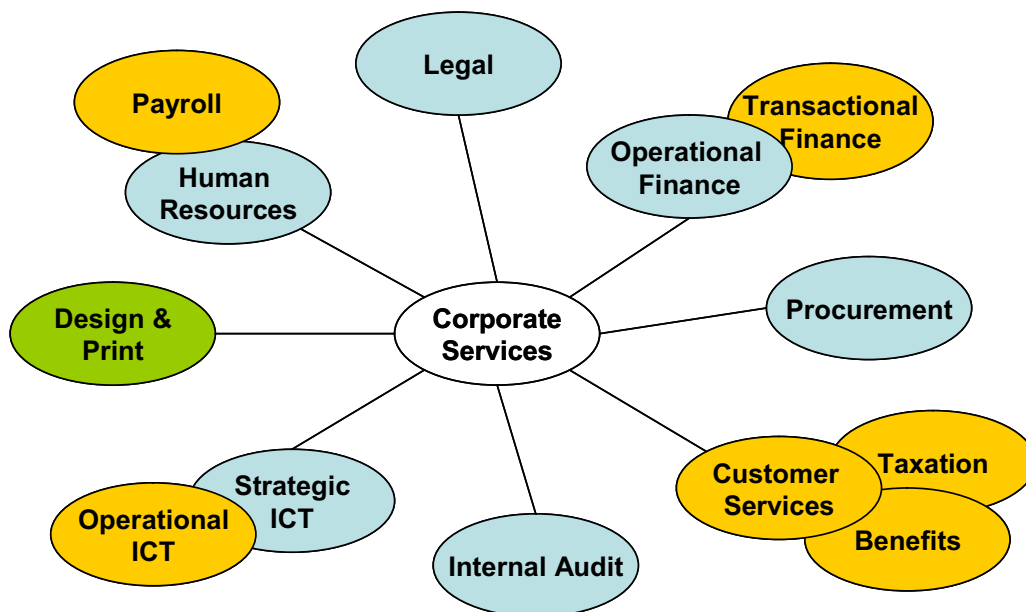
## 2.3 Categorisation of Corporate Services

The Services which comprise Corporate Services can be categorised into three groups:

- Capacity sharing services, where the opportunity for joint service delivery primarily emerges from the joint use of infrastructure. Design & Print is an example of a capacity sharing service
- Transactional services, where the opportunity for joint service delivery is maximised through co-location of staff and the adoption of common organisation structures, processes and technology. Payroll is an example of a transactional service
- Advisory services, where the opportunity for joint service delivery primarily arises from access to additional skills and capacity. Internal Audit is an example of an advisory service.

The above categorisation has been helpful in assessing the benefits from, and challenges to, joint service delivery and in developing the roadmap for joint service delivery.

The following diagram illustrates how we have categorised each of the Corporate Services. Services coloured in orange are transactional, advisory services are coloured in blue and capacity services are coloured in green:



Appendix 2 contains a description of the activities undertaken within each of the above Services.

## 2.4 Collaboration models

For each of the Services there is a spectrum of collaboration models. Each model can be both a stage along the journey to joint service delivery and an end state in its own right. We have defined the following collaboration models:

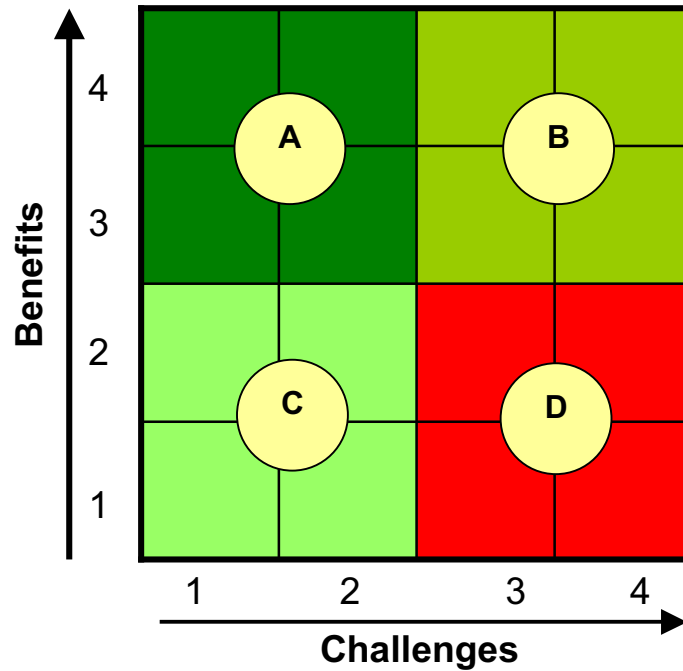
| Collaboration                 | Description  |
|-------------------------------|--|
| Informal collaboration        | Periodic meetings between the Service teams to exchange good practices. The benefits are Service improvement through adopting best practice processes and procedures.  |
| Formal collaboration          | Agreement to share responsibility for activities or to make skills available to each council. The benefits are access to additional capacity or skills to enable deeper or wider knowledge management  |
| Hosted applications           | Applications hosted by one council but each council runs its own Service. The benefits are savings in IT investment and support costs.   |
| Integrated teams (virtual)    | Integrated teams to deliver a range of Service activities. The benefits are improvements in customer service and quality through additional capacity and the opportunity for efficiencies. The teams can be a "virtual" team where staff remain at each council, but are managed as a shared pool of resource. |
| Integrated teams (co-located) | Integrated teams to deliver a range of Service activities. The benefits are improvements in customer service and quality through additional capacity and the opportunity for efficiencies. The teams can be co-located, where they are based at the same location.   |

The above collaboration models have informed our view of the journey that each Service will take to joint service delivery.

## 2.5 Benefits and challenges matrix

The purpose of the matrix is to indicate the relative benefits and challenges of joint service delivery for each of the Services:

- Services in quadrant A are characterised by high benefits potential and low implementation challenge
- Services in quadrant B are characterised by high benefits potential but high implementation challenge. The experience and impact gained through the work on Services in quadrant A will help to address the implementation challenges
- Services in quadrant C are characterised by low benefits potential but low implementation challenge
- Services in quadrant D are characterised by low benefits potential and high implementation challenge.



## 2.6 Roadmap

The roadmap sets out the:

- Overall timeframe for moving from Services delivered by each Council separately to joint service delivery
- The enabling actions which should be taken to encourage progress along the roadmap. Enabling actions are defined as initiatives that promote joint service delivery. Examples include developing joint skills matrices, joint procurement of services and alignment of Service plans
- Decision points, which are defined as events that act as the catalyst for joint service delivery. Examples include expiry of leases, systems replacement or office relocation.

The interviews with Service representatives developed a roadmap for how each Service would move to joint service delivery. These roadmaps therefore have the support of the Service representatives from both Councils.

For certain Services, an alternative roadmap was discussed which is characterised as more aggressive in its timescale. It therefore has the potential to deliver benefits earlier but carries higher risk.

We have based this report (and the detailed Service reports) on the consensus roadmaps since a key objective for the project is to “secure buy-in from Corporate Services management in both Councils to the concept of joint delivery of services”. However, we have included the alternative roadmaps as a point for discussion.

We have not developed the benefits and challenges associated with the alternative roadmaps since this would involve discussion with councils outside the scope of this project.

## 3. Conclusions

### 3.1 Introduction

We have identified tangible benefits in the range of **£3.1m to £5.0m over the 5 years commencing 2006/7 with annual benefits of £0.9m to £1.5m per annum thereafter** and significant intangible benefits. These indicative benefits will be substantiated through the Design stage of the project. **Costs will need to be incurred to deliver the benefits.** We have highlighted the cost categories and degree of costs in paragraph 3.15 below. Costs will also be substantiated through the Design stage.

There are a number of challenges which must be overcome in order to maximise the potential benefits.

In this section we report upon:

- Benefits potential
- Challenges
- Relative benefits and challenges
- Roadmaps for delivery
- Enabling actions
- Decision points
- Key dependencies.

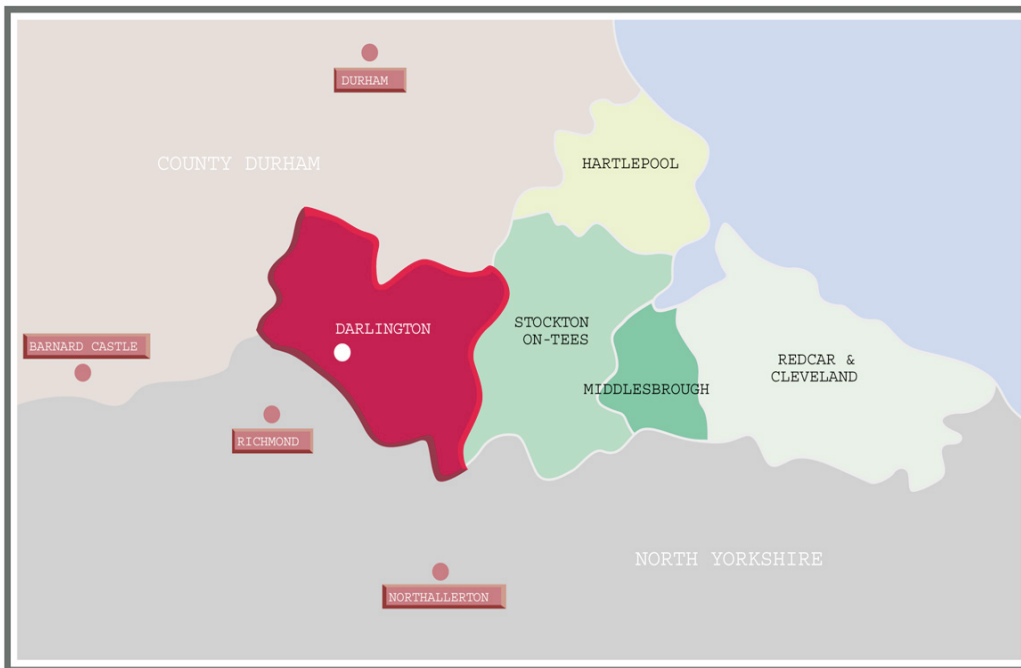
### 3.2 Why Darlington and Stockton

A number of the Service reviews identified the opportunity to partner with other councils in the region. Whilst wider partnerships provide the basis for more significant benefits, there are significant considerations to progressing a regional shared services project at this stage. In particular, our experience is that successful shared services projects depend upon strong Member and corporate management commitment and there is no evidence of this in other councils within the region.

Our view is that Darlington and Stockton should take the lead and create a compelling proposition for other councils to join. Collaboration between the two councils in various degrees is already in place across most services.



Plan 1: Tees Valley area (source: Darlington BC's website)



Darlington and Stockton are ideally placed to develop a wider strategic partnership with other Regional local authorities geographically and also since the other three unitary authorities in the Tees Valley area (Hartlepool, Middlesbrough and Redcar & Cleveland) are tied into strategic partnerships with Sx3, Hyder and Liberata respectively.

We can envisage a scenario whereby other councils could join Darlington and Stockton as the joint service delivery model evolves. This would be on the basis of a positive desire from these councils to join and could, for example, be a response to dealing with poor or failing services.

### 3.3 Design & Print

The following table summarises the benefits potential from joint service delivery.

| Tangible benefits  | Intangible Benefits  | Solution   |
|--|--|--|
| Rationalisation of supervision<br>Reduction in floor space and associated overheads<br>Opportunities to increase income from spare capacity<br>Improved overhead recovery<br>Reduced software support costs<br>Joint procurement<br>Joint leasing<br><b>Estimated as cost saving of £50k per annum and</b> | More innovative Design service<br>Sharing of best practices<br>Access to additional skills and services<br>Management time better focused on business development and operations | Virtual integrated team in the short term (2006/7).<br>Co-located team in the medium term (2010) |

| Tangible benefits                                      | Intangible Benefits | Solution |
|--|---------------------|----------|
| additional income of £250-400k per annum (from Year 5) |                     |          |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions  | Timing |
|---|--------|
| Benchmark costs for all jobs  | 2005/6 |
| Knowledge sharing to support Darlington to achieve Chartermark status | 2005/6 |
| Assess print finishing equipment                                      | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points  | Timing |
|--|--------|
| Upgrade and alignment of printing and pre-press / reprographics equipment  | 2010   |
| Review of lease arrangements for black & white photocopiers at Darlington  | 2005   |
| Operate the Graphics resource as a single team   | 2006/7 |
| Combined internal capacity for copying and printing is the first choice for work. Review peaks and troughs to ensure capacity exists | 2005/6 |
| Re-location of the Design & Print Service at time of replacement of major printing equipment   | 2010   |

### 3.4 Customer Services

The following table summarises the benefits potential from joint service delivery.

| Tangible benefits  | Intangible Benefits   | Solution                 |
|--|---|--------------------------|
| Savings in IT investment and support costs<br>Savings in implementation costs<br>Reduced training costs<br><b>These savings cannot be quantified at this point because there is no baseline cost structure</b> | Development time reduced<br>Improved customer service through higher resolution of enquiries<br>Calls answered more quickly<br>Extended opening hours | Co-located team (2007/8) |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions   | Timing |
|--|--------|
| Alignment of Services take-on strategies                               | 2005/6 |
| Joint design of screens and scripts during the implementation of Lagan | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points   | Timing |
|---|--------|
| Opportunity to standardise telephony provision in 2010.   | 2010   |
| Develop a joint out of hours service, which will give customer service a starting point to develop joint service delivery | 2006/7 |

### 3.5 Payroll and Human Resources

The following table summarises the benefits potential from joint service delivery.

| Tangible benefits  | Intangible Benefits   | Solution                            |
|--|---|-------------------------------------|
| <b>Payroll</b>   |   |                                     |
| Process efficiencies through best internal practice<br>Savings in IT investment and support costs<br>Quicker implementation of a new system for Darlington<br><b>Estimated as a cost saving of £50-120k per annum</b>                                    | Additional capacity to cover for sickness and absence<br>Service improvement through the adoption of best practices   | Co-located team (2007/8)            |
| <b>Human Resources</b>   |   |                                     |
| Reduced recruitment and selection advertising and support costs.<br>Lower expenditure on agency staff.<br>Savings in training and development costs.<br><b>Service is operating at upper quartile performance. Estimated as a cost saving of £40-70k</b> | Increased capacity in the sharing of new legislation interpretation and creation of job descriptions etc.<br>Improved quality through the sharing of knowledge and best practice. | Virtual integrated team (by 2008/9) |

The following enabling actions will facilitate the achievement of the above solution

| Enabling actions   | Timing |
|--|--------|
| <b>Payroll</b>   |        |
| Once the re-structuring of Payroll is complete, develop comparable | 2006   |

| Enabling actions  | Timing |
|---|--------|
| benchmarks  |        |
| An exercise should be undertaken to understand the apparent divergence in efficiency at Darlington and Stockton | 2005/6 |
| Undertake a customer satisfaction survey at Stockton  | 2005/6 |
| <b>Human Resources</b>  |        |
| Co-ordinate recruitment and selection   | 2006/7 |
| Investigate opportunities for joint procurement of agency staff   | 2006/7 |
| Co-ordinate training and development  | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points  | Timing |
|--|--------|
| <b>Payroll</b>   |        |
| In the event of moving to joint service delivery, determine which part of the organisation will be responsible for processing expenses   | 2006/7 |
| Confirm the intention to move to Enterprise and start a systems replacement project  | 2005   |
| Consider whether there is benefit in operating two pay dates during the month so that half of the pay-runs are performed mid-month and half at the month end to smooth peaks of work.  | 2006/7 |
| Implement Stockton's payroll system (Enterprise) as a hosted system to be used by Darlington for payroll processing  | 2006/7 |
| Move to a co-located Payroll service after a short period of stabilisation with the new organisation structure, migration to monthly pay and alignment of processes around the hosted system   | 2007/8 |
| <b>Human Resources</b>   |        |
| The Councils should carry out an exercise to identify where divergence exists in terms of objectives, policy and culture. The aim would be to align the Councils so they are moving in parallel. This would increase the opportunities for HR joint working. | 2005/6 |
| Darlington needs to decide whether to move off Compel and move to Enterprise   | 2007   |
| Operate Health & Safety as a joint team  | 2006/7 |

#### Alternative roadmap

The alternative roadmap identified is for the Payroll service where collaboration skips the hosted application option and moves straight to a co-located integrated service.

This scenario realises the benefits earlier, increases the scale of change, but reduces the overall period of change. We recommend that this alternative roadmap is adopted.

### 3.6 Finance and Procurement

The following table summarises the benefits potential from joint service delivery.

| Tangible benefits  | Intangible Benefits   | Solution  |
|--|---|---|
| <b>Finance</b>   |   |   |
| Efficiency savings through transactional process efficiencies<br>Savings in IT investment and support costs<br>Release of accommodation<br><b>Service is 75% operational (advisory) services which provide opportunity for improvements in service quality but not efficiencies. Estimated as a cost saving of £120-150k per annum</b> | Deeper and wider knowledge<br>Larger teams to ensure continuity of service<br>Development of expertise<br>Sharing of best practices and skills  | Formal collaboration for Operational Finance and co-located team for Transactional Finance (2006/7) |
| <b>Procurement</b>   |   |   |
| Reduction in the cost of goods and services through collaborative sourcing<br>Lower cost of implementing e-procurement through joint acquisition/implementation<br>Process efficiencies in transaction processing (included in Finance).<br><b>Estimated as a cost saving of £100 - 300k per annum</b>                                 | Access to a wider pool of Procurement expertise, so that more rapid progress can be made on implementing good procurement practices and e-Procurement.<br>Benefits realisation through a more intensive focus on improving efficiency.<br>Improved customer service in terms of responsiveness and available corporate contracts. | Virtual integrated team (2006/7)  |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions   | Timing |
|--|--------|
| <b>Finance</b>   |        |
| Carry out detailed, comparative analysis of the key activities for each Finance activity to identify areas of joint working or matters for developing shared expertise | 2005/6 |
| Implement joint working projects identified from the analysis of key activities.   | 2006/7 |
| <b>Procurement</b>   |        |
| Develop a collaborative procurement strategy   | 2005/6 |
| Develop a joint sourcing plan  | 2005/6 |
| Sharing of contract information and renewal dates  | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points  | Timing |
|--|--------|
| <b>Finance</b>   |        |
| Undertake a detailed design to move to jointly managed Accountancy support teams   | 2005/6 |
| Implement a common finance system, possibly as part of a Procurement solution.   | 2006/7 |
| Investigate possibilities for a shared financial system with Agresso representatives. Discounts may be possible for being a pioneer and establishing Agresso as a shared service solution in the region. | 2006/7 |
| <b>Procurement</b>   |        |
| Joint procurement of e-Procurement technologies, including e-Purchasing  | 2005/6 |

### 3.7 Taxation and Benefits

The following table summarises the benefits potential from joint service delivery.

| Tangible benefits   | Intangible Benefits   | Solution                 |
|---|---|--------------------------|
| <b>Taxation</b>   |   |                          |
| Efficiency gains<br>Savings in IT investment<br>Release of office space<br>Joint procurement of services<br><b>Service is at upper quartile performance. Estimated as a cost saving of £20- 40k per annum</b> | Flexibility to maintain service during periods of staff absence<br>Deeper knowledge of legislation and regulations<br>Opportunity to create specialist teams<br>Better retention of staff<br>Sharing of best practices<br>Improved customer service | Co-located team (2008/9) |
| <b>Benefits</b>   |   |                          |
| Efficiency gains<br>Higher recovery of overpayments<br>Savings in IT investment<br>Release of office space<br><b>Service is at upper quartile performance Estimated as a cost saving of £35-70k per annum</b> | Flexibility to maintain service during periods of staff absence<br>Deeper knowledge of legislation and regulations<br>Opportunity to create specialist teams<br>Better retention of staff<br>Sharing of best practices<br>Improved customer service | Co-located team (2008/9) |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions                        | Timing |
|---|--------|
| <b>Taxation</b>                         |        |
| Agreement to share skills and expertise | 2005/6 |
| <b>Benefits</b>                         |        |
| Agreement to share skills and expertise | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points   | Timing       |
|---|--------------|
| <b>Taxation</b>   |              |
| Migration to co-located team as a result of a decision to replace the Taxation system at either Council | 2008 onwards |
| <b>Benefits</b>   |              |
| Move to co-located team as a result of a decision to replace the Benefits system at either Council      | 2008 onwards |

### 3.8 Legal

The following table summarises the benefits potential from joint service delivery

| Tangible benefits   | Intangible Benefits   | Solution                              |
|---|---|---------------------------------------|
| <p>Sharing of information on rates for external solicitors will give the opportunity for securing lower rates in future.</p> <p>Possibility of developing a framework contract (other councils may wish to participate) to call on when work is required to be externalised.</p> <p>Savings opportunities on subscriptions. Stockton pay £2.5k for their service (Lawtel) but Darlington pay £18k for a more expensive service (Lexis Nexis).</p> <p><b>Estimated as a cost saving of £20-50k per annum</b></p> | <p>Provision of advice on changes in the law relevant to local government, drafting and developing documentation to accord with statutory requirements.</p> <p>Provision of advocates in Employment Tribunals.</p> <p>Improved levels of quality through sharing the learning points from quality accreditation at Darlington (Lexel) and the Chartermark (Stockton).</p> | <p>Virtual integrated team (2010)</p> |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions | Timing |
|------------------|--------|
|------------------|--------|

| Enabling actions   | Timing |
|--|--------|
| Implement concept of a lead Service to interpret changes in legislation or regulations | 2005/6 |
| Identify where expertise could be shared   | 2005/6 |

The above solution is dependent upon the following decision points.

| Decision points   | Timing |
|---|--------|
| Virtual integrated team created in response to collaboration in client services | 2010   |

### 3.9 Internal Audit

The following table summarises the benefits potential from joint service delivery

| Tangible benefits  | Intangible Benefits   | Solution   |
|--|---|--|
| Efficiency gains at management level from an integrated team.<br>Greater opportunities for selling services to other councils where expertise is created.<br>New audit management software could be jointly procured.<br><b>No cost savings are expected</b> | Opportunity to create specialist knowledge around IT audit or specialist investigatory teams.<br>Better retention of staff through improved opportunities for career development.<br>Service improvement through adopting best practices.<br>A standardised audit framework could be developed to provide consistency across both Councils. | Virtual integrated team or co-located team (from 2007/8) |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions                       | Timing       |
|--|--------------|
| Co-ordinate advice to service managers | 2005/6       |
| Co-ordinate audit plans                | 2007 onwards |

The above roadmaps are dependent upon the following decision points.

| Decision points | Timing |
|-----------------|--------|
|-----------------|--------|



| Decision points  | Timing       |
|--|--------------|
| Move towards a virtual integrated team as joint service delivery takes place in other services | 2007 onwards |

### 3.10 ICT

The following table summarises the benefits potential from joint service delivery

| Tangible benefits   | Intangible Benefits   | Solution                         |
|---|---|----------------------------------|
| <p>Opportunity to reduce overall infrastructure costs through economies of scale in information security management, business continuity, service centre, desktop services and data centre</p> <p>Benefits identified should create multiple low level (&lt; £50k) savings.</p> <p>Higher notional savings can be made through collaboration on new projects.</p> <p><b>Estimated as a cost saving of £250k per annum from Year 4</b></p> | <p>Stockton could fill capacity in the provision of ICT training.</p> <p>Collaboration on new projects can release capacity as a joint team should require fewer combined resources.</p> <p>Improved quality through the sharing knowledge and best practice.</p> | Virtual integrated team (2008/9) |

The following enabling actions will facilitate the achievement of the above solution.

| Enabling actions  | Timing |
|---|--------|
| Develop a formal framework for system alignment, common applications, system upgrades and replacements                          | 2005/6 |
| Darlington and Stockton should both participate in a SOCITM survey and benchmark performance data to establish common standards | 2006   |
| Develop a skills matrix for both Councils to identify areas of expertise, gaps and areas for development                        | 2005/6 |
| Establish a joint data centre   | 2006/7 |

The above solution is dependent upon the following decision points.

| Decision points   | Timing |
|---|--------|
| Corporate Management Team (CMT) should agree that all ICT training should be routed through the Stockton training facility, subject to approval by Darlington's HR team and proven cost savings | 2005/6 |
| CMT need to agree on system alignment and prioritise the order of   | 2005/6 |

| Decision points  | Timing |
|--|--------|
| new projects   |        |
| Is a secure, high-speed electronic link between Darlington and Stockton necessary? | 2005   |

### 3.11 Benefits Summary

The savings will be realised in line with the timeline defined in paragraph 3.5 below. To give a view of benefits over the 5 years starting from 2006/7, we propose the following phasing of benefits.

| Benefits profile - low end of the range (£k) |          |            |            |            |            |            |              |
|--|----------|------------|------------|------------|------------|------------|--------------|
| Service / Year                               | 2005/6   | 2006/7     | 2007/8     | 2008/9     | 2010/11    | 2011/12    | Total        |
| Design & Print                               |          | 50         | 100        | 150        | 200        | 250        | 750          |
| Customer Services                            |          |            |            |            |            |            | 0            |
| Payroll                                      |          | 25         | 50         | 50         | 50         | 50         | 225          |
| Finance                                      |          |            | 120        | 120        | 120        | 120        | 480          |
| Taxation                                     |          |            |            | 20         | 20         | 20         | 60           |
| Benefits                                     |          |            |            |            | 18         | 18         | 36           |
| Procurement                                  |          | 25         | 50         | 75         | 100        | 100        | 350          |
| Legal  |          | 10         | 20         | 20         | 20         | 20         | 90           |
| ICT  |          | 50         | 150        | 200        | 250        | 250        | 900          |
| Human Resources                              |          |            | 40         | 40         | 40         | 40         | 160          |
| Internal Audit                               |          |            |            |            |            |            | 0            |
| <b>Total</b>                                 | <b>0</b> | <b>160</b> | <b>530</b> | <b>675</b> | <b>818</b> | <b>868</b> | <b>3,051</b> |

| Benefits profile - high end of the range (£k) |          |            |            |             |             |             |              |
|---|----------|------------|------------|-------------|-------------|-------------|--------------|
| Service / Year                                | 2005/6   | 2006/7     | 2007/8     | 2008/9      | 2010/11     | 2011/12     | Total        |
| Design & Print                                |          | 50         | 150        | 250         | 350         | 450         | 1,250        |
| Customer Services                             |          |            |            |             |             |             | 0            |
| Payroll                                       |          | 60         | 120        | 120         | 120         | 120         | 540          |
| Finance                                       |          |            | 150        | 150         | 150         | 150         | 600          |
| Taxation                                      |          |            |            | 40          | 40          | 40          | 120          |
| Benefits                                      |          |            |            | 70          | 70          | 70          | 210          |
| Procurement                                   |          | 50         | 100        | 150         | 250         | 300         | 850          |
| Legal   |          | 25         | 50         | 50          | 50          | 50          | 225          |
| ICT   |          | 50         | 150        | 200         | 250         | 250         | 900          |
| Human Resources                               |          |            | 70         | 70          | 70          | 70          | 280          |
| Internal Audit                                |          |            |            |             |             |             | 0            |
| <b>Total</b>                                  | <b>0</b> | <b>235</b> | <b>790</b> | <b>1100</b> | <b>1350</b> | <b>1500</b> | <b>4,975</b> |

Clearly, benefits will be shared between Darlington and Stockton. The mechanism for benefit sharing will need to be agreed as part of the design stage.

### 3.12 Challenges

Whilst the interviews achieved a high consensus as to the opportunities for joint service delivery and the benefits that would arise, they also identified key challenges:

Technology:

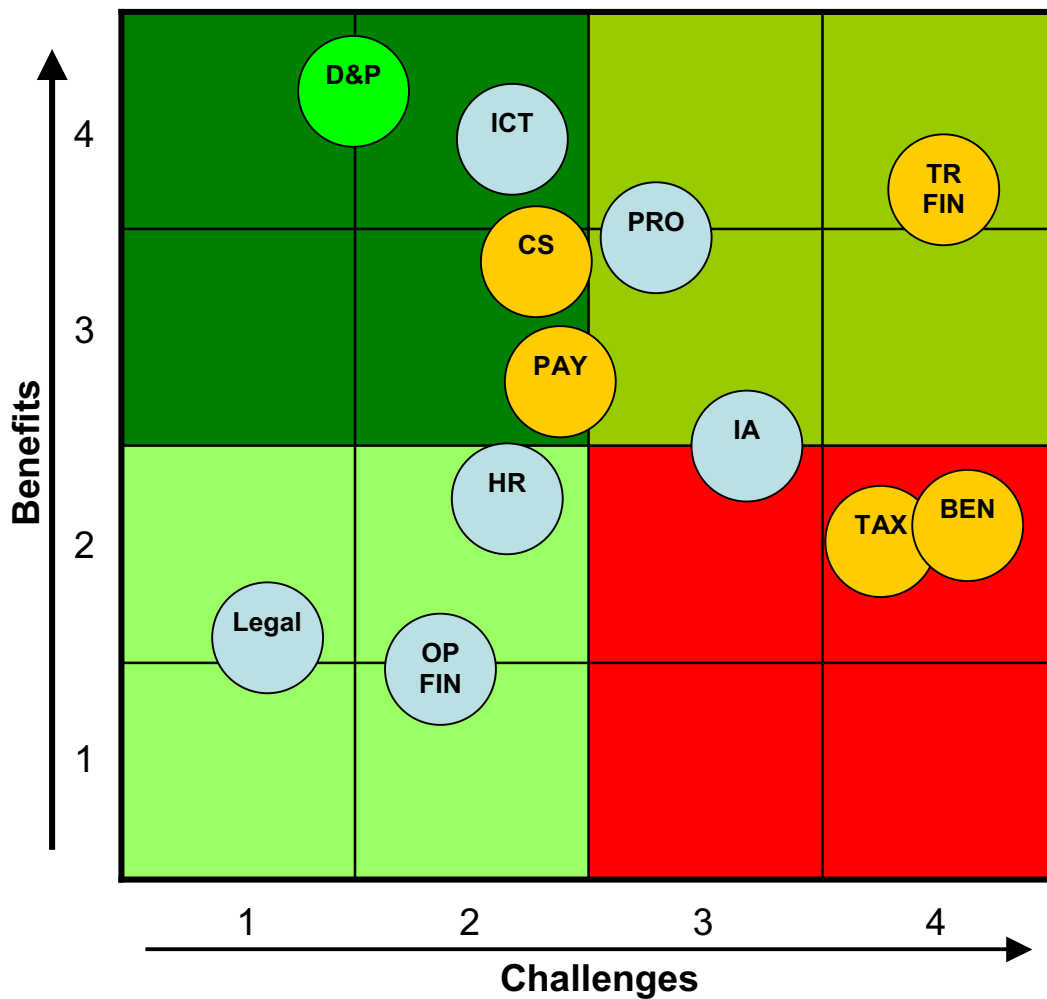
- With the exception of CRM there is no commonality in core applications
- Core applications are generally of good quality, meeting the needs of the Services
- With the exception of Payroll and Procurement for Darlington, there are no immediate plans to replace core applications
- The consequence is that technology is often a significant barrier to joint service delivery, especially for the transactional services.

Service quality:

- Both Councils are rated as Excellent by the Audit Commission
- Individual Services are generally high performing in terms of benchmarks and the level of performance is generally similar across the Councils
- The consequence is that the incremental benefits from joint service delivery are less than would otherwise be the case.

### 3.13 Relative benefits and challenges

The following diagram brings together the judgements made on the benefits and challenges of joint service delivery for each Service. The benefits are both tangible and intangible benefits



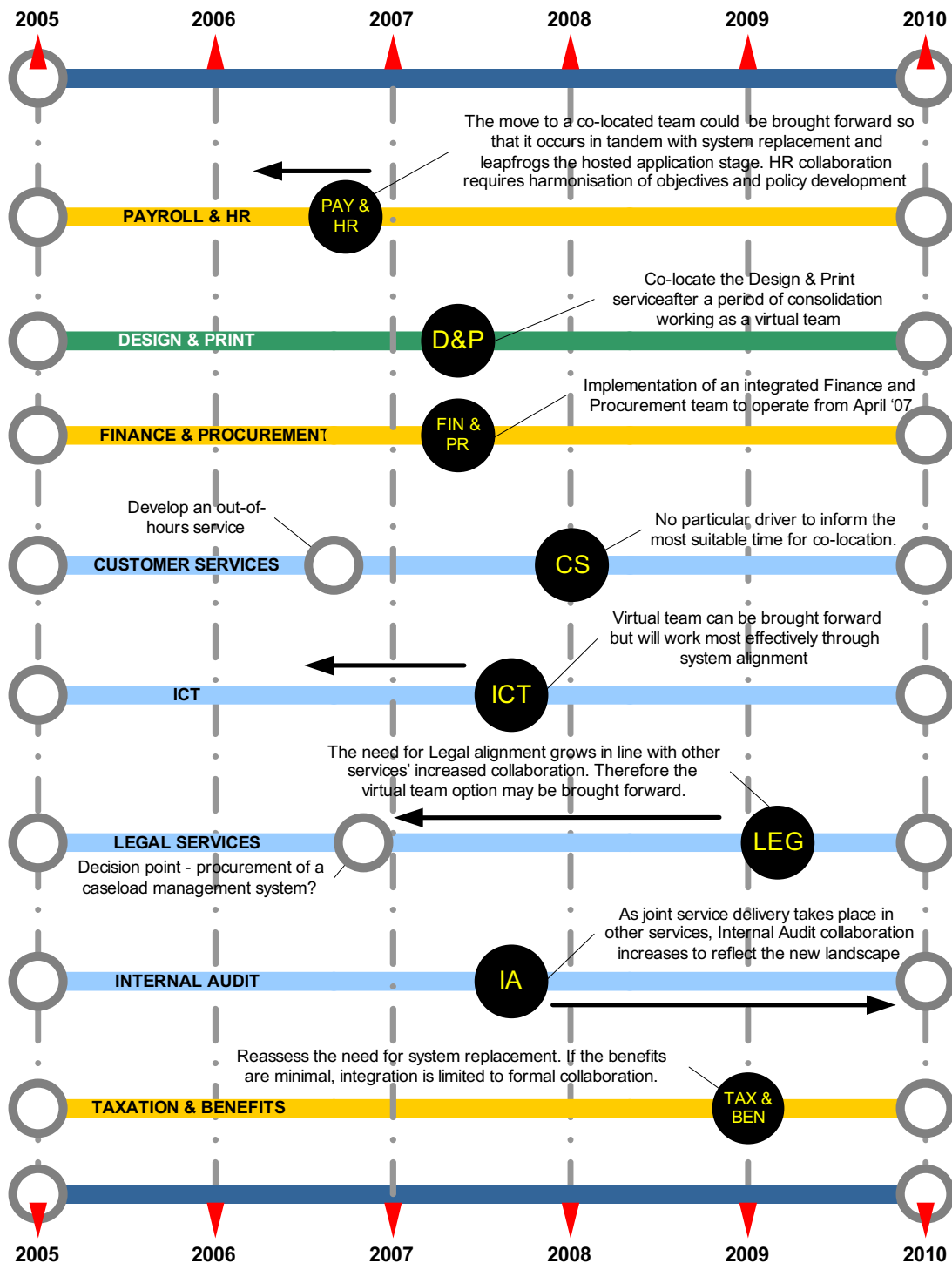
The early stages of formal collaboration, if plotted, would mostly appear in the bottom left quadrant of low challenge and low to medium benefit.

As collaboration increases, so the benefits and challenge of implementation also increase. The reference point moves higher into the top left or right quadrants.

In some instances considerable change is required to move the reference point from low benefit into high benefit, for example, the transactional Finance reference point of high benefit but high challenge requires a system change.

### 3.14 Roadmaps

The following diagram represents the consensus roadmap timelines for the Services with greatest benefit.



The timeline diagram below details those services which have lower benefits from joint service delivery.

### 3.15 Key dependencies

As a proof of concept, this project has focused on the potential benefits from the joint delivery of Services, whilst recognising the challenges to implementation.

In addition to the implementation challenges, joint service delivery will also require investment. The cost of this investment will be explored more fully in the Design stage of the project but we have captured the likely components of the investment. These components have been characterised as generic and service-specific.

#### Generic dependencies

Generic dependencies are investment requirements that run across the Services:

- Accommodation. The recommendations with regard to transaction services are in part based upon the co-location of staff and hence accommodation will need to be provided. The cost of new accommodation may be offset to some extent by the release of existing office space
- Network. An appropriate network will need to be established between the above accommodation and the two councils.

#### Service-specific dependencies

Service-specific dependencies are defined as investments that will vary according to the characteristics of each Service. Whilst the level of investment will vary across the Services, the investment will fall into a number of standard categories:

| Service / investment         | Training | Relocation of infrastructure | Technology investment | Other people costs |
|------------------------------|----------|------------------------------|-----------------------|--------------------|
| <b>Design &amp; Print</b>    | Low      | High                         | Low                   | Low                |
| <b>Payroll</b>               | Medium   | Low                          | Medium                | Low                |
| <b>Transactional Finance</b> | Medium   | Low                          | High                  | Low                |
| <b>Customer Services</b>     | Medium   | Low                          | Low                   | Low                |
| <b>Taxation</b>              | Medium   | Low                          | Medium                | Medium             |
| <b>Benefits</b>              | Medium   | Low                          | High                  | Medium             |
| <b>ICT</b>                   | Medium   | -                            | -                     | Low                |
| <b>Human Resources</b>       | Low      | -                            | Medium                | -                  |
| <b>Legal Services</b>        | Low      | -                            | -                     | -                  |
| <b>Operational Finance</b>   | Low      | Low                          | Low                   | Low                |

| Service / investment | Training | Relocation of infrastructure | Technology investment | Other people costs |
|----------------------|----------|------------------------------|-----------------------|--------------------|
| Internal Audit       | Low      | -                            | -                     | -                  |
| Procurement          | Medium   | Low                          | Medium                | Low                |

### 3.16 Policy alignment

The project has focused on specific Corporate Services. However, during the course of the project, we have identified examples where alignment of corporate policies and objectives would provide a positive impetus to the implementation of joint service delivery. An example is a joint approach to economic, social and environmental well-being strategies.

## 4. Next steps

### 4.1 Introduction

This section sets out proposed next steps in the project.

### 4.2 Proof of Concept approval

A critical next step will be to secure the commitment of the corporate management teams at both councils and also the commitment of Members.

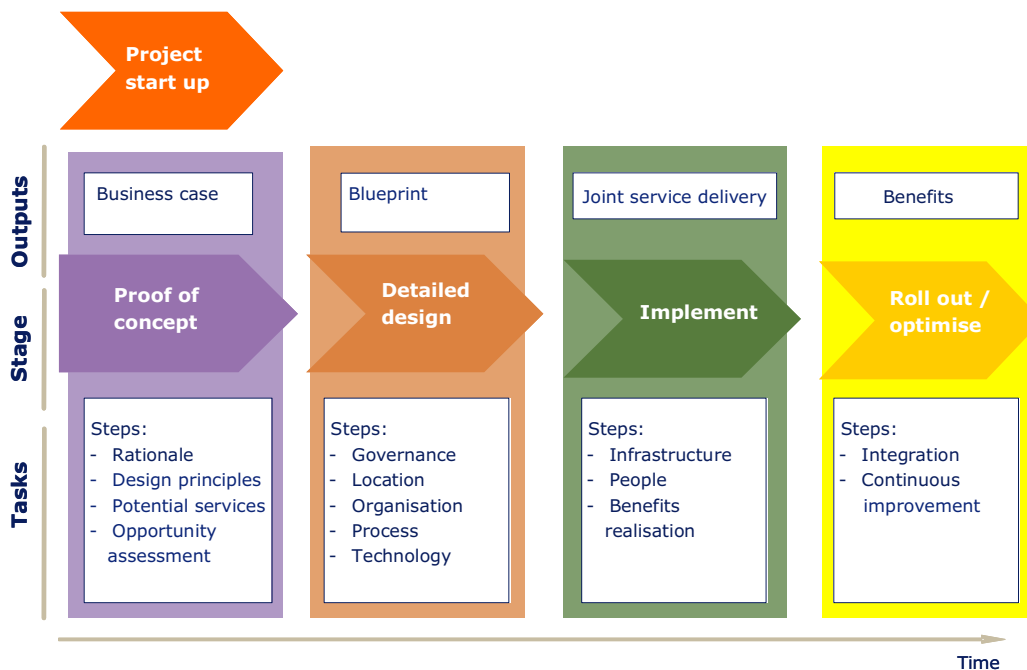
Approval of the proof of concept will enable the project to continue to the Design stage.

### 4.3 Regional Centre of Excellence (RCE) funding

The potential for two “Excellent” councils to work together to jointly deliver services is likely to be of considerable interest to the North East Centre of Excellence (NECE). An approach for funding support should therefore be considered.

### 4.4 Design stage overview

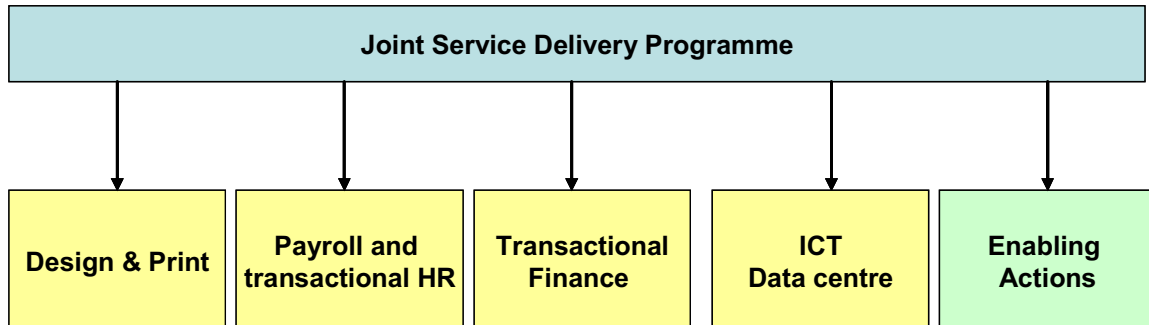
The following diagram sets out our overall approach to the implementation of joint service delivery. The work to date has focused on the “Business case” stage.





## 4.5 Joint service delivery programme

The Conclusions section has identified the following immediate programme of work:



For Design and Print, Payroll and transactional HR, Finance and ICT data centre, the design stage will need to:

- Confirm the expected benefits and profile of benefits realisation
- Identify implementation costs
- Define a detailed implementation plan – tasks, responsibilities and timescale
- Specify key decisions
- Identify risks and mediating actions.

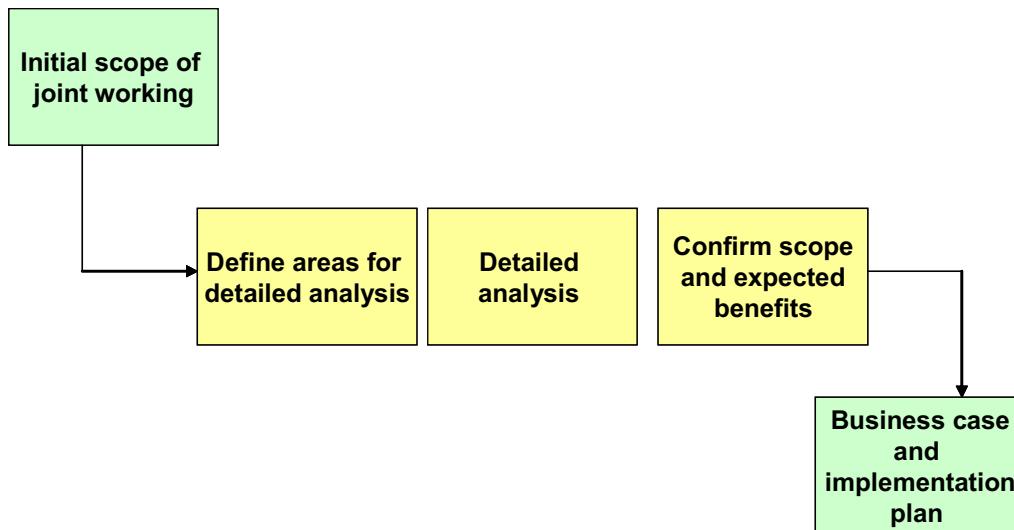
This programme of work requires an investment in a programme and project team. The skills and experiences required will include:

- Service expertise
- Shared services process understanding
- Programme and project management skills
- Communications expertise.

The key responsibilities and deliverables from the Design stage will be:

| Programme   | Project  |
|---|--|
| <ul style="list-style-type: none"> <li>• Co-ordination of the design projects</li> <li>• Management of key stakeholders</li> <li>• Communication to Members and officers.</li> <li>• Overarching issues of governance and location</li> </ul> | <ul style="list-style-type: none"> <li>• Preparation of a full business case</li> <li>• Development of a detailed implementation plan</li> </ul> |

The Design stage will involve the following project activities.



Design will start with the initial scope of joint working as defined by the Feasibility Study.

The initial task will be to define the areas for detailed analysis:

- Which activities can be jointly delivered? For example, which applications / systems can be managed through a joint service centre?
- What will be the process for joint service delivery? For example, how will requests for design and print be collated across the two Councils?
- What are the implications for technology? For example, what are the integration challenges from adopting a common Payroll system?
- What are the organisational implications? For example, how would a joint approach to recruitment be managed?
- Confirmation of the expected benefits – changes in costs, performance, quality and customer service.

This task will be completed through research, interviews and workshops. The work will enable a confirmation of the scope of joint service delivery, expected benefits and the implementation tasks. The output from this task will be captured into a business case and implementation plan, which will be agreed through a workshop.

In addition, the programme level will develop recommendations on overarching decisions such as location, governance and legal structures.

## 4.6 Legal structures

Joint service delivery can be achieved through a number of legal structures. The range of structures, and their advantages and disadvantages, are summarised in the following table.

|          | Description                                   | Advantages  | Considerations   |
|----------|---|---|--|
| <b>A</b> | Trust based on a company limited by guarantee | <ul style="list-style-type: none"> <li>- Some tax benefits</li> <li>-Emphasis is on public service rather than profit</li> </ul>  | <ul style="list-style-type: none"> <li>- Direct council involvement typically less than 50%.</li> </ul>  |
| <b>B</b> | Public/Community Interest Company             | <ul style="list-style-type: none"> <li>- Can raise capital independently of some finance rules</li> <li>-Accountability to multiple stakeholders including staff, clients and general public</li> </ul>   | <ul style="list-style-type: none"> <li>-A new concept with therefore little basis to evaluate success criteria</li> <li>-Assets are locked for community benefit</li> <li>- Would not have charitable status</li> </ul>                            |
| <b>C</b> | Virtual / Distributed organisation            | <ul style="list-style-type: none"> <li>-Processes are still centralised but staff are not relocated into a single SSC</li> <li>-Could be established as a number of different legal entities and may require little change to existing organisational structures</li> </ul> | <ul style="list-style-type: none"> <li>-Difficult to achieve process standardisation across local geographies despite advances in remote processing</li> <li>- More likely to retain performance characters of legacy organisations</li> </ul>     |
| <b>D</b> | Joint Venture Company                         | <ul style="list-style-type: none"> <li>-Enables joint public and private responsibility and governance</li> <li>-Can be used as a rapid investment vehicle</li> <li>-Staff can be seconded under existing terms</li> </ul>  | <ul style="list-style-type: none"> <li>-Percentage of ownership that the Council would wish to take would influence control and operating model</li> <li>-Staff secondment arrangements in the partnership must be considered carefully</li> </ul> |
| <b>E</b> | Joint Committee                               | <ul style="list-style-type: none"> <li>-New vehicle with no basis in legacy organisations</li> <li>-Purely a public sector body</li> <li>-Only option that benefits under EU procurement rules</li> </ul>   | <ul style="list-style-type: none"> <li>- Subject to same rules regarding service procurement as other government departments</li> </ul>  |

## Appendix 1 - Interviewees

| Service          | Darlington                           | Stockton   |
|------------------|--------------------------------------|--|
| Finance          | Brian Boggon<br>David Hall           | Paul Saunders<br>Garry Cummings<br>Steve Winship<br>Jim Bell |
| Taxation         | David Hall<br>Keith Mason            | Debbie Hurwood<br>Esme Hall                                  |
| Benefits         | Anthony Sandys<br>Pauline Mitchell   | Julie Allport<br>Linda Stephenson                            |
| HR and Payroll   | Lesley Blundell<br>Elizabeth l'Anson | Greg Canning<br>Susan Coulson                                |
| Customer Contact | Ken Walker<br>Lynda Bosanko          | Debbie Hurwood   |
| ICT              | Ken Walker<br>Brian Darby            | Ian Miles  |
| Legal            | Peter Kearsley                       | Julie Grant  |
| Internal Audit   | Brian James                          | Paul Saunders<br>Ian Jones                                   |
| Procurement      | Lorraine O'Donnell<br>Susan White    | Paul Saunders<br>Martin Skipsey                              |
| Design and Print | Ken Walker<br>Jeffrey Costello       | Debbie Hurwood<br>Kath Hornsey                               |

## Appendix 2 – Categorisation of Corporate Services

| Service           | Description   | Category      |
|-------------------|---|---------------|
| Design & Print    | <ul style="list-style-type: none"> <li>• Design</li> <li>• Black and white copying (print room)</li> <li>• Black and white copying (ICT)</li> <li>• Colour copying</li> <li>• Offset printing</li> </ul>  | Capacity      |
| Customer Services | <ul style="list-style-type: none"> <li>• Face-to-face contact</li> <li>• Telephone and unmediated access channels</li> <li>• Out-of-hours service</li> </ul>  | Transactional |
| Payroll           | <ul style="list-style-type: none"> <li>• Timesheet verification, calculation and system amendment</li> <li>• Gross to net pay calculation</li> <li>• Payroll queries and information requests</li> </ul>  | Transactional |
| Human Resources   | <ul style="list-style-type: none"> <li>• Advice and assistance to client departments</li> <li>• Health &amp; Safety</li> <li>• Recruitment and selection</li> <li>• HR strategy development</li> <li>• Staff training</li> </ul>  | Advisory      |
| Taxation          | <ul style="list-style-type: none"> <li>• Customer Services: face-to-face</li> <li>• Customer Services: telephone</li> <li>• Billing and collection</li> <li>• Recovery</li> <li>• Support – scanning, reconciliations and performance returns</li> </ul>  | Transactional |
| Benefits          | <ul style="list-style-type: none"> <li>• Customer Services: face-to-face</li> <li>• Customer Services: telephone</li> <li>• Claims processing</li> <li>• Interventions</li> <li>• Counter fraud</li> <li>• Adjudication and overpayments</li> <li>• Administration</li> <li>• Quality, systems and finance</li> </ul> | Transactional |
| ICT               | <ul style="list-style-type: none"> <li>• Customer liaison</li> <li>• Members' ICT services</li> <li>• Service centre</li> <li>• Desktop services</li> <li>• Systems services</li> </ul>   | Transactional |
| ICT               | <ul style="list-style-type: none"> <li>• Information security management</li> <li>• ICT policies and standards</li> </ul>   | Advisory      |

| Service        | Description  | Category             |
|----------------|--|----------------------|
|                | <ul style="list-style-type: none"> <li>• Business analysis</li> <li>• ICT training</li> <li>• New projects</li> <li>• Business continuity</li> </ul>   |                      |
| Finance        | <ul style="list-style-type: none"> <li>• Corporate accounting               <ul style="list-style-type: none"> <li>○ Technical accounting</li> <li>○ Financial reporting</li> <li>○ Financial standards</li> </ul> </li> <li>• Financial planning</li> <li>• VAT and tax</li> <li>• Loans and investments</li> <li>• Accountancy support to services</li> <li>• Accountancy support to schools</li> </ul>  | <b>Advisory</b>      |
| Finance        | <ul style="list-style-type: none"> <li>• Income, banking and debtors</li> <li>• Creditors</li> <li>• Systems support</li> </ul>  | <b>Transactional</b> |
| Procurement    | <ul style="list-style-type: none"> <li>• Strategy development</li> <li>• Co-ordination and planning</li> <li>• Advice and guidance</li> <li>• Dissemination of best practice</li> <li>• Contract management</li> <li>• Overseeing devolved purchasing</li> <li>• Developing eProcurement</li> <li>• Training</li> </ul>  | <b>Advisory</b>      |
| Internal Audit | <ul style="list-style-type: none"> <li>• Guidance to service managers</li> <li>• Developing the audit programme</li> <li>• Undertaking audit assignments</li> <li>• Consultancy and support</li> <li>• Risk management appraisal</li> </ul>  | <b>Advisory</b>      |
| Legal Services | <ul style="list-style-type: none"> <li>• Corporate legal advice</li> <li>• Legal advice for frontline service delivery:               <ul style="list-style-type: none"> <li>○ Local land charges</li> <li>○ Responding to advising on complaints</li> <li>○ Human Resources (employment law)</li> <li>○ Education (appeals panel, special educational needs tribunal)</li> <li>○ Social Services (child care proceedings, secure payments)</li> <li>○ Planning and Highways</li> <li>○ Licensing</li> <li>○ Environmental Health &amp; Trading Standards</li> </ul> </li> </ul> | <b>Advisory</b>      |

| Service | Description  | Category |
|---------|--|----------|
|         | <ul style="list-style-type: none"><li>• Major projects (PFI, ALMO, transport, regeneration)</li><li>• Court work (flows from all of the above)</li></ul> |          |

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