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Shared Services Joint Committee

Agenda

Date:	**Friday 28th June 2013**
Time:	**4.00 pm**
Venue:	**Committee Room 1 - Wyvern House, The Drumber, Winsford, CW7 1AH**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Appointment of Chairman**

   To appoint a Chairman for the Shared Services Joint Committee for the 2013-14 Municipal Year

2. **Appointment of Vice Chairman**

   To appoint a Vice-Chairman for the Shared Services Joint Committee for 2013-14 Municipal Year

3. **Apologies for Absence**

   To note attendances, substitutes, and any apologies for absence.

4. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

5. **Minutes of Previous meeting** (Pages 1 – 2)

   To approve the minutes of the meeting held on 26 April 2013

For any apologies or requests for further information, or to give notice of a question to be asked by a member of the public

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6. **Public Speaking Time/Open Session**

Members of the public are entitled to address the Joint Committee on reports contained within the agenda. One person can speak in support of each item, and one against, with a limit of three minutes each. It would be helpful if any person wishing to speak would give prior notice to the Democratic Services Officer named on the agenda.

7. **Occupational Health Unit: Service Review** (Pages 3 - 64)

To consider a joint report of the Chief Operating Officer, Cheshire East Council, and the Director of Resources, Cheshire West and Chester Council on the conclusions of the recent review of the Occupational Health Shared Service

8. **Shared Services Performance Outturn 2012-13 and Business Plan Review 2013-16** (Pages 65 - 108)

To consider a joint report of the Chief Operating Officer, Cheshire East Council, and the Director of Resources, Cheshire West and Chester Council on the outturn position for the remaining shared services, including both financial and non-financial performance

9. **Future Proofing the Shared Service Governance Model** (Pages 109 - 132)

To consider a joint report of the Head of Commercial Strategy, Business Innovation and Performance, Cheshire East Council, and Director of Resources, Cheshire West and Chester Council on the Shared Service Governance arrangements between Cheshire East Council and Cheshire West and Chester Council

10. **SLE Programme Update**

To receive a report on the progress of the SLE Programme – TO FOLLOW

Agenda Item 5

SHARED SERVICES JOINT COMMITTEE **26 APRIL 2013**
(2.00 pm - 2.50 pm)

PRESENT: Councillor Les Ford (Chairman)

Councillors David Brown, Mike Jones, Barry Moran and Lynn Riley

Apologies for absence were received from Councillor Peter Raynes and Jackie Gray, Shared Services Manger and Interim Head of Procurement, Cheshire East Council

Officers in attendance:	Julie Gill	– Director of Resources, CWAC
	Paul Bradshaw	– Head of Human Resources and OD, Cheshire East Council
	Sharon Barclay	– Project Manager Transformation, CWAC
	John Callan	– Head of ICT Shared Services, CWAC
	Vivienne Quayle	– Head of Commercial Strategy, Business Innovation and Performance, Cheshire East Council
	Julie Openshaw	– Legal Team Leader, Cheshire East Council
	Karen McIllwaine	– Senior Solicitor, CWAC

48 DECLARATIONS OF INTEREST

No Declarations of Interest were made.

49 MINUTES

DECIDED: That

the Minutes of the meeting held on 22 February 2013 be approved as a correct record and signed by the Chairman.

50 PUBLIC QUESTION TIME/OPEN SESSION

No members of the public were in attendance and no questions had been submitted prior to the meeting.

51 OHU REVIEW

At the request of Members, this item was deferred.

52 ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT THAT MAY BE DEALT WITH IN THE PUBLIC PART OF THE MEETING

It was reported that due to prior commitments, the date of the next meeting, 31 May 2013, was no longer suitable. This meeting would be re-arranged.

53 EXCLUSION OF THE PRESS AND PUBLIC

DECIDED: That

The press and public be excluded from the meeting during consideration of the remaining item on the agenda, pursuant to Section 100(A) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 Part 1 of Schedule 12A to the Local Government Act 19972 and the public interest would be served in publishing the information.

54 ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT AND SHOULD BE CONSIDERED FOLLOWING THE EXCLUSION OF THE PRESS AND PUBLIC.

The Chairman agreed to consider one item of urgent business on the grounds that an update had become available following the publication of the agenda.

The ICT Shared Services Manager provided an update on the procurement process for the Public Services Network.

DECIDED: That

the update be noted.

Chairman ....

Date ....

CHESHIRE EAST COUNCIL
CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICES JOINT COMMITTEE

Date of Meeting:	28th June 2013
Report of:	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
Subject/Title:	Occupational Health Unit: Service Review

1.0 Report Summary

1.1 This report summarises the conclusions of the recent review of the Occupational Health Shared Service and recommends a direction for the future delivery of occupational health services to Cheshire East Council (CEC) and Cheshire West and Chester Council (CWaC). The Strategic and Operational Review of the Service (SORS) is attached at Appendix 1.

2.0 Recommendations

2.1 It is recommended that the Service is taken forward in two stages, firstly to continue to improve the in-house service so that it is in the best possible shape for commercialisation and at that stage to then place it in an appropriate delivery vehicle.

2.2 **First phase: Continuing to improve and develop the in-house service**

2.3 The Joint Committee is requested to note the planned programme of commercial and service improvements laid out in section 2.2 of the SORS. This phase is referred to as the “Improved As Is” in the SORS.

2.4 These steps in summary will include; the introduction of an electronic records management system (E-OPAS) providing for better information and cost recovery, greater clarity on the role and operations of the service, the implementation of a leaner staffing structure which better responds to changing need, improved contracting arrangements, the introduction of commercial charging models and improved counselling arrangements primarily for CEC.

2.5 **Second phase: Establish OHU as a commercial company**

2.6 The programme of improvements in 2013/14 will be key in developing the service and preparing it to become a commercial operation. The planned changes will improve the service offered, make it more economic and importantly through E-OPAS, will provide quality usage and cost data which can be used for the purpose of soft market testing.

2.7 It is recommended that the business case for a commercial model will continue to be assessed during 2013/14 and that a further report be brought to the Joint Committee during January 2014 recommending an appropriate commercial vehicle for the service, including the potential of out-sourcing, integration into the proposed SLE as an extra factory, or the conversion of the service into a Council owned company.

3.0 Reasons for Recommendations

3.1 **First phase: Continuing to improve and develop the in-house service**

Out of the 6 options explored in section 10.4 below, this option is being recommended as the immediate short term solution for the following reasons:

3.1.1 **The service is already cost effective:** costing on average (for the two councils) £17.64 per employee per year. This, at 67% of the cost, is significantly lower than the average fee of £26.24 being paid by other comparable sized councils for outsourced OHU services. This information was obtained from a survey undertaken as part of this review (see Appendix 2). Cost is not therefore a key driver to change how the service is provided.

3.1.2 **Improved Commercialisation:** Whilst the service already operates well commercially and as a consequence is cost effective for the parent councils, there is further scope to; enhance the service's commerciality, improve service standards and to reduce cost.

3.1.3 **Improved Service Quality:** As the service moves to E-OPAS and the use of electronic processes data and information, this will both free up time which can be better invested in service improvements such as interrogating the data to look at usage trends and employee attendance trends for customers.

3.1.4 **The phased approach**: This option will ensure that the service can be better prepared both commercially and operationally for a successful conversion to a council owned commercial business. This for instance will enable the service to have commercial data available to it, such as usage data (through E-OPAS) to better inform its charging models.

3.1.5 **Council Control**: Retaining a service that is ultimately owned by the Councils ensures continued council control and ownership of any savings realised. Importantly this option also minimises disruption to the services performance whilst it is further improved.

3.2 Establishing OHU as a commercial company

3.3 Following the improvements planned in the first phase, it is expected that the Occupational Health Unit (OHU) will be ready to operate commercially either in the proposed ICT/HR & Finance SLE or in a council owned company. This will remain the mid-term strategic goal for the service with the transition by April 2015 at the very latest.

3.4 A transition to a council owned company will ensure that the plans for the service conform with the strategic commissioning practice of the parent councils, whilst at the same time ensuring that; the benefits of commercialisation are realised without a loss of council direction, the parent councils benefit from the resultant savings and the ongoing efficiencies achieved through sharing since 2009 continue to be realised.

3.5 It should be noted that the readiness of the service for this transition will be dependent upon the planned improvements being delivered. The services readiness for full commercialisation will continue to be monitored throughout the development phase. It is expected that the service should be ready for transition in late 2014/15 and certainly by no later than April 2015.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 There are no direct policy implications.

7.0 Financial Implications

7.1 The current cost of the service to the two councils is commercially attractive at £17.64 per employee year compared to £26.76 per employee in a sample of comparably sized councils, equating to 66% of the cost. The current charging model for the two councils' works on the basis that the councils pay the net/residual cost after all income is offset against expenditure.

8.0 Legal Implications

8.1 The Administrative Agreement sets out the overall arrangements in relation to the manner in which the Authorities will work together. The Shared Service Agreement and Secondment Agreement set out the mechanisms for disaggregating transitional shared services.

8.2 As a local authority shared service, the OHU is not permitted to make a profit from its schools or external clients. Under the recommended model, the OHU will be better equipped to ensure that it achieves full cost-recovery from its contracts with schools and external customers, which will result in improved cash-flow. However, the OHU must be careful not to turn a significant profit from these contracts whilst it remains a shared service.

9.0 Risk Management

9.1 **Continuing to improve and develop the in-house service** is considered to be a low-risk option that enables continuous improvement. This is the most stable way forward which continues to build upon the current cost-efficient service base.

9.2 Below are listed the key risks associated with the recommended strategy and details of how they are being mitigated:

9.2.1 **Parent councils affecting capacity and preventing development**
Currently the service is stretched for nursing and budgetary capacity, particularly due to the high level of demand from the parent councils, which makes service improvement difficult. This risk will however be mitigated by the increase in nursing provision in the proposed staffing structure and by the move to a short term pay as you go solution for counselling services for CEC whilst an EAP system is introduced in 2013/14.

9.2.2 **Failure to implement E-OPAS effectively**
Access to and the ability to interrogate meaningful usage and charging data will be essential to the commercialisation of the service. This is being mitigated by the retention of the E-OPAS Team Leader in the staffing restructure and a training programme.

9.2.3 **The in-house service becomes the holding pattern**
Whilst continuing to improve the in-house service is intended to better prepare the OHU for conversion into a commercial business, it is critical that this does not come to be mistaken for business as usual. This potential has therefore been mitigated by the implementation plan and the clear intention for the service to become a commercial business.

10.0 Background and Options

10.1 The OHU was initially established to provide services to Cheshire County Council and grew over time to also provide occupational health services to a number of external customers.

10.2 Since Local Government Reorganisation in 2009 the service has continued to supply occupational health services to both parent councils under a shared service agreement. The Unit also sells occupational health services to a number of external customers in the public and private sectors.

10.2 The OHU was initially considered as part of the proposed ICT/HR & Finance SLE, but was removed from the in scope services as it was not felt to be sufficiently commercial in its practise.

10.3 This review was therefore commissioned to help provide renewed direction for the OHU and to identify how it could improve commercially. This enables the parent councils to revisit the question of including the service in the proposed SLE at a later date and to consider whether instead it should become a council owned business.

10.4 To consider how this could be taken forward a strategic options appraisal has been completed which identified the following 6 options. The fuller strategic and operational review of the service (SOSR) is appended at Appendix 1:

10.4.1 **Improved As Is.**

This is referred to as continuing to improve and develop the in-house service in this report. This is **the recommended approach** and is felt to be a necessary step in order to prepare the service commercially and operationally for its transition to a commercial business.

This option is explored more fully at section 3.2 of the SORS and the option summary at 3.2.7. This option allows for the refinement of a model that is currently working, allowing the OHU to consolidate and build. It paves the way for the possible creation of a council owned company whilst still representing the most cost effective option in the meantime.

10.4.2 **Lean Model**

This model changes the services remit to solely respond to the operational needs of the two parent councils. Whilst the operating costs of the OHU would be lower, these would not be offset by external income, meaning that the service would be wholly funded by the contributions of the parent councils.

This option is not recommended for the reasons stated in section 3.3.5 of the SORS. In summary a lean model would prohibit income and commercial development whilst not having much if any scope to directly diminish its overheads.

10.4.3 **Outsource**

Outsourcing the service would fully embrace a commissioning approach and would be predicated on the assumption that an external provider could deliver a comparable service quality at a lower cost.

This option is not recommended for the reasons stated in section 3.4.5 of the SORS. In summary outsourcing would be likely to be more expensive as the average price paid by the surveyed councils who have outsourced their service is £26.24 per employee annually compared with the current average cost or £17.64 incurred by the two councils. The current lack of useful usage data would also makes it difficult to construct and assess a contract and the resultant bids.

It is therefore recommended that the host council continues to improve the in-house service so that it is in the best possible shape for commercialism and at that stage to then place it in the appropriate delivery vehicle. The planned improvements are laid out in section 2.2 of the SORS.

10.4.4 **Disaggregate**

This option is subject to a 12 month notice period and would involve the termination of the current sharing arrangement with the parent councils then independently sourcing separate occupational health services.

Whilst we are **not currently recommending that we proceed with this option** at this stage, it should be reconsidered as part of the review and further report in January 2014.

10.4.5 **Direct Service Organisation (DSO)**

This would entail the establishment of an arms-length internal trading company. This company, as with the current service, would not be permitted to make a significant profit. Discretionary services can be sold but only on a cost-recovery basis. The DSO remains a legal adjunct of the parent councils, who control its budgeting and strategy. However, the key difference (and appeal) of a DSO is that it pools all income and expenditure associated with the service, allowing the service in question to maintain a holistic and ring-fenced budget and view its finances on a total income/expenditure basis.

This option is **not recommended** for the reasons stated in section 3.6.5 of the SORS. In summary this option does not offer a significant enough improvement over the 'improved as is' model to warrant the time and expense needed to establish it. The OHU currently operates like a DSO and many of the benefits that a DSO could deliver are also entailed in the 'improved as is' model.
It is considered that preparing for commercialism under an 'improved as is' model can realise many of the benefits of a DSO sooner and at a lower cost. In addition taking a DSO model forward would be at the expense of a superior long-term option such as incorporation into the ICT/HR & Finance SLE.

10.4.6 **Separate Legal Entity (SLE)**

This model is appropriate where there is a desire to trade commercially for a profit with other public and private sector organisations. It involves establishing a separate legal entity (SLE). There are two prospective routes for the OHU within this option:

1) Incorporation into the proposed ICT and HR & Finance SLE as an additional factory. This is preferable as it would ease the on-costs by sharing technical and administrative infrastructure.

2) Establish the OHU as its own, independent SLE. Within this option, the OHU can become a teckal company (which allows the OHU to still receive work from the parent Councils without competitively bidding) or a full trading company.

An SLE is recommended as a long-term goal for the reasons stated in section 3.7.5 of the SORS. In summary, the councils would benefit from the savings realised and the commercialism of the company without losing control. The SLE would enable the councils to retain and build upon the accumulated experience and efficiencies already achieved through sharing.

However, there is risk attached to this phased development plan. The success of establishing a commercial company for the provision of OH services will be dependent upon the service improvements being delivered as laid out within this report.
An OHU SLE will only succeed if it has the commercial competence to win enough new business to negate the start-up costs and inflated on-going costs created by the heightened pensions' contributions and loss of VAT exemption from no longer being an S33 company. Thus, depending on the success of the improvement programme under the 'improved as is' option, an SLE may not be viable, and alternative options may need to be considered when the business case for a commercial model is reassessed in 2014-15.

11.0 Background Papers

The background papers relating to this report can be inspected by contacting the report writers:

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Appendix 1

Cheshire Shared Services

Occupational Health Shared Service

Strategic and Operational Review Report

April 2013 v.3

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1. Introduction

1.1. Overview

The Occupational Health Unit (OHU) was established by Cheshire County Council to provide an occupational health service to the County Council. The Unit subsequently provided an occupational health service to external customers which generated income. Since the Local Government Reorganisation in 2009 the Unit has continued to supply occupational health services to Cheshire East (CE) and Cheshire West and Chester (CWaC) Councils under a shared service agreement. The Unit also sells occupational health services to a number of external customers in the public and private sectors.

OHU provides the following operational functions:

- assessment of the medical suitability of potential employees
- advice to employers on the implications of a range of illnesses on the work force
- advice and guidance to employees to manage sickness
- the measurement and recording of medical data and records.

The strategic goals of the OHU include:

- promoting healthy lifestyles and raising awareness of ‘general health’ issues
- establishing an on-going health surveillance programme
- reducing levels of sickness, thus creating healthier employees
- early identification of trending health issues
- returning employees to work as soon as possible
- maintaining and managing contracts to maximise external income.

1.2. Contact Details

The main contact for this shared service is Eric Burt, Health and Safety Manager.

The main contact in Cheshire West and Chester is Samantha Brousas, Head of HR.

The main contacts in Cheshire East is Mel Henniker, HR Delivery Manager.

1.3. Purpose of Document

This review will:

- Recommend a strategic model for the future delivery of this service that is sustainable, meets the wider needs of both Councils, provides a quality service, and is cost-effective.
- Survey the operations of the OHU and highlight the challenges faced, areas for improvement, and on-going risks, before recommending means to surmount these. This will be informed by the strategic model recommended.
- Identify high-level timescales, costs and effort required to implement the changes

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identified.

This review will assess all functions undertaken by the Shared Service to identify areas for improvement; no functions will be excluded. In reviewing the above, the following will be assessed:

- Staffing and structures
- Improvements to working practices, including:
    - Process improvements that will realise further efficiencies
    - Areas of duplication across the Shared Service
    - Opportunities for improved joined-up delivery of functions that could improve service and realise efficiency savings.
- Implications of commercial operation, including:
    - Potential commercial opportunities to increase revenue or realise further economies through increased scale
    - the impact of recent contract losses
    - OHU charging model and the unit's operating costs that inform it.
- Opportunities and challenges associated with client engagement and demands, including:
    - Stress counselling and Employee Assistance Programme
    - Prospective pay-as-you-go arrangement
- Opportunities and challenges associated with new technology:
    - the implementation of the E-OPAS online records management system
- Testing alternative strategic delivery models and whether delivery through the Shared Service is the best mechanism in the future, i.e. could functions be better delivered through CE and CWAC separately or through external organisations?

Throughout all of the above, the quality of service provided to both authorities will be borne in mind to ensure that an acceptable level of performance can be maintained by the Shared Service.

1.4. Structure of Document

This document is the output from a multi-phased review of the Occupational Health Service and is structured in these phases:

Strategic Review – this section presents an analysis of the potential options for the future delivery of the Occupational Health Service and its alignment with the strategic direction and subsequent requirements of both CWAC and CE, resulting in recommendation for the future shared service.

Operational Review – this section documents the findings of the short-term review of the current operation to ensure that current practice and implementation of policy , procedures and guidance is appropriate to the delivery of an effective Occupational Health Service that meets the needs of both CWAC, CE, schools, and external customers. This section will be informed by the strategic recommendations made.

1.5. Background

This Shared Service is currently envisaged as an ongoing arrangement, whereby CE and CWAC continue to share this service, subject to a formal, evidence-based performance review in accordance with the general shared service agreements between both Councils.

The purpose of the Shared Service is to provide a value-for-money range of occupational health functions that manage and mitigate illness in the workforce, assess the health and suitability of employees and prospective employees, and provide managers with accurate and actionable information which will help them manage absence. The OHU strives to market these services to other organisations to generate income for the parent councils.

The purpose of this review is to look at both delivery strategy and service operation to identify potential opportunities for improved efficiency, enhanced quality, and greater profitability, as well as assessing alternative delivery models that could potentially provide all of these. The service will then implement the recommendations of this review, seeking to reduce costs whilst continuing to provide services to both CE and CWAC.

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2. Executive Summary

2.1. Introduction

This Shared Service is currently envisaged as an ongoing arrangement, whereby CE and CWAC continue to share this service, subject to a formal, evidence-based performance review in accordance with the general shared service agreements between both Councils. The OHU was initially considered as part of the proposed ICT/HR & Finance SLE, but was discounted as it was not sufficiently commercial in its practise.

The purpose of the Shared Service is to provide a value-for-money range of occupational health functions that manage and mitigate illness in the workforce, assess the health and suitability of employees and prospective employees, and provide managers with accurate and actionable information which will help them manage absence. The OHU strives to market these services to other organisations to generate income for the parent councils.

The purpose of this review is to look at both delivery strategy and service operation to identify potential opportunities for improved efficiency, enhanced quality, and greater profitability, as well as assessing alternative delivery models that could potentially provide all of these. This review was commissioned to help provide a renewed direction for the OHU and identify the means by which it could improve.

The review has produced a variety of conclusions that are set out in this document. The service is currently working to implement the recommendations that have arisen from this review, seeking to reduce costs whilst continuing to provide services to both CE and CWAC.

2.2. Recommendations

Recommendation One: Improved As Is

The Joint Committee is requested to note the adoption of an ‘improved as is’ as the operative model for the delivery of occupational health services to CE and CWaC in the immediate future. This model is intended to deliver a programme of commercialisation and service enhancement through the following operational improvements:

- The implementation of the E-OPAS digital records system. E-OPAS is an electronic records management system that will allow the transition of the OHU from labour-intensive, paper-based records to digitised ones. As a digital system, it can produce usage data that will inform the following commercial practices:
    - Charging models that account for customer usage to ensure full cost recovery from contracts.
    - The development of internal performance monitoring metrics.
    - New functionality that will enhance its offering to customers. Notably, usage data allows the production of health reports that catalogue the kinds and volume of treatment being used by a customer, allowing attendance trends to

be charted in the client organisations.

- Electronic (rather than paper) records management will negate the risk of record destruction or theft, and will ensure that the OHU complies with the Data Protection Act.

- The continuation of a programme of policy development to better gird and define the OHU's operation.

- The adoption of a new OHU staffing structure, in which the administrative team is reduced from 7.5FTE to 4FTE and the Occupational Health Advisor (OHA) team is increased from 4FTE to 5FTE. The imminent implementation of E-OPAS will allow a reduction in administrative staff as labour-intensive paper administration is replaced by digital records. As the administrative team is reduced, funds are freed to fill a vacancy in the OHA team, which will create additional nursing capacity to improve performance and cater for more contracts.

- The refinement of contract construction to include greater financial safeguards, and the development of a range of commercial charging models to ensure full cost-recovery from contracts with schools and external customers. Similarly, the contribution of the parent Councils will be converted to a charge rather than the current arrangement whereby CE and CWaC pay the residue that remains when the OHU's income is subtracted from its expenditure.

- The associated benefits for the OHU of an Employee Assistance Programme (EAP) in CE, which is due to arrive in 2014-15. CE currently accounts for two-thirds of the counselling budget, which is overspent. As such an EAP in CE will help lower the OHU's counselling expenditure and release budgetary capacity. A short term, pay as you go charging option tied to counselling usage is to be implemented in the meantime to ensure cost recovery and an equitable charge across CE and CWaC in 2013-14.

The implementation plan for this phase and its constituent improvements is included as Appendix 2. Further details of the 'improved as is' phase are included below.

Recommendation Two: Appraisal of a Commercial Company Model

The 'improved as is' phase is intended to serve as a preparatory vehicle for the eventual conversion of the OHU into a council-owned company or additional factory in the newly-established ICT/HR & Finance SLE. However, the success of such a strategy is contingent on the effective realisation of the 'improved as is' phase. As such, it is recommended that the business case for such a commercial model be reassessed and presented to the Joint Committee in 2014-15 when the programme of improvements represented by the 'improved as is' phase is drawing to completion. Initial work on the practicalities and implications of setting up a council-owned OHU company (be that an SLE or DSO) is contained below under the appropriate options.

2.3. Reasons for Recommendations

Recommendation One: Improved As Is

The 'improved as is' option is recommended by this review as the optimal model for the

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immediate strategic future of the OHU for the following reasons:

- *Cost Effective:* The parent Councils currently receive a below-average market rate for their occupational health services. On average, CE and CWaC pay £17.64 per employee for their occupational health services. This rate is distinctly lower than the average cost per head of occupational health services used by a sample of comparably-sized councils (£26.76). This data was accrued in a survey attached as Appendix 3. There is thus no need to radically overhaul the service provision in an attempt to find a better deal.

- *Council Control:* Retaining a service that is ultimately owned by the Councils ensures continued council control and ownership of any savings realised. Moreover, this option minimises disruption to the performance of the Unit whilst maximising the potential for improvement.

- *Improved Commercialisation:* The OHU currently operates as a viable business that maintains a number of contracts and effectively services the parent Councils. However, there is greater potential to be tapped if the Unit were to commercialise and improve aspects of its performance. For instance, more effective commercial charging models (as proposed as part of the recommended option) will reduce the risk of the parent Councils inadvertently subsidising high-usage contracts, enable full cost recovery from contracts, and prepare the ground for better commercial operating models in the future.

- *Improved Service Quality:* The Unit currently meets all the statutory health surveillance requirements of the parent Councils. However, there are elements of its service provision that would be upgraded under the 'improved as is' option. The recently installed E-OPAS digital records system allows the OHU to transfer from labour-intensive paper systems to digital ones; this in turn enables the surveillance of client usage data and the provision of reports on OHU attendance trends to customers. Moreover, the policy improvement programme will provide a more honed commercial platform and a roadmap by which the service's standards, aspirations, and ideal practices are defined.

- *Phased Approach:* This option is the necessary first step in a phased development strategy that looks to ensure that the OHU aligns with the strategic commissioning futures of both CE and CWaC. The OHU is currently not ready to transition into a commercial model, lacking crucial operational components such as usage data to accurately construct charging models. However, by improving the Unit's commerciality and operational practices, it can equip itself for later conversion into a council-owned company or additional factory in the ICT/HR & Finance SLE.

- *Precludes nothing:* under this model, all other directions remain open to OHU in the future should the commercialisation programme not deliver the expected gains.

Recommendation Two: Appraisal of a Commercial Company Model

Following the completion of the improvement programme entailed in the 'improved as is' option, the OHU would ideally be ready for conversion into a commercial model or incorporation into the ICT/HR & Finance SLE. This should remain the long-term strategic goal for the OHU for the following reasons:

- All the benefits of commercialisation without loss of council direction.
- The parent Councils profit from all the savings realised.
- All the accumulated experience and efficiencies achieved through sharing are retained and developed further.

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- If a shared service is transitioned into a company it conforms to the strategic commissioning operating model being developed by both CWaC and CE and ensures that Shared Services remain relevant and progressive.

However, an OHU company or factory should not be set up to fail, and if the improvement agenda associated with the ‘improved as is’ option is not realised then such an initiative should not progress.

Thus, depending on the success of the improvement programme entailed in the ‘improved as is’ option, a commercial model may not be viable, in which case alternative options must be considered. The business case for such a commercial model will therefore be reassessed when the programme of improvements represented by the ‘improved as is’ phase has been completed.

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3. Strategic Review

3.1. Background

The first section of the review will consider the long-term delivery model for the service, and will be informed by:

- The strategic drivers and objectives of both client organisations with regards to this service to understand whether there is appetite to shrink or grow this area of the business.
- The current and projected workload of the Shared Service, along with the budgetary pressures of CE and CWAC to determine what level of service is viable and cost-effective.
- The scope of the sharing arrangements, assessing whether delivery through the shared service is the best mechanism in the future, i.e. could functions be better delivered through CE and CWAC separately or through external organisations.
- The requirement to undertake statutory health surveillance (audiometry, spirometry etc) as required by Regulations made under the Health and Safety at Work Act 1974.
- the commercial model to be adopted by the shared service, assessing:
    - the opportunities for revenue growth and diversification
    - the charging model to be adopted for the sale of services to organisations other than CE and CWAC

Strategic models for consideration are:

- Improved as is
- Lean model providing for just the parent councils
- Outsource
- Disaggregate
- Direct Service Organisation (DSO)
- Separate Legal Entity (SLE)

Appendix 1

3.2. Improved As Is

3.2.1. Option Details

This option situates the long-term strategic goal of the Unit as conversion into a council-owned company; however, in the short to medium term, an 'improved as is' period is required to commercialise the Unit's operation and improve its performance in order to ensure conversion into a company is feasible. To realise this commercialisation programme, this option prescribes a number of operational improvements that are discussed in greater detail in chapter 4:

- The implementation of the E-OPAS electronic patient records management system
- An improved policy portfolio
- Rationalised staffing geared towards the rebalancing of the Unit in favour of nursing staff
- A more commercial approach to contract management and the charging of external customers
- A solution to the stress-related overspends

Not only will these changes prepare the OHU for transition into an SLE, they will also drive greater savings and enhanced performance in the meantime, ensuring that the cost-effective service currently provided by the OHU to the parent Councils is sustained and improved.

3.2.2. Assumed Drivers

- *Income to negate expenditure*

  The Unit is economically more virile, and can be developed more effectively, if it can make an income by sale of its services to external organisations.

- *Unrealised potential*

  The Unit has potential that can be tapped by making operational improvements within the current framework, and that these improvements can drive greater commerciality.

- *Currently cost-efficient*

  The parent Councils currently receive a cost-effective service from the OHU, so there is no financial detriment to retaining the same model whilst the planned improvements are made.

- *Service Quality*

  The Unit currently delivers all the statutorily required occupational health services to the parent Councils at a good quality. It should be noted that, following interviews with client managers, the Unit's performance is currently perceived as on an upward trajectory, with improved performance recognised in areas such as reporting and clinic provision.

- *Imminent improvement*

  Many of the proposed operational improvements within this model are already well into development, such as the E-OPAS digital records system. Radical change now could be unsighted through lack of usable information, and imminent improvements could be derailed before their effects are felt. The Unit should be given the chance to realise the anticipated benefits associated with the on-going developments so their impact can be properly assessed.

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- *Council control*

  Whilst the OHU remains in-house, the client councils benefit from overarching strategic control: their interests are primarily represented in the Unit's dealings. Were the service to be outsourced, for instance, the Councils would become just another customer with service levels dictated ultimately by the contract with little of the flexibility permitted by the current in-house arrangement. In this model, the Councils' interests are paramount to the Unit, and the Councils directly feel the benefits of any external contracts the Unit maintains or any savings the Unit makes.

- *Accords with strategic commissioning future*

  By working to ready itself for transition into a council-owned company, the OHU ensures that it is aligning itself to the strategic commissioning futures of both CWaC and CE. To meet the commissioning strategies of the parent Councils, Shared Services must be holistically reassessed to see which can be transferred into arms-length, council-owned companies. Such companies permit the retention of accrued experience, intellectual property, shared efficiencies, and the ownership of the parent Councils; they simultaneously allow a greater degree of commercialisation, a removal of overheads from the founders' balance-sheet, and a formal customer-supplier relationship. The OHU, as a Shared Service that has a successful history selling services, is a prime candidate for future conversion into a council-owned company. However, such a company should not be set up to fail. For the OHU to successfully transition into a company format, it needs to improve aspects of its service and commercialise its practise. It is this developmental phase that the 'improved as is' option represents.

3.2.3. Expected Benefits

The high-level benefits (and indicators of success) of this strategic model are:

- Improved commercialisation
- Greater value for money
- Enhanced service quality – key performance indicators exceeded
- Improved reputation
- Attainment of awards and standards, e.g. SEQOHS
- Unlocks possibility of conversion into a council-owned company
- Does not represent a massive upheaval to the service.

The detailed benefits of each tranche of operational improvement are summarised below:

- *E-OPAS*

  E-OPAS is an electronic records management system that will allow the transition of the OHU from labour-intensive, paper-based records to digitised ones. As a digital system, it can produce data reports on usage, e.g. inform the OHU how many referrals or vaccinations they have performed for a given customer in a month. Through such data, which the OHU has never previously had access to, more commercial practises are enabled, specifically:

  - Charging models that account for usage to ensure full cost recovery from contracts (see section 4.4 for greater detail on the nature of the models in development)

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- The development of internal performance monitoring metrics.
- The usage data provided by E-OPAS allows the OHU access to new functionality that will enhance its offering to customers. Notably, usage data allows the production of health reports that catalogue the kinds and volume of treatment being used by a customer, allowing health trends to be charted in the client organisations.
- Moreover, electronic (rather than paper) records management will negate the risk of record destruction or theft, and will facilitate the operation and review of the Unit through the availability of instant-access usage and statistical data. See section 4.1 for further details on E-OPAS and the implementation plan.
- The use of E-OPAS will ensure compliance with the data protection act.

- *Policy Improvement*

  The development of tauter OHU policy and of a long-term vision. There are areas of underdeveloped policy within the OHU ranging from strategy to practical guidance, such as confidentiality. The Unit would benefit from a strong policy base to underpin its operations and enable it to concertedly move forward. See section 4.2 for greater detail on policy development.

- *Staffing Recalibration*

  The OHU is currently stretched for nursing capacity given the recent resignation of the Senior Occupational Health Advisor and an increase in patient numbers. The administrative team is currently larger than the nursing team (7.5 FTE compared with 4 FTE). The imminent implementation of E-OPAS will allow a reduction in administrative staff as labour-intensive paper administration is replaced by digital records. As the administrative team is reduced, a vacancy in the OHA team can be filled. This staffing restructure has two benefits:

  - A saving is generated as the total wage bill of the OHU is reduced.
  - By prioritising nursing over administration, the expanded nursing capacity can be turned to improving client service and accommodating more external contracts. The improved cashflow anticipated from enhanced charging models and the negation of corporate counselling costs will further mitigate the impact of additional nursing staff.

  See section 4.3 for a more detailed discussion of the proposed staffing changes.

- *Mitigation of Counselling Overspend*

  Currently, one of the largest contributors to the corporate costs loaded into the OHU is the stress-related treatment of Cheshire East employees. This has drastically increased in recent years: the OHU exceeded its counselling budget by £45,248 in 2011/12.

  These heightened corporate costs are stretching the capacity of the Unit and are driving up the costs it needs to recover. Thus, if these corporate costs can be mitigated then the Unit will benefit from freed capacity and a more competitive charging model.

  The short-term solution is the implementation of a pay-as-you-go cost for CE counselling when a usage threshold is crossed; this is immediately available following the implementation of E-OPAS and will ensure that OHU can fully recover its treatment costs from CE. The long-term solution is the adoption of an Employee Assistance Programme in CE, which is due to be implemented in the next financial year.

3.2.4. SWOT Analysis

Strengths

- Minimal disruption
- Clear ownership
- Service to Councils not governed by contract – little scope for hidden charges
- Council focus and public sector ethos ensured
- Allows income generation to offset council spend
- Allows current improvements to be compounded and the realisation of further imminent improvements (e.g. E-OPAS)
- Helps develop commercialism

Weaknesses

- Lack of commercial acumen currently
- There may be other issues that remain unidentified that could destabilise improvement of current model

Opportunities

- Does not preclude other options in the future
- Strengthens and commercialises the OHU for future development, i.e. transferral into an SLE
- Makes the OHU more competitive when bidding for work
- Expenditure offset by income

Threats

- As councils enter a more commissioning model, core business contracts
- There is little impetus/capability to improve the Unit without a radical change to strategic delivery model
- Contracts already negotiated lock the OHU into unprofitable arrangements before commercial improvements come to bear – the 'legacy risk'
- If not undertaken, opportunities for improvement are forsaken

3.2.5. Financial Considerations

- Although the current lack of usage data makes full cost-recovery problematic to prove in the OHU, it is possible to demonstrate that, under the current arrangement, the parent Councils receive a cost-effective deal for their occupational health services.

  The contribution of the parent Councils to the OHU is calculated as follows:

Expenditure
Building costs, staff, corporate overheads, equipment, etc.

−

Income
Schools (CE & CWaC), Academies (CE &CwaC), external contracts

=

Residue
50% Paid by CE
50% Paid by CWaC

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When the 2012-13 financials are inserted into this model, the residue paid by the parent Councils equates to an average cost of £17.64 per council employee across each authority. This rate is lower than the average cost per head of occupational health services used by a sample of comparably-sized councils (£26.76). This data was accrued in a survey attached as Appendix 3. See **Fig.1** for a breakdown of the price paid by the Councils per head.

Fig.1 (Headcount and costs accurate as of February 2013)

OHU Cost (Per head) 2012-13 CEC	£18.01
OHU Cost (Per head) 2012-13 CWaC	£17.27
OHU Cost (Per head) 2012-13 average	**£17.64**
Average cost of Occupational Health services in surveyed councils (Per head)	**£26.76**
Comparative saving for CE/CWaC	**34.02%**

- As demonstrated above, CE and CWaC currently receive a comparably cheap service from the OHU for their corporate care, meaning there is no need to drastically recalibrate the Unit's delivery to achieve a cheaper service.

- However, there is an opportunity to build upon this cost-effective platform to develop the Unit and drive further savings by implementing the proposed operational enhancements detailed in this strategic model. By increasing the yield from contracts with improved charging models and mitigating the impact of corporate overheads by lowering the use of stress counselling, the Unit's income can be increased and its expenditure lowered; this can be banked as a saving for the parent Councils or reinvested in the OHU in the form of increased nursing staff.

- It is also worth noting that, as the Councils move towards a strategic commissioning model, there will be a further reduction in corporate business, lowering the overheads, and thus costs, of the OHU. Under this model, as core business declines capacity that was being expended on corporate needs could be redeployed to external contracts, improving service and accommodating more business. This is a better scenario than, for instance, a lean model, in which capacity freed from decreasing core business becomes redundant. In this sense, the Council can receive a dual saving, from both reduced overheads associated with decreasing core business and from any further income generated.

- The below is a projection of the OHU's finances should the proposed changes detailed in this model be implemented. The primary assumptions made are that staffing is recalibrated in favour of nursing staff and there is a higher yield from contracts.

YEAR				
1	2	3	4	5
£000	£000	£000	£000	£000
-5.92	**-15.57**	**-25.45**	**-35.59**	**-45.98**

3.2.6. High-Level Risks

- *Parent Councils draining capacity and stunting development*

Currently the OHU is stretched for nursing and budgetary capacity, especially given the high volume of work generated by the parent Councils. This makes service improvement difficult. However, the proposed staffing structure recalibrates the Unit to house more nursing staff. Moreover, the budgetary burden imposed by high degrees of stress counselling from CE is being mitigated by a short-term pay as you go solution and the long-term implementation of an EAP system.

- *Failure to correctly or speedily implement E-OPAS*
  The E-OPAS system, and the usage data it provides, is a cornerstone of the commercialisation programme. However, ensuring that the staff are well-trained on the system and can convert to a digital rather than paper-based mode of working is critical. This is being mitigated by the prioritisation of retaining superuser skills and the E-OPAS project manager in the staffing restructure.

- *The legacy risk*
  There is the possibility that unprofitable contracts are already in place that could continue to delay the realisation of profit associated with increased commercialisation, as the OHU is obligated to continue honouring the terms of extant contracts where the customer's level of usage is being subsidised. This is being mitigated by the improved financial safeguards being built into contracts coming up for renegotiation. The possession of E-OPAS usage data will negate this risk in the future, as contract charges can be set to ensure full cost-recovery.

- *'Improved as is' becomes a holding pattern*
  The OHU has potential to grow and change to better fit the strategic commissioning futures of both CE and CWaC. To this end, the 'improved as is' option is intended to better prepare the OHU for conversion into a council-owned company. It is critical that this preparatory phase is not mistaken for business as usual: an impulse to improve is essential. This is being mitigated by the implementation timescale for the various tranches of the improvement programme, which has been agreed with the OHU management and ensures a drive towards a future reassessment of the business case for a council-owned company.

3.2.7. Option Summary

This option is **recommended** by this review as the optimal model for the immediate strategic future of the OHU for the following reasons:

- As demonstrated, the OHU currently represents good value for money for CE and CWaC with the potential to improve further.

- Retaining a service that is ultimately owned by the Councils ensures continued council control and ownership of any savings realised.

- There are a number of planned operational improvements within the Unit that could deliver savings and growth if allowed to progress. This includes the implementation of the E-OPAS system.

- This option is the necessary first step in a phased development strategy that looks to ensure that the OHU aligns with the strategic commissioning futures of both CE and CWaC. By improving the Unit's commerciality and operational practises, it can equip itself for later conversion into a council-owned company.

- Precludes nothing: all other directions remain open to OHU in the future should the commercialisation programme not deliver the expected gains.

In short, this option allows for the refinement of a model that is currently working, allowing the OHU to consolidate and build. It paves the way for the possible creation of a council-owned company whilst still representing the most cost-effective option in

the meantime.

3.3. Lean Model

3.3.1. Option Details

This model entails reducing the OHU's capacity and remit: commissioning and funding it to service only the parent Councils. However, whilst the operating costs of the Unit would be lower, these would not be offset by external income, meaning that the Unit would be wholly funded by the contributions of the parent Councils.

3.3.2. Assumed Drivers and Expected Benefits

- By servicing only its parent councils, the Unit can be streamlined to the basic essentials.
- Thus, the Lean Model would entail a reduction of administrative and nursing staff to meet the usage of just the parent councils.
- This model ensures that the Unit is entirely focused on the needs of the parent Councils and remains totally under their direction.
- This option is appealing if it is evident that the contribution paid by the parent Councils to the Unit is being artificially inflated to absorb the cost of providing to external customers.

3.3.3. SWOT Analysis

Strengths	Weaknesses
• Clear ownership • Not governed by contract – holistic services with little scope for hidden charges • Council focus and public sector ethos ensured • Entire capacity geared towards parent councils' needs	• Lack of commercial acumen • Economies of scale discounted • No external contribution to mitigate fixed costs • No opportunity for future expansion • Precludes imminent improvements • Strategic backward step, moving away from current charging basis to strictly in-house basis • Possible staff reductions are not as deep as anticipated
Opportunities	**Threats**
• Downsizing and streamlining potential • No money/capacity is lost subsidising external contracts if no such contracts are maintained	• As councils enter a more commissioning model, core business contracts • Future savings tied solely to the likelihood of reduced corporate headcount • Flouts commercialising and commissioning impulses championed by government • Downsizing further decreases OHU's ability to flex to meet changing demand • Could be focusing on the wrong things: cost cutting rather than expansion and income

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3.3.4. Financial Considerations

- This option is appealing if it is evident that the contribution paid by the parent Councils to the Unit is being artificially inflated to absorb the cost of providing to external customers.

  This is again problematic to ascertain without usage data to separate how much of OHU's capacity is being spent on external contracts. However, as demonstrated in section 3.2.5., we do know that the Unit is able to offer its parent Councils a rate per head that is below the market average.

- More importantly, on a cost per head basis, it can be demonstrated that the external income currently generated by the Unit actually subsidises the contribution of the parent Councils (see Fig. 2). From this, we can conclude that whilst certain external contracts are not as profitable as they could be, as a whole they are currently contributing to a reduction in the parent Council's costs.

- This implies that a lean model is not expedient, as it would remove income streams that are currently lowering the contribution of the parent Councils.

Fig.2 (Headcount and costs accurate as of February 2013)

Actual cost per head 2012-13 (total OHU expenditure shared between total headcount served)	£21.2
Average rate paid by parent Councils (per head)	£17.7
Average rate paid by external customers including schools (per head)	£22.4
Aggregate variance in rate paid by customers compared to parent Councils (per head)	**+£4.7**
Total profit achieved through income from external contracts including schools	**£82311.1**

- This consideration needs to be assessed in conjunction with the fact that a lean model would preclude the further expansion of the OHU's business. A lean model means that any on-going savings are tied solely to declining levels of core business and operational improvements, rather than the complementation of these with income.

- Moreover, and arguably most importantly, the lean model fails to recognise that built into the OHU are certain economies of scale. Whilst reducing the Unit to bare essentials would allow the reduction of certain costs through redundancies and freed capacity, there are many fixed costs that would not be mitigated in this model, such as basic staffing levels, back-office services, and building costs. In fact, the degree of savings achievable through staff reductions in this model are negligible: as the Unit is already so strained for capacity, it could not even provide for the parent Councils if staffing levels were cut further.

- The below is a projection of the OHU's finances should the proposed changes detailed in this model be implemented. The primary assumptions made are that staffing levels are reduced to the lowest possible levels and the income from external contracts is stripped away.

YEAR

1	2	3	4	5
£000	£000	£000	£000	£000
2.49	**17.00**	**43.50**	**70.01**	**70.01**

3.3.5. Option Summary

This option is not recommended for the following reasons:

- A lean model restricts the operation of a business (the OHU) that has already proven itself to be commercially viable
- Removes income streams that are subsidising the contributions of the parent Councils.
- The currently stretched capacity of the OHU means that there are not great savings to be made through staff reductions, as they are already operating at close to the bare minimum.
- Moreover, at a time of austerity a lean model represents a strategic backward step: there is increasing impetus to move away from strictly in-house provision to commissioning or commercial models.

In summary, a lean model would prohibit income and commercial development whilst retaining relatively undiminished overheads.

3.4. Outsource

Outsourcing occupational health services to a private sector company jettisons the internal provision of those services, fully embracing a commissioning approach. Such a decision would be predicated on the assumption that an external provider could deliver a comparable service quality at a lower cost.

Outsourcing would entail a lengthy and costly procurement, with experience suggesting that the time taken would be 12-18 months from the publication of the tender to the signing of the contract. Were CE and CWaC to procure in partnership, this is liable to be an OJEU level procurement, which may prove additionally time-consuming and expensive.

3.4.1. Assumed Drivers and Expected Benefits

- Cost savings and cost restructuring: predictability of returns
- Improved quality: Achieve a step change in quality through contracting out the service with a new service level agreement.
- Knowledge: Access to intellectual property and wider experience and best practice knowledge.
- Operational expertise: Access to operational best practice that would be too difficult or time consuming to develop in-house.
- Staffing issues: Access to a larger talent pool and a sustainable source of skills.
- Capacity management: An improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier.
- Risk management: An approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.

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3.4.2. SWOT Analysis

Strengths	Weaknesses
• Can utilise companies with proven track records – access to private sector delivery capability. • Risk transferred. • Immediate return on investment/asset. • Aligns with local governmental commissioning models. • Highly predictable returns (but they may be under-ambitious).	• Cost of procurement – plus at least 12-18 month timescale. • Potentially rigid contract – hard to renegotiate, lengthy. • 'One size fits all' solutions – not locally bespoke or imbued with public sector ethos. • Outsourcers tend to sweat assets – client becomes outdated and slow to change. • Client/customer dissatisfaction grows over time – frustration levels at lack of change/competitive edge. • TUPE costs and potentially sensitive staff transfer arrangements
Opportunities	**Threats**
• Opportunity to create a core vender management skill base within client. • Improved quality of service. • Opportunity to remove cultural perceptions of bias based on hosting location	• Likely to operate an aggressive revenue generation/saving model to achieve targets. • Danger that revenue generation culture supplants public representation/service. • Governance purely contractual. • Outsource company will respond to most active/lucrative client – we could be neglected. • Political sensitivities to pure outsourcing – trend of in-sourcing evidence. • Success dependant on financial stability of the outsource company.

3.4.3. Financial Considerations

- Outsourcing is appealing as it seems to represent immediate savings via the reduction of overheads and the access to ready-made, specialist solutions. However, it is critical to note that, whilst outsourcing can promise a degree of efficiency, this is often delayed and less than expected. For instance, the outsourcing company will have to make a profit and fund their own management of the contract, restricting the level of savings conferred to the Councils and delaying them until much later in the contract's lifespan by increasing the built-in costs of the initial investment. Moreover, the length of the procurement involved further postpones the point from which savings can be realised, and it is important to recognise that other options can deliver savings earlier.

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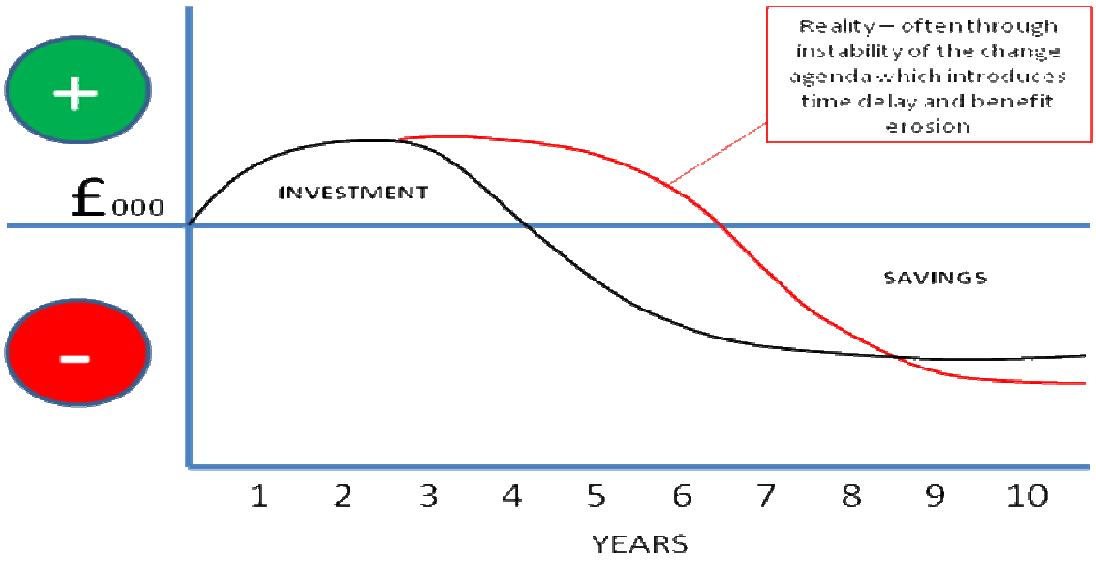
- The depth of savings that can be realised is also limited, as once new procedures are established there is little impetus for the contractor to continually deliver improved value for money or expanded functionality for the life of the contract. This relates to one of the central problems with outsourcing: antithetically to an in-house service, a contracted provider is not ultimately motivated by the continued improvement or strategic principles of the customer's business.

Illustration of the financial profile – view of attraction from an outsourcer / joint venture partner perspective



- Arguably the most convincing case against outsourcing in the case of the OHU is that it would simply cost too much to the parent Councils. Currently, the levels of usage, particularly with regards to stress counselling brought on by the workforce impact of structural change and austerity would make the Councils an attractive proposition for an outsourcer, who would charge a low base-rate but build in exorbitant charges for expensive treatments or high usage levels.

- A financial projection of outsourcing the provision of occupational health services to CE and CWaC is unreliable without putting the services out to tender. However, as an indicative measure, of the surveyed councils who outsourced their occupational health service (contained in Appendix 3), the average price per head paid was £26.24; this is significantly higher than the average price per head paid by CE and CWaC of £17.64.

3.4.4. High-Level Risks

The risks below are not by any means exhaustive but are presented as the key high level risks to consider.

- *Handing over efficiencies*

As detailed above, outsourcing can often promise a degree of efficiency achieved through the injection of private sector capital and delivery capability. However, as the outsourcer will build a profit margin into the contract, the customer will receive only a portion of the efficiency made. Indeed, other options could deliver similar efficiencies wholly realised by the parent Councils.

- *Dissatisfaction & loss of control*

  Evidence shows that dissatisfaction and loss of control of the change agenda are key factors in why a number outsource arrangements are deemed to be failing, with outsourcers often keen to 'sweat assets'. This position could be improved by the councils through robust commercial and contract management skills and practices.

- *Step in rights & Exit Arrangements*

  It is critical to agree clear exit arrangements and associated costs within any outsource contract. Failure of the arrangement would require either transfer of service in-house or sourcing a new provider at short notice and higher cost.

- *Ambiguity of need*

  As stated above, rigorous contract management is required to ensure that maximum value is extracted from the outsource arrangement. The cost incurred can quickly escalate if usage crosses thresholds and functions not specified in the contract. Thus, accurate knowledge of exactly what services are required from the contractor, and in what quantity, is vital – especially for services such as occupational health, which calculates its costs in small units of time. Currently, the lack of actionable usage data within the OHU means that constructing a contract to outsource would be difficult and potentially fraught, as usage would be based on estimates that could easily be exceeded and thus become costly. Any outsourcing arrangement would benefit from the self-knowledge that would come with E-OPAS' usage data.

3.4.5. Option Summary

Outsourcing is not recommended for the following reasons:

- Efficiencies realised are protracted and negated by the profit taken by the outsourcer.
- Outsourcing could be bettered by an option that allows the creation of future value for the parent Councils and the total retention of the efficiencies achieved.
- There are dangers regarding commercial and contract control: outsource ventures can prove deleterious if they fail to ascribe to the client's change agenda.
- The current lack of available usage data within the OHU makes the construction of a cost-efficient contract a difficult endeavour.

Preparing the OHU for future conversion into an a council-owned company - which allows the commerciality associated with outsourcing whilst safeguarding council ethic - remains a better long-term strategy. However, should the proposed improvements to the

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OHU (as per the ‘improved as is’ option) not deliver the enhancements anticipated then it might be that the business case for outsourcing be reassessed – but at the very least the arrival of usage data with the E-OPAS system should be awaited in order to construct a robust and favourable contract.

3.5. Disaggregate

This option involves dissolving the current sharing arrangement, meaning that CE and CWaC would have to source their own occupational health services independently of one another. This could entail the duplication of in-house services or an external solution such as outsourcing. There is a 12 month notice period to withdraw from the existing arrangements. This option entails a costly replication process and forsakes the efficiencies already achieved through sharing.

3.5.1. Assumed Drivers and Expected Benefits

- A desire for sovereignty and independence
- Simplified governance and commissioning processes to assist in decision-making
- Alignment of future service delivery models to own organisational strategy
- Individual control of change agenda and risk management

3.5.2. SWOT Analysis

Strengths	Weaknesses
• Independence/sovereignty. • In control of own destiny. • Simplified decision-making process. • Avoid commissioning process.	• Substantial one-off and on-going costs. • Split of existing Target Operating Model into two authorities – duplication of current position. • Loss of opportunity for new developments during transition. • Staff morale.
Opportunities	**Threats**
• Potential for service redesign. • More responsive to own organisational and local stimuli. • Less complex governance.	• Delivery costs increase – rebuilding to pre-LGR level. • Staff attrition. • Loss of skills/talent. • Potentially lengthy and acrimonious process. • Perceived as sharing failure – negative reputation and political cost.

3.5.3. Financial Considerations

- The below is a projection of the OHU’s finances should the proposed changes detailed in this model be implemented. The primary assumptions made are that core service components will be duplicated to create two distinct in-house services.

YEAR				
1	2	3	4	5
£000	£000	£000	£000	£000
54.03	**80.54**	**76.24**	**102.75**	**102.75**

- This projection accounts for the duplication of in-house services. However, there is another disaggregation route that is viable – even if it cannot be modelled without going to tender. The parent Councils could, independently, negotiate their own outsourcing arrangements – especially if levels of usage become increasingly disparate, e.g. if CE's counselling requirements remain disproportionately high given imminent managerial restructuring, CWaC might prefer to disaggregate and negotiate an outsourcing arrangement more representative of their usage and needs. This option should remain a consideration in the eventuality that the commercialisation agenda advocated in the 'improved as is' option is unrealised.

3.5.4. High-Level Risks

- Highly disruptive to service delivery and to staff.
- High degree of staff attrition: the authorities are vulnerable to the loss of key operational skills to run and manage the service. Covering skill gaps at short notice is likely to come with significant additional costs.
- The huge costs associated with this option will provide budget challenges elsewhere in the organisation to fund this option.
- Reputational and strategic damage: a negative perception of sharing failure could potentially inhibit any future sharing arrangements. Other partners may exploit perceived vulnerabilities.

3.5.5. Option Summary

This option is not recommended for the following reasons:

- Exceptionally disruptive to service delivery with the risk of staff attrition
- Prohibitively costly
- Damaging to the reputation of the parent Councils as they rescind from a sharing enterprise.

Disaggregation should only be considered as a preamble to outsourcing in the event that the expected commercialisation programme detailed in the 'improved as is' model is not realised.

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3.6. Direct Service Organisation (DSO)

This model entails the establishment of an arms-length internal trading company. This company, as with the OHU currently, would not be permitted to make a significant profit: discretionary services can be sold but only on a cost-recovery basis. The DSO remains a legal adjunct of the parent Councils, who still control its budgeting and strategy. However, the key difference (and appeal) of a DSO is that it pools all income and expenditure associated with the service, allowing the service in question to maintain a holistic and ring-fenced budget and view its finances on a total income/expenditure basis. This entails the DSO buying back corporate support from the parent Councils and, similarly, charging the Councils rather than have them pay the residual operation cost. As such, a DSO converts a service into a self-contained internal company, which enables the service to gain experience of operating like a company even though it cannot trade commercially or make a significant profit.

3.6.1. Assumed Drivers and Expected Benefits

- *Minimal disruption to the business*

  In many ways, a DSO is an accounting exercise designed to reframe a service so all its income and expenditure is in one place. Thus, there is little tangible impact on the delivery of the service itself.

- *Budgetary transparency*

  A DSO consolidates and pools all income and expenditure associated with the service allowing a clear financial picture based on a trading perspective. As would be the case in a full SLE, this fosters less financial ambiguity and permits more effective charging, as total costs can be seen.

- *Phased approach to commercialisation*

  A DSO can act as an interim stage before a service is converted into an SLE. A DSO allows a service to gain experience of being structured like a company – even if the service is limited in the scope of its commercial development.

- *Nothing precluded*

  A DSO is relatively simple to establish or terminate, allowing further transitions to be explored.

3.6.2. SWOT Analysis

Strengths	Weaknesses
• Move to a trading charging model – full cost recovery basis. • Transparency of full cost recovery. • Creates a more customer-focused culture. • Set-up cost low. • Clear ownership. • Retains local authority benefits, e.g. VAT exemption	• Legal restrictions to trade commercially. • Negligible change: OHU already operating like a DSO, e.g. currently trades • OHU has capability to convert straight to an SLE, bypassing the DSO stage altogether
Opportunities	**Threats**

• Repeatable process: Councils have done this before e.g. CBS. • Development of own branding. • More effective charging ensures full-cost recovery and increased cashflow	• Harder sell – prospective clients see real cost and withdraw. • Danger that this model becomes a permanent holding pattern. • Not effecting a large-enough change: greater improvements could be realised elsewhere

3.6.3. Financial Considerations

- A DSO requires only a minimal financial investment to install and represents a low-risk option. The majority of change is in the accounting procedures. Under a DSO all the corporate support that a service receives (i.e. HR, legal, finance) is budgeted for within the DSO, which effectively buys these services back from the parent Councils. This may result in a higher charge to the parent Councils, as the DSO's expenditure is heightened because of these corporate support costs, but savings are made elsewhere in the business accordingly. Conversion of the OHU into a DSO will therefore require a recalibration of budgets across the business to reflect this change.
- The financial forecast under a DSO is very similar to that under the 'improved as is' option. The OHU is already possessive of an operating model much like a DSO and many of the benefits of a DSO also apply to the proposed 'improved as is'. For instance, under a DSO the parent Councils would no longer pay the residual cost of the OHU but a charge; this development is also planned under the 'improved as is'.
- A DSO would require a short-term investment that would defer efficiencies to the medium-term. An 'improved as is' could potentially deliver similar efficiencies in the short-term without any on-costs.
- A financial model for an OHU DSO is being produced. This will be completed using charging projections constructed using usage data from the E-OPAS system's first year of operation. This model will then inform the business case for an OHU company as an alternative option to an SLE.

3.6.4. High-Level Risks

- *Holding Pattern*

  A DSO could easily become a holding pattern for the OHU, especially as the Unit's current operating model is so similar to a DSO, which remains largely a recasting in accounting terms. Similarly to an 'improved as is', a DSO needs to be twinned with an impulse to improve further and create commercial value.
- *Comparatively Diminished Gains*

  A DSO in itself is not a backward step. However, given that the OHU currently resembles a DSO in operation and can incite many of the same improvements as part of an 'improved as is', conversion into a DSO may represent a negligible improvement and a needless cost. In the same time scale and for similar expense, the OHU has the potential to convert into an SLE and create commercial practises and value that is otherwise impossible in a DSO. Indeed, a DSO may be unable to offer any significant further improvement, which can only be realised under a more radical commercial model such as an SLE.

3.6.5. Option Summary

This option is **not recommended** for the immediate future of the OHU. A DSO, whilst positive in principle, does not offer a significant enough improvement over an 'improved as is' to warrant the time and expense needed to establish it. The OHU currently operates like a DSO and many of the benefits that a DSO could deliver are also entailed in an 'improved as

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is'. There is a risk that, if a DSO was taken forward, it would be at the expense of a superior long-term option such as an SLE.

As such, a DSO could easily come to represent a redundant development phase when, for comparable expense and time, an SLE could be created. In preparing for an SLE, an 'improved as is' remains a superior option as it can realise many of the benefits of a DSO sooner and with lower costs.

A DSO remains a possibility should an SLE look unviable following the performance improvement programme entailed in the 'improved as is' option. Thus, it must be reassessed alongside the SLE business case.

3.7. Separate Legal Entity (SLE)

This model is appropriate where there is a desire to trade commercially for a profit with other public and private sector organisations. It involves establishing a separate legal entity (SLE) – i.e. a company - which will deliver services back to the contracting authorities. There are two prospective routes for the OHU within this option:

- Incorporation into the proposed ICT and HR & Finance SLE as an additional factory.
- Establish the OHU as its own, independent SLE. Within this option, the OHU can become a teckal company or a full trading company. It is assumed throughout this appraisal that a teckal company (which allows the OHU to still receive work from the parent Councils without competitively bidding) would be the most suitable initial step, with a full trading company a future option when maximal commercialisation and competitiveness has been attained.

3.7.1. Assumed Drivers and Expected Benefits

- Desire to trade commercially for a profit with other public and private sector organisations.

- To create future value for the authorities that requires modest investment which is low financial risk.

- Exploiting the Teckal exemption allows the shared services company to be more agile in partnering with other local authorities.

- Creating the organisational container in which more commercial cultures are fostered and a strong brand presence created.

- Unification of terms and conditions for staff following the associated TUPE transfer of CE and CWaC employees into the new company.

- Increase focus on strategic marketing to optimise and monetise the service offering of the OHU.

- Under an SLE, the parent Councils would realise all efficiencies made. In the time it would take, for instance, an OJEU level procurement to be completed, an SLE could already be realising benefits and savings.

- Align Shared Services with the strategic commissioning models of the parent Councils. An SLE is the best model to capitalise on the experience and efficiencies of a shared service whilst simultaneously reframing it within commissioning impulses.

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3.7.2. SWOT Analysis

Strengths	Weaknesses
• Opportunities to trade. • Agility to optimise business model and efficiency through economies of scale in terms of partnering (insofar as the Teckal exemption requires no procurement.) • Low financial risk. • SLE model requires modest investment. • Asset retained by local authorities and future options are in local authority control. • Move to unified T's & C's – staff morale, standardisation. • Minimal disruption to existing governance. • Retains public sector ethos and control. • Remains in Cheshire economy. • Maximises and retains all cost benefits. • Quick to implement upon decision. • Represents a continuation of three year investment into Shared Services and retains intellectual capacity generated in this process.	• No immediate dividend. • Needs commercial focus to work – particularly in terms of shaping business propositions and marketing. • Initial financial injection required.
Opportunities	**Threats**
• Attractive to other partners. • Exit strategy easier and clearer. • Does not prevent individual local authorities doing their own things – precludes very little in terms of development. • Additional income will ensure reinvestment in physical and intellectual assets. • Step to full outsourcing or floating possible. • Allows the OHU to remain relevant to the strategic commissioning futures of CWaC and CE.	• Lack of current commerciality could impair adoption of commercial ethic. • Conversely, danger that shareholder behaviours are not retained. • If not taken, opportunity to improve and expand lost.

3.7.3. Financial Considerations

- An SLE is chiefly desirable because of the heightened commerciality that it promises to instil through the implementation of a commercially-driven operating model. This enables an SLE to adopt values akin to those of a private-sector company, as the SLE can make a degree of profit and has greater license to compete for contracts than currently. This will allow much higher income streams from external contracts.
- However, this requires a modest start-up cost to fissure the SLE from the parent Councils. This would entail:
    - Investment to appoint a dedicated head of OHU with budgetary control.

- Expenditure to offset the anticipated rise in pensions contributions that tend to accompany the creation of a new company. It is assumed that the parent Councils would fund the past pensions' deficit; however, the short-term rise in future contribution rates during the company's incipiency would need to be phased in over the initial years. A decision would have to be made as to whether the Local Government Pension Scheme (LGPS) would be open to new members; closing it to new members may be cheaper but is more politically sensitive.
- A cost in working time commissioned to the ICT Shared Service to set up the SLE as a separate body within the Oracle system. However, for an operation of this size, it needs to be considered whether the OHU SLE would benefit from a cheaper and less complex system.
- Costs associated with TUPE transferring existing CE and CWaC staff across to the new organisation

- The parent Councils also need to consider the degree of business that they can guarantee for the OHU SLE. As both CE and CWaC decrease in size in line with their strategic commissioning futures, there will be less core business to fuel the OHU SLE. It would therefore be more dependent on the external business that it is freed to pursue under this model.
- With regards to the Teckal exemption, it is imperative that 1) the parent Councils demonstrate that they retain total strategic control of the SLE; and 2) that the SLE conducts the essential part of its activity for the parent Councils. The case of Tragsa is usually taken as indicative of what counts as essential activity, in which the ECJ concluded that a company which carried out 90% of its activities for the public sector owners and 10% of work for third parties satisfied the Teckal exemption.
- These costs, whilst not prohibitive, emphasise that the OHU needs to be ready to make the conversion into an SLE, as there is the potential for a degree of financial loss should it fail.
- An OHU SLE would cease to be an s33 body. As health services are exempt, the VAT on inputs such as the doctors' contracts could no longer be reclaimed. This would increase the costs base of the OHU.
- A financial model for an OHU SLE is being produced. This will be completed using charging and income projections constructed using usage data from the E-OPAS system's first year of operation. This model will then inform the business case for an OHU company when this is reassessed following the preparatory phase represented by the 'improved as is' model.

3.7.4. High-Level Risks

- *Lack of Commerciality*

  The main risk associated with converting the OHU to an SLE is the degree of commercialism in its operation and culture. An OHU SLE would be dependent on its ability to win additional external business and maximise its profits from these contracts. The OHU currently represents a viable business, maintaining many contracts; however, the OHU would benefit from a concerted impulse to further commercialise its operations, ensuring it is fully prepared and able to function in the open market when transitioned into an SLE. For instance, the current lack of an electronic records system and the risk of inflexibility within the current charging options practised by the Unit would militate against, if not definitively prohibit, a transition to SLE.

Many of these issues are in the process of being corrected, implying that the prudent option is to situate SLE transition as a long-term goal for the OHU, that should be reassessed following the swathe of imminent improvements that promise to enhance its commercial viability. In short, an SLE remains the most attractive long-term option for the OHU; however, it should not be set up to fail, and needs a programme of improvement and commercialisation (outlined in the ‘improved as is’ option) to make it ready.

- *Prohibitive Costs*

  For an OHU SLE to work, the OHU needs to be able win enough new business to offset the start-up costs and the inflated on-going costs associated with higher pensions contributions and the loss of VAT exemption from no longer being an S33 company. Should the OHU fail to win enough new work, an SLE would be unsustainable. It is thus imperative that a preparatory ‘improved as is’ phase is undertaken to upgrade the OHU.

- *Competition*

  The SLE may find itself unable to expand by winning new work or it may lose the initial contract with the Authorities.

- *Leadership*

  A key objective will be to develop the business and develop new markets. Experienced business managers with sound leadership and marketing skills will be required to drive the business forward and may need to be recruited. Similarly, the current structure of the OHU would have to be changed in an SLE. It would need a full-time director or service manager rather than the current arrangement where the Health and Safety Manager also leads the Unit.

- *Risk of failure*

  As with any new business there is a risk of failure if, for example, the business case is insufficiently robust, it does not have sufficient resources, or it develops poor relationships with clients and suppliers. The parent Councils would have to consider whether they would guarantee the company financially, at least initially.

- *Loss of Teckal exemption*

  If a significant number of the currently maintained schools converted to Academy status, the limit on external trading income could be threatened. Similarly, the OHU SLE would be impossible if the level of external work needed to negate its expenditure breached the teckal thresholds.

3.7.5. Option Summary

Conversion of the OHU into an SLE would allow commercial behaviours to be developed at a heightened rate, as well as maximising opportunities for profit within the constraints of the Teckal exemption. Simultaneously, the SLE would still be tied to the strategic directive of the parent Councils, continuing to operate in accordance with their interests. The creation of SLEs across local authority services thus represents a progressive initiative, combining the strengths associated with commissioning whilst ensuring council control.

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However, an SLE is far from a ready-made panacea; whilst requiring a relatively low initial investment, an SLE flourishes or falls based on the strength of the service being converted. The OHU needs to be honed and ready for detached commercial operation; it needs to be able to win enough additional, external business to negate the start-up costs and the heightened on-going costs borne of higher pensions' contribution and the loss of VAT exemption from no longer being an S33 company.

The OHU has demonstrated that it has the capability to operate on a commercial basis given its successful charging history, but it is advisable that a number of changes be made to improve this commercial capability before an SLE is embarked upon, ensuring that any new company begins on as sure footing as possible and is capable of winning the additional business required.

Should the anticipated benefits of the 'improved as is' option be realised then the business case for an OHU SLE should be reconsidered so that the service can continue to improve and align itself with the strategic commissioning future of the parent Councils. If an SLE is still thought to be unviable following the improvement and commercialisation programme, then other options should be considered – including a DSO as a further incubation phase.

In sum, an SLE is a viable option for the OHU given its experience of selling services. However, this should remain a long-term goal that should follow measures to consolidate and enhance the Unit's operations and improve its commercial capability as outlined in the 'improved as is' option.

3.8. Chapter Summary

This review recommends a phased development strategy. The 'improved as is' option as detailed in the above appraisal is recommended for the immediate future of the OHU for the following reasons:

- The OHU as it stands represents a viable business model and a cost-efficient provider of occupational health to the parent Councils.
- The OHU has the potential to be developed, and could be improved through a number of measures that will bolster its commerciality and performance. The details and implementation of these measures will be described in greater detail in the following chapter.

As such, the 'improved as is' option paves the way for the conversion of the OHU into a council-owned company, which should remain the long-term strategic goal for the OHU (and indeed, for the majority of Shared Services) for the following reasons:

- All the benefits of commercialisation without loss of council direction.
- The parent Councils profit from all the savings realised.
- All the accumulated experience and efficiencies achieved through sharing are retained and developed further.
- If a shared service is transitioned into a company it conforms to the strategic commissioning operating model being developed by both CWaC and CE and ensures that Shared Services remain relevant and progressive.

However, there is risk attached to this phased development plan. An OHU company should not be set up to fail, and if the improvement agenda associated with the 'improved as is' option is not delivered then such an initiative should not progress.

Thus, depending on the success of the improvement programme entailed in the 'improved as is' option, an SLE may not be viable, or a DSO utilised as an interim stage. The business case for such a company will therefore be reassessed when the programme of improvements represented by the 'improved as is' phase has been completed to gauge the

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viability of a council-owned company.

The benefit in taking the ‘improved as is’ option as a preparatory phase is that, even if an OHU company is ultimately decided to be unviable, nothing has been precluded: the OHU could continue to trade on its current basis (bearing in mind that it still currently delivers a cost-effective service to the parent Councils), it could be entered into a DSO as a further preparatory stage prior to an SLE, or it could be outsourced if the impulse to commission sooner is strong enough.

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4. Operations Review

This section will assess the operational improvements associated with the recommended strategic model. The expected aggregated impact of these changes has been discussed in the previous section; in the following, their details and implementation will be explained in greater depth. The operational improvements that comprise the recommended ‘improved as is’ model are:

- The implementation of the E-OPAS digital records system.
- The continued development of a policy development programme.
- The restructuring of the OHU’s staff.
- The development of new charging models to ensure full cost recovery of services.
- The mitigation of counselling-related overspends.

4.1. E-OPAS System

4.1.1. Background

E-OPAS is an electronic records management system that will allow the transition of the OHU from paper-based records to digitised ones. As a digital system, it can produce data reports on usage, e.g. inform the OHU how many referrals or vaccinations they have performed for a given customer in a month. Through such data, which the OHU has never previously had access to, more commercial practises are enabled. E-OPAS is highly customisable, with in-build user tools enabling bespoke and ad-hoc tailoring of the system after delivery allowing it to be changed to meet on-going OHU development.

4.1.2. Benefits

- *Charging models*

  The adoption of more sophisticated charging models tailored to the usage history of customers, rather than simply per head as is currently used. This negates the risk that a sudden spike in a customer’s usage can cause their required staff time to outweigh the set price per head paid. In certain instances, a pay as you go charging model - or one augmented by premiums when usage thresholds are crossed - is expedient. The usage data provided by E-OPAS will allow such models to be developed and utilised.

- *Performance monitoring metrics*

  The usage data provided by E-OPAS allows the OHU to develop performance monitoring metrics and KPIs based on patients served or time taken to complete any actions arising from contacts, i.e. report writing. This is a critical tool in improving service quality and also in the commercialisation process, as performance data can be cross-referenced against SLAs.

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- *Improved service offering*

  The usage data provided by E-OPAS allows the OHU access to new functionality that will enhance its offering to customers. Notably, usage data allows the production of health reports that catalogue the kinds and volume of treatment being used by a customer, allowing health trends to be charted in the client organisations. The frequency and content of these reports will have to be clarified between the OHU and its clients in the SLA. For the parent Councils, this would address the key client concern of having actionable data that charts health trends and allows the identification of high-risk or problematic areas.

- *Efficient management, lower risk*

  Moreover, electronic (rather than paper) records management will negate the risk of record destruction or theft, and will facilitate the operation and review of the Unit through the availability of instant-access usage and statistical data.

- *Low-risk contingency plan*

  Moreover, should the OHU fail to make the anticipated commercial gains associated with the implementation of the E-OPAS system, the usage data it provides will enable the construction of a more cost-effective outsourcing contract, borne from greater knowledge of the parent Councils' usage – both in terms of volume and treatment type.

4.1.3. Financial Aspects and Risks:

- The E-OPAS system has already been purchased by the OHU and as such represents no additional capital expenditure. The system cost £15,356 and was paid for in the 2009/2010 financial year. There are on-going hosting charges and implementation modest implementation and refinement charges from ICT Shared Services. These are accounted for in the OHU's IT budget.
- The two aspects of work associated with implementing the system are the scanning and uploading of current records and the training of the current staff in using the system.
  - The latter objective in particular represents a sizeable risk to the success of E-OPAS and, as such, to the success of the recommended strategic model. This risk is being mitigated by the instalment of an E-OPAS training suite in Goldsmiths House for accessible and routine training. Tactics such as a buddy system for paired training are being implemented to ensure training is pervasively embraced.
  - It is imperative that the retention of the current OHU Programme Manager is prioritised throughout the streamlining of the administrative staff so critical training and superuser skills are not lost. The loss of this expertise would jeopardise the ability of the OHU staff to acclimatise to the new system.
  - There is an on-going training cost associated with E-OPAS and the operation of the aforementioned training suite; these are being met through the OHU's training budget.

4.1.4. Implementation

Stage 1 – Training and Testing

Present – 8 March 13

This stage entails user testing and the identification of desired changes before final checks by ICT Shared Services and system sign-off with supplier.

Stage 2 – Technical 'Go Live' and Data Input

11 March 13 – 26 April 13

This stage entails applying identified configuration changes to the live environment, and beginning to upload existing patients and new appointments onto the system.

Stage 3 – Operational 'Go Live'

8 April 13 – 26 April 13

From 8 April, all new clinical and administrative information will be entered into E-OPAS and paper files phased out. Additional training needs identified.

Stage 4 –Review and Systems Management

26 April 2013 – On-going

This stage entails the construction of processes and documentation to review, maintain, and improve the system on an ambient basis.

4.1.5. Recommendations

- That the implementation timescale and expected benefits of the E-OPAS system be noted and approved.
- That the retention of the E-OPAS Programme Manager is prioritised throughout the staffing rationalisation.
- That new charging models are established to make best use of the E-OPAS data (see section 4.4).

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4.2. Policy

4.2.1. Background

Currently the OHU has areas of relatively undeveloped policy and guidance. This ranges from both long-term strategies to medical procedure, and work needs to be undertaken in order to deliver a comprehensive programme of policy development.

4.2.2. Benefits

- *Honed performance*

  Policy provides the underpinning to a service's operation, offering a touchstone and roadmap by which the service's standards, aspirations, and ideal practises are defined. Tightly woven policy provides direction, identity, and security, whilst a dearth of policy deprives a service of focus and fosters heterogeneity and malpractice through the lack of unified paradigms.

- *Commercial platform*

  Moreover, stringent policy is required for commercial development to proceed in accordance with the recommended strategic model. Articulated policies provide less ambiguity and clearer expectations when dealing with clients, and ensure that engagement conduct and guiding principles are uncompromised. For instance, in the initial tranche, it has been identified that performance improvement could be driven by tighter health surveillance policy.

4.2.3. Implementation

- Working with the OHU management, the process of identifying areas of weak or absent policy has commenced, with the refinement of policy surrounding health surveillance practise selected as the immediate area for development.
- It has been illuminated that, throughout this process, guidance is required from the Health and Safety teams to help establish the boundaries and scope of action, to work towards the most broadly replicable and safest procedures.

4.2.4. Recommendations:

- That the policy development programme continues to better regulate and define the OHU's identity and practise.

- That Health and Safety teams from both Cheshire West and Chester and Cheshire East are engaged to inform this process.

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4.3. Staffing

4.3.1. Background

The OHU primarily consists of two in-house teams: administrative staff and Occupational Health Advisors (OHAs). These are then augmented with Occupational Health Doctors (OHDs) on a case-by-case basis should a patient's treatment need to be escalated.

OHAs are responsible for the delivery and reporting of the various occupational health services. The administrative team facilitates the operation of the Unit, currently utilising a paper-based system.

The OHAs are currently under-staffed at 4FTE, with vacant nursing position unfilled for budgetary reasons. This lack of nursing capacity has been compounded by an increase in patient numbers and the Senior OHA leaving her post.

By comparison, the FTE of the administrative team is 7.5. However, the imminent implementation of the E-OPAS system will allow the rationalisation of administrative work around more efficient electronic systems; at present, the OHU operates a paper filing system. The digital system afforded by E-OPAS is a less labour-intensive mode of administrative work, and permits a reduction of administrative staff and a realignment of staffing focus towards the hiring of more OHAs.

4.3.2. Recommendation

- The approval in principle of a new OHU structure, in which the administrative team is reduced from 7.5FTE to 4FTE and the OHA team is increased from 4FTE to 5FTE.

4.3.3. Reasons for recommendation

- A reduction of the overall wage bill of the Unit. However, some modest redundancy costs could be incurred should employees not be able to be redeployed.

- The rationalisation of the service around more efficient digital systems, helping to place it on a more commercial footing in accordance with the recommended strategic model.

- A realignment of staffing focus in favour of OHAs. If the reduction of administrative staff enables the recruitment of additional OHAs then the Unit's capacity to treat patients is increased; this additional capacity can be turned to performance improvements or the management of more contracts, increasing the commercial appeal of the Unit.

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4.4. Charging

4.4.1. Background

External Contracts

Currently all contracts with schools and external customers are based on a pay per head charging model. This means that these organisations are allowed unlimited access to OHU services for a set price based on their headcount. There are two issues with the current charging of schools and external contracts:

- This charging model contains an inherent risk of the parent Councils inadvertently subsidising service provision to schools and external customers. If, for instance, a school had an epidemic health crisis and required a disproportionate amount of treatment in a short period, they may use more in nurses' time than their fixed per head charge covers. There had previously been no way of ascertaining if a contract with a school or external customer was being subsidised because no usage data was available, meaning contracts were frequently being renewed at unprofitable rates. However, the imminent introduction of the E-OPAS system will permit calculations based on usage, and allow contract prices to be adjusted during renewal to match usage history.
- Furthermore, if the headcount of a school or external client increases over the life of a contract, the OHU could end up servicing a much higher number of employees than the per head fee covers. Currently, no financial safeguards are built into the contracts to account for such an eventuality.

These two issues mean that the OHU is exposed to the risk of not recovering its full costs from its contracts with schools or external customers.

Parent Councils

CE and CWaC currently pay the residual cost that remains after the OHU's income is subtracted from its expenditure. This equates to a very favourable market rate for the Councils.

However, if the OHU is to be readied for commercial trading, the relationship between Councils and supplier needs to be prised apart. With E-OPAS, it is possible for the OHU to begin charging the parent Councils a rate, rather than CE and CWaC paying a residual contribution to the OHU.

4.4.2. Recommendations

- A more commercial approach to contract negotiation is adopted, with stricter financial safeguards built into external contracts to ensure that they do not become unprofitable over their lifespan. This is currently being trialled in the current spate of contract renewals: a maximum headcount variance of 10% is being written into contracts.
- Contract renewal prices are to be informed by a customer's previous usage history.
- The first year of E-OPAS' implementation is taken as a proposition development phase, in which a range of alternative charging models are developed in accordance with the volume of usage from all customers. These models will then be marketed and applied to appropriate contracts the following financial year so as to ensure full recovery of costs from that point onwards.
- In the first year of E-OPAS' activity, the usage of the parent Councils will also be charted, so that they too can be charged by the OHU; this creates a commercial

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client/supplier relationship, rather than simply having the Councils pay a residual contribution.

The charging models for development are detailed below:

Charging Model	Description	Pros/Cons	To be applied to
Pay per Head	A flat charge based on the number of staff in an organisation.	+ Upfront fee paid +Less administrative monitoring - Inflexible: Can lead to Council subsidisation if usage cost to OHU exceeds fee paid	- Low usage schools and external customers - Parent councils
Pay as you go	The customer is charged the full cost of every service used on a unit-for-unit basis	+ Ensures full cost recovery + High profit potential - Can be prohibitively costly for some customers - Can be ineffective for OHU if applied to low-usage customers	- High usage schools and external customers (those whose usage costs would not be recovered by a pay per head arrangement) - Parent Councils (if usage is high enough to invalidate pay per head)
Gold, silver, bronze packages	Usage thresholds are set that are scaled in accordance with tiered, per head charges for core services. If the chosen threshold is exceeded, a pay as you go charge applies. Services that entail an additional cost to the OHU (such as counselling, physiotherapy, or vaccinations) are included within these thresholds, with higher calibre packages allowing greater volumes of such services to be used before pay as you go charging applies.	+ Flexible: adapts to the customer's specific usage levels and accounts for sudden spikes in usage. + Commercial propositions: allows each customer to choose a package that they feel best suits their needs and occupational health history.	- Offered to schools and external customers

4.4.3. Reasons for Recommendation

- Enhance commerciality through concerted proposition development
- Heighten yields from contracts and ensure full cost recovery of services provided
- Improved cashflow from higher contract yields can be reinvested in the Unit to increase capacity and improve service quality.
- Create a more commercial client/supplier relationship between OHU and CE/CWaC.

In sum, the usage data of E-OPAS is to be turned to ensuring that costs are fully recovered, cashflow increased, and the possibility of subsidisation is eliminated. The approach to charging sets the tone for more commercial operation and unlocks currently unrealised charging potential and capacity.

4.5. Counselling

4.5.1. Background

Levels of stress-related counselling have risen to new highs in Cheshire, with the OHU's budget for this service being exceeded by £45,248 in 2011-12 – an overspend of 202%.

Interviews conducted with employees at the OHU verified that the increase in stress counselling has been almost preponderantly fuelled by CE referrals. CWaC has an Employee Assistance Programme (EAP): a 24/7 counselling helpline that, as part of its functionality, allows early intervention in the stress-cycle. As such, the EAP negates the number of cases that have to be referred to counselling.

CE has not previously possessed this functionality, leading many cases to only receive treatment when the condition has become severe. This contributed to increased counselling levels, longer periods of staff absence and escalating costs for both the OHU and the parent Councils.

4.5.2. Recommendation

- An EAP has recently been approved in Cheshire East, with appropriate finance allocated and approved by Cabinet as part of the recent Council budget. The anticipated benefits for the OHU of an EAP in CE should be noted as part of this review and inform the financial projections of the strategic options appraisal.
- The EAP will only be implemented in the following financial year. In the short term, a pay as you go arrangement for CE with regards to counselling is in development to ensure that full costs are recovered.

4.5.3. Reasons for Recommendation

- *Anticipating further stress issues*

  The imminent structural redesign that CE is implementing is an obvious catalyst for increased anxiety and stress borne from insecurity and increasing workloads. This will serve to increase stress-related issues all the more, heightening the pressure on the OHU's capacity and making any measures to negate counselling overspends all the more expedient.

- *Mitigate the counselling-based corporate overheads*

  By reducing the overspend connected to counselling, the OHU will benefit from freed capacity and budget to utilise in service improvement or expansion.

- *Early intervention strategy*

  An EAP promotes an early-intervention strategy that aligns with the wider goals of both CE and CWaC to systematically prevent rather than continually cure.

Appendix 1

5. Recommendations

The recommendations arising from this review of the Occupational Health Unit can be summarised as follows:

5.1. Strategic Recommendations

This review recommends a phased development strategy. The 'improved as is' option as detailed in the above appraisal is recommended for the immediate future of the OHU for the following reasons:

- The OHU as it stands represents a viable business model and a cost-efficient provider of occupational health to the parent Councils.
- The OHU has the potential to be developed, and could be improved through a number of measures that will bolster its commerciality and performance.

As such, the 'improved as is' option ideally paves the way for the conversion of the OHU into a council-owned company or additional factory in the ICT/HR & Finance SLE. This should remain the long-term strategic goal for the OHU for the following reasons:

- All the benefits of commercialisation without loss of council direction.
- The parent Councils profit from all the savings realised.
- All the accumulated experience and efficiencies achieved through sharing are retained and developed further.
- If a shared service is transitioned into a company it conforms to the strategic commissioning operating model being developed by both CWaC and CE and ensures that Shared Services remain relevant and progressive.

The viability of this goal will be reassessed following the completion of the 'improved as is' phase.

5.2. Operational Recommendations

The following constitute the tranches of the 'improved as is' option that will serve as phase one of the development strategy.

- The E-OPAS system is developed in accordance with the proposed implementation timescale.
- That a programme of policy development is continued to better gird and define the OHU's operation.
- A rationalised staffing structure is put in place that rebalances the OHU in favour of nursing staff.
- That the construction of contracts is reviewed and a range of charging models developed and trialled to ensure full cost-recovery from contracts.
- That the associated benefits for the OHU of an EAP in CE be noted as a means to lower counselling expenditure and release capacity. A short term charging option tied to CE counselling usage be implemented in the meantime to ensure cost recovery.

Appendix 1

5.3. Next Steps

- The appended programme plan, which summarises the various implementation timescales detailed in this review, is followed to affect the commercialisation phase.
- At its termination, the business case for a commercial model be reassessed and action taken accordingly.

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Appendix 2 - Comparably Sized Councils

Council	Type	FTE	OHU Internal / esternal	OHU Budget	OH cost per employee
North Tyneside	Met	7500	external	140000	18.67
Liverpool	Met	14000	Internal but soon to be outsourced	?	
Trafford	Met	4028	external	144000	35.75
Bury	Met	5143	Internal	184000	35.78
Redcar and Cleveland	Unitary	3597	external	?	
Argyl and Bute	Unitary	3500	external	?	
West Lothian	Unitary	8000	external	?	
Wrexham	unitary	6300	external	?	
North east Lincs	Unitary	3266	int & ext	?	
Dundee	Unitary	6200	external	136000	21.94
Bridgend	unitary	5345	external	150000	28.06
Brighton and Hove	unitary	10000	external	212000	21.20
Ceredigion	Unitary	3800	external	?	
Darlington	Unitary	2035	external	109000	53.56
East Lothian	Unitary	3737	external	150000	40.14
Middlesborough	Unitary	4431	external	65000	14.67
Renfrewshire	Unitary	6522	external	103000	15.79
Scottish Borders	Unitary	6200	external	125000	20.16
Southend on Sea	Unitary	5000	external	?	

Stockton on Tees	Unitary	5624	external	?	
Thurrock	Unitary	4500	external	?	
Torbay	Unitary	4000	external	75000	18.75
Carmarthenshire	Unitary	9634	internal	?	
Neath Port Talbot	Unitary	8500	Internal	confidential	
Swansea	Unitary	10000	Internal but OHA / OHP/ HAVSOHP & Pensions OHP external	?	
Derby City	Unitary	6752	Internal	158000	23.40
Denbighshire	Unitary	5500	Internal	?	
Luton	Unitary	6076	Internal	?	

Appendix 2 - All Councils

Council	Type	FTE	OHU Internal / esternal	OHU Budget	OH cost per employee
Castle Point	Borough	250	External	?	
Chesterfield	Borough	723	external	30000	41.49
East Staffordshire	Borough	335	external	18900	56.42
Rugby	Borough	500	external	6000	12.00
Rushcliffe	Borough	339	external	18990	56.02
Southwark	Borough	6000	external	?	
Kingston	Borough	3000	Internal - shared aith Richmond		
East Renfrewshire	Borough	4800	external	?	
Greenwich	Borough	10000	external	200000	20.00
North Down (N. Ireland)	Borough	approx 300	external	33000 inc EAP	110.00
Runnymeade	Borough	362	external	16000	44.20
Rushmoor	Borough	250	external	?	
Scarborough	Borough	780	external	?	
Tamworth	Borough	318	external	20000	62.89
Taunton	Borough	500	external	?	
Test valley	Borough	600	external	?	
Woking	Borough	300	external	?	
Colchester	Borough	1000	external (NHS)	Each dept has their own	
Hillingdon	Borough	6200	Internal	?	
Redbridge	Borough	7423	internal	300000	40.41
Wandsworth	Borough	7354	internal	?	

Kensington and Chelsdea	Borough	3374	Internal	180000	53.35
Swale	Brough	300	external	?	
Sunderland	city	12500	internal	?	
Norwich	city	650	external	?	
Worcestershire	county	14000	internal but out to tender	125000	8.93
Leicestershire	county	14000	external	127000	9.07
Northants	county	16700	external	250000	14.97
Suffolk	county	21000	external	?	0.00
Norfolk	County	16290	external managed by H&S Team	?	
Northumberland	county	8500	int	250000	29.41
Somerset	County	10000	external	400000	40.00
Gloucester	District	190	external	?	
Braintree	District	500	external	?	
Cannock Cahase	District	462	external	?	
Cherwell	District	424	External	external	
Chichester	District	700	external	5000	7.14
Christchurch & East Dorset	District	?	Internal	3000	
Mole valley	District	285	?	?	
Ryedale	District	222	ex	10000	45.05
Shepway	District	300	externa	?	
Basildon	District	900	external	?	
Eastleigh	District	500	External	?	
Hambleton	District	620	external		
High Peak & Staffs Moorland	District	660	external	?	
Mid Devon	District	400	external	?	
South Hams	District	415	external	?	
Tandridge	District	320	external	?	
West Lancs	District	?	external	?	
Wyre Forest	District	400	external	8000	20.00
Mansfield	District	825	external - Notts City Council	50000	60.61
South cambridge	District	530	internal	?	
Fareham	District	450	external	17000	37.78
North Tyneside	Met	7500	external	140000	18.67

Liverpool	Met	14000	internal but soon to be outsourced	?	
Trafford	Met	4028	external	144000	35.75
Bury	Met	5143	internal	184000	35.78
Redcar and Cleveland	Unitary	3597	external	?	
Argyl and Bute	Unitary	3500	external	?	
West Lothian	Unitary	8000	external	?	
Wrexham	unitary	6300	external	?	
North east Lincs	Unitary	3266	int & ext	?	
Dundee	Unitary	6200	external	136000	21.94
Bridgend	unitary	5345	external	150000	28.06
Brighton and Hove	unitary	10000	external	212000	21.20
Ceredigion	Unitary	3800	external	?	
Darlington	Unitary	2035	external	109000	53.56
East Lothian	Unitary	3737	external	150000	40.14
Middlesborough	Unitary	4431	external	65000	14.67
Renfrewshire	Unitary	6522	external	103000	15.79
Scottish Borders	Unitary	6200	external	125000	20.16
Southend on Sea	Unitary	5000	external	?	
Stockton on Tees	Unitary	5624	external	?	
Thurrock	Unitary	4500	external	?	
Torbay	Unitary	4000	external	75000	18.75
Carmarthenshire	Unitary	9634	internal	?	
Neath Port Talbot	Unitary	8500	Internal	confidential	
Swansea	Unitary	10000	internal but OHA / OHP/ HAVSOHP & Pensions OHP external	?	
Derby City	Unitary	6752	Internal	158000	23.40
Denbighshire	Unitary	5500	internal	?	
Luton	Unitary	6076	internal	?	

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CHESHIRE EAST COUNCIL
CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

Date of Meeting:	28 June 2013
Report of:	Cheshire East – Chief Operating Officer Cheshire West and Chester – Director of Resources
Subject/Title:	Shared Services Performance Outturn 2012-13 and Business Plan Review 2013-16

1.0 Report Summary

1.1 This report provides a summary of the outturn position for the remaining shared services, including both financial and non-financial performance. In each case it also provides a forward looking summary of the challenges facing the Shared Services over the next three years.

1.2 In terms of overall performance, this report indicates that the majority of Shared Services appear to be delivering to plan under the sharing arrangements between Cheshire East Council (CE) and Cheshire West and Chester Council (CWAC). However the number of shared Services rated as “Green” has reduced demonstrating a move to more mixed performance overall i.e. amber . An overview of performance together with key objectives and risks for the period 2013/16 is contained in Appendix 1.

1.3 In terms of financial performance, the report indicates that, for the second year running the aggregated Shared Services have reported an underspend.

2.0 Decision Requested

2.1 That the Shared Services outturn performance for 2012 -13 and summary business plans for 2012-16 be noted.

3.0 Reasons for Recommendations

3.1 The Shared Services Administrative Agreement makes provision for the Joint Committee to receive outturn reports based on the information and measures contained in Shared Service Business Plans.

4.0 Wards Affected

4.1 This report relates to Shared Services that operate across both CE and CWAC so all wards are affected in both Councils.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including

6.1 None.

7.0 Financial Implications

7.1 The Shared Services financial outturn 2012-13 reports an aggregated underspend of £933K. This is a much improved position on the ¾ year review when it £656k overspend was anticipated. This can primarily be put down to a significant improvement in the ICT Shared Service who have delivered an underspend for the first time in 4 years.

7.2 A full breakdown of the financial position is reported in paragraphs 12.0 to 12.29.

8.0 Legal Implications

8.1 The Shared Services Administrative Agreement sets out the overall arrangements in relation to the manner in which authorities will work together. Shared Service Agreements and Secondment Agreements set out the mechanisms by which individual Shared services operate.

9.0 Risk Management

9.1 The Shared Services Business Planning process requires that all Managers undertake a risk assessment in developing business plans. These have recently been reviewed and new plans for 2013-16 have been produced. Risks arising from this process are noted in Appendix 1. Further work is required to analyse these risks and to consider if any need to be escalated to the Shared Service Strategic Risk Register.

10.0 Background and Options

10.1 All Shared Services are underpinned by formal legal arrangements and business plans providing details of the Shared Service operation, objectives and investment. These require a degree of flexibility to enable an appropriate response to the changing needs of each council. Business Plans for 2010-13 set out the measures by which the Shared Services' performance has been assessed.

10.3 This report provides an overview of Shared Services performance and finances for 2012-13, the fourth year of operation and looks forward to the next 12 months of service delivery to CE and CWAC as highlighted in recently revised Business Plans setting the direction for 2013-16.

11.0 Performance Outturn 2012-13

11.1 This performance report relates to the remaining long term shared services currently in place between CE and CWAC Councils. This includes:

- HR and Finance

- ICT
- Farms Estate
- Emergency Planning
- Occupational Health
- Archives
- Libraries Specialist Support
- Rural Touring network
- Archaeology Planning Advisory Service.

11.2 A summary of performance is contained in Appendix 1. This is based on key achievements for the year, performance against budget and national and local indicators as set out in Shared Service Business Plans for the period. An assessment of improvement against baseline performance (where available) and targets, has been made to provide an indication of the direction of travel for each indicator. A RAG rating (Red / Amber / Green) has been applied to provide a judgement of overall performance based on these two elements. This suggests that:

- Three services are rated as Green (performing well)
- Six services are rated as Amber (mixed performance)

11.3 As far as possible each service have provided comparative performance against annual targets and the previous year's performance together with improvement targets for the current and following year. However in some cases the indicators have changed from the previous year in an effort to provide a more meaningful measure and therefore the ability to monitor year on year performance has been reduced in some areas e.g. Library Shared Service.

11.4 It is acknowledged that the performance management framework surrounding shared services still needs to develop to provide more regular, relevant and accurate data that reassures all stakeholders, particularly clients that the Shared Services are delivering to plan. Work with Managers will continue to achieve this aim as the Shared Services mature.

12.0 Financial Outturn

12.1 Since the introduction of Shared Services financial performance monitoring has been reported on a quarterly basis.

12.2 At the end of 2012-13 there are 10 formal Shared Services to be reported, (8 CWAC-hosted, 2 CE-hosted). One of these Shared Services (Youth Offending Team) disaggregated at the end of September 2012.

12.3 As part of producing and reporting on the 12-13 outturn, separate subjective sheets for each Shared Service have been produced which show the break down of actual cost including recharges and the respective cost sharing arrangement for each. This has then been compared to the 2012-13 budget for each Authority to produce a budgetary variance and final outturn position. The commentary below highlights the year end position in relation to the estimated position at the Third Review (TR).

12.4 Full details of the outturn for individual shared services are shown at Appendix 2. The tables below provide summarised details of the final outturn position for the Shared Service.

2012-13	Outturn £000	Budget £000	Outturn Variance -under / over £000	Third Review Variance -under / over £000
Total Cost	11,751	12,684	-933	656
East cost share	5,770	5,926	-156	603
West cost share	5,981	6,758	-777	53

2012-13		Cheshire East					Cheshire West			
	Total Variance -under / over £000	Outturn £000	Budget £000	Outturn Variance -under / over £000	TQR Variance -under / over £000		Outturn £000	Budget £000	Outturn Variance -under / over £000	TQR Variance -under / over £000
HR & Finance	-78	1,402	1,351	51	165		1,485	1,614	-128	-98
ICT	-607	3,629	3,755	-126	333		3,588	4,070	-482	106
Civil Protection	21	149	125	24	28		149	152	-3	1
Occupational Health	-11	95	96	-1	-20		95	105	-10	-29
Archives	2	208	201	7	8		208	213	-5	-4
Libraries	97	434	300	134	155		434	471	-37	102
Rural Touring Network	-1	13	13	0	0		15	16	-1	0
Archaeological Services	8	97	97	0	0		137	129	8	0
Farms Estate	-323	-470	-244	-226	-66		-370	-273	-97	-25
Youth Offending Team (YOT)	-41	213	232	-19	0		240	262	-22	0
Total	**-933**	**5,770**	**5,926**	**-156**	**603**		**5,981**	**6,758**	**-777**	**53**

<u>HR & Finance</u>

12.5 CE **-** An overspend of £165k was formally reported at Third Review. Since Third Review the Joint Committee has agreed a revised percentage split for the Shared Service and the outturn is now calculated on the basis of 49:51 as compared to the original split of 50:50.

12.6 Since Third Review, the overspend has reduced from £165k to an overspend of £51k. Additional redundancy costs have resulted in an overall overspend against budget. The position has improved throughout the year reflecting efficiencies being made following the implementation of the Oracle R12 financial system upgrade, additional income from the buy back from schools and a number of change developments that have generated additional recharges to the ICT Capital programme.

12.7 CWAC - An underspend of £98k was formally reported at Third Review. Since Third Review the Joint Committee has agreed a revised percentage split for the Shared Service and the outturn is now calculated on the basis of 49:51 as compared to the original split of 50:50

12.8 At outturn, the HR and Finance Shared Service is reporting an underspend of £128k. This is an improvement of £30k on the £98k underspend forecast at Third Review. In addition there has been an underspend due to additional staff savings arising from vacancy management and an overachievement against school buyback income targets and charges to internal trading accounts. The service has also absorbed redundancy costs of £45k.

ICT

12.9 The ICT Shared Services is reporting an underspend of £607k at outturn compared to Third Review where an overspend of £439k was forecast. This represents a significant improvement of £1.046m.

12.10 CE - Of the total underspend of £607k CE's share of this is £126k. The outturn position has improved since Third Review due to the overachievement of capital project and telephony income, slightly offset by an underachievement of general and school income. This has resulted in an over achievement of income at year end of £673k when compared with budget. However this overachievement of income has been reduced by overspend in pay (£158k) and non pay (£390k).

12.11 CWAC **-** The CWAC share of the overall ICT Shared Service underspend is £482k. This is an improvement of £588k on the £106k overspend forecast at Third Review.

12.13 The outturn position has improved following implementation of mitigating measures at the end of the Third Review to alleviate the forecast overspend. The temporary delay in final recruitment to the TOM, additional vacancy management and management of overtime has resulted in savings of £353k when compared with the Third Review forecast.

12.14 The ICT Shared Service has also overachieved on capital project and telephony income, slightly offset by an underachievement of general and school income which has resulted in an overachievement of income at year end when compared with budget. This overachievement in income has improved by £236k since Third Review.

12.15 Redundancy costs are excluded from the outturn shown above. The final figures for redundancy are £301k, resulting in an under spend of £42k against the provision of £343k. The final recruitment to the TOM is now being undertaken, this will result is staffing budgets being more balanced during 2013-14.

Civil Protection

12.16 CE - The outturn overspend of £24k has improved marginally from the projected overspend of £28k at Third Review. The budget shortfall in this area has been addressed in Business Planning for 2013-14.

12.17 CWAC - The outturn underspend of £3k is an improvement from the projected overspend of £1k at Third Review. The small underspend is due to a post remaining vacant for part of the year.

Occupational Health

12.18 CE and CWAC **-** The total net underspend of £49k reported at Third Review has reduced to a net underspend of £11k at outturn. This underspend is a result of retendering of doctors contracts and staff vacancies. The underspend has reduced since Third Review as a result of increased agency fees and the cost and installation and training of the EOPAS system (Web based Occupational Health Software).

Archives

12.19 CE - The outturn overspend of £7k mainly relates to premises costs due to short/medium term storage measures – this was agreed by Joint Committee 27th July 2012. This position has improved by £1k since Third Review.

12.20 CWAC **-** The outturn underspend of £5k is in relation to reduced staffing costs vacancy management. This reflects a £1k improvement on the third review position.

Libraries

12.21 CE **-** The overspend of £155k has reduced to £134k since Third Review. The variance is made up of an underspend in salary costs which is offset against the underachievement of income relating to Warrington BC's pricing structure. The pricing structure was realigned to match Cheshire Schools. In addition costs relating to the relocation at Hartford Way and has resulted in unbudgeted expenditure, which includes rental and travel expenses.

12.22 CWAC - The underspend of £37k compares favourably to the overspend of £102k reported at Third Review. The improvement is mainly due to a call on contingencies to offset the underachievement of income relating the Warrington BC’s pricing structure and also includes an underspend in salary costs.

Rural Touring Network

12.23 CE and CWAC **-** The small £1k CWAC underspend is more or less consistent with the balanced outturn reported by both CWAC and CE at Third Review.

Youth Offending Team

12.24 The Youth Offending Team ceased as a shared service on the 30th September 2012.

12.25 The outturn underspends of £19k and £22k respectively compare favourably to the balanced position forecast at Third Review. The underspend has been achieved as a result of receiving additional income contributions during the year and drawing down the Shared CTG (Collaborative Training Group) fund held by Halton and Warrington.

Archaeological Services

12.26 CE make a fixed annual contribution to the service and therefore are reporting a balanced budget at outturn. CWAC are reporting an overspend of £8k compared to a balanced budget at Third Review, this is a result of additional agency costs incurred as a result of a current vacancy.

Farms

12.27 The underspends reported at outturn of £226k for CE and a £97k for CWAC respectively represent a significant improvement (£232k) on the underspend forecast at Third Review of £66k for CE and a £25k for CWAC. The improved position for both Authorities is due to lower than expected Farms maintenance costs and vacancy management within the team.

Overall Financial Position

12.28 Cheshire East **-** Within Cheshire East, the 2012-13 Shared Services outturn is an overall underspend of £156k. The majority of this underspend relates to ICT (£126k) and Farms (£226k) offset by an overspend of £134k in the Libraries Shared Service and a small overspend of £51k in the HR & Finance Shared Service.

12.29 Cheshire West & Chester **-** The overall Shared Service reported outturn for Cheshire West and Chester is an underspend of £777k which relates primarily to the underspend of £482k on ICT, £128k in the HR & Finance Shared Service and £97k on the Farms Estate.

13 Moving Forward

13.1 New Business Plans have been provided for the period 2013-16 for the remaining shared services. However these will need to be kept under review to ensure that they continue to meet the needs of the Cheshire East and Cheshire West and Chester Councils. This will be particularly important in terms of responding to the requirements of any future austerity measures and considering the impact on service delivery to clients.

13.2 Appendix 1 provides a summary of the revised business activity for 2013-16 and full copies can be made available on request. However points worth highlighting are:

- The delivery of the Separate Legal Entity for ICT and HR & Finance Shared Services and creating a more commercial approach to business activity from April 2014
- Moving towards a common ICT infrastructure, simplified architecture and application landscape to increase efficiency
- Reducing the size and complexity of ICT projects and better managing risk to improve outcomes and implementation of solutions through strengthened supply management and commissioning
- Continued implementation of the Emergency Planning Training
- Restructuring of OHU to achieve further efficiency savings
- Securing funding for new Archives premises
- Procurement of a new library management system
- Securing additional funding for rural Arts project

14 Conclusion

14.1 The overall approach to annual performance management is improving. This is largely down to the ability to focus on just nine shared services which are set to remain for the longer term. Financial reporting is embedded and provides a means of monitoring in year. The next step will be to introduce a similar mechanism for non financial performance reporting to provide a more holistic view of performance on a more regular basis than annual. It will be particularly important for those Shared Services moving into the SLE to build on this discipline as they will be required to provide regular performance reports to clients and shareholders in the future.

14.2 In many areas the measures used to monitor performance have stabilised but in others there appears to be some difficulty in developing a suite of PIs that provide on ongoing overview of performance. This issue needs to be addressed so that the indicators used provide an accurate view of the services delivered and enable the services and clients to compare year on year performance.

14.2 This year the number receiving a Green RAG rating has dropped from six to three. In some case improved budget performance has been offset by deterioration in non financial performance and this is reflected in the overall judgement. In others the overall performance is related to capacity issues and an adverse impact on service delivery. Moving forward it will be important for annual targets to be realistic in terms of what can be delivered with the resources available.

15 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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SHARED SERVICE PERFORMANCE REPORT 2012-13: SUMMARY

This summary of performance considers both qualitative and quantitative performance in terms of the shared services achievements and performance against national and local indicators as outlined in the Business Plans 2012-13. The RAG rating (Red / Amber / Green) is a judgement based on the combined performance of both elements.

SERVICE		SUMMARY OF PERFORMANCE	Overall rating
A01a	HR and Finance	Overall good service delivery has been evidenced by positive performance against the majority of key indicators. More streamlined processes and restructuring has delivered staffing reductions equating to 6 FTE. The cost split between clients was revised at ¾ year to 49% East: 51% West based on actual activity. The aggregated financial position at outturn shows budget underspend for the first time.	G
A01b	ICT Shared Service	Performance against targets is mixed. Performance related to Helpdesk call handling has declined and this has been attributed to resource issues. Again response to incidents has declined and discussions are underway with clients about the appropriateness of these indicators in the longer term. Availability of network and business applications remains stable whilst e mail exchange has slightly improved. Project delivery remains an issue although a significant step-change in anticipated in 2012/13 with a new supply partner now on board. The Service is reporting an underspend of £607k at outturn compared to ¾ review where an overspend of £439 was forecast. This represents a significant improvement of £1.046m	A
A03	Farms Estate	Overall good service delivery against objectives and policies for both Councils. Performance against indicators is mixed due to differences in policies. Capital receipts have exceeded targets whereas capital expenditure in CE has increased although not as much as anticipated. Overall Asset Value has declined but net income has increased. Financial outturn is positive which can be attributed to lower than anticipated maintenance expenditure and staff vacancy management.	G
A04	Emergency Planning	This service has co-ordinated an effective authority response to 45 incidents and over 300 severe weather and flood warnings on behalf of both councils. Unfortunately the high volume of activity has had a negative impact on the delivery of core objectives. The budget pressure of £20K will be addressed by Cheshire East in 2013-14	A

SERVICE		SUMMARY OF PERFORMANCE	Overall rating
A05	Occupational Health	OHU is now starting to make good progress in developing and reporting it performance. This will be further improved by the introduction of the EOPAS system which is currently being implemented. Significant savings have been delivered as a result of staff restructuring. The £11k underspend has been achieved through retendering doctors contracts and vacancy management.	**A**
A06	Archives	The service has retained its Customer Service Excellence Award and customer satisfaction has rallied following a decline in 2011-12. Net expenditure remains in the lowest quartile and SLA with Halton and Warrington have been maintained. Online access has risen above expectation. The small budget overspend is attributed to the need to remove Archive material to temporary accommodation at Ellesmere Port market.	**A**
A08	Libraries Specialist Support	2012-13 finally brought the co-location of the LSS team in Chester however unanticipated expenditure on this project has contributed to the Services overspend at year end. Whilst savings have been delivered this has been off-set by reduced income being achieved by the Education Library Service. Bookstart performance shows improvement but continued uncertainty future funding remains a concern.	**A**
A14	Rural Touring Network	Audience ratings of performances continue to increase and attendances are being maintained although initial indications are less local to the venue. Performance data for spring 2013 is currently being collated and will be available at the end of July 13.	**G**
	Archaeology	Review activity on Cheshire's Historic Environment Record (HER) continues although progress has slowed a little. Performance in responding to enquiries about the Farms environments has declined due to delays from external organisations. A small overspend has been incurred in CWAC resulting from additional agency costs incurred as a result of a current vacancy.	**A**

The following tables provide a more detailed view of performance in each of the featured shared services. These include an indication of the general direction of travel as outlined below:

↑ Improved performance on previous year and / or target achieved for year

↔ Static Performance or baseline set for future performance

↓ Deteriorating performance on previous year and / or target not achieved for year

A01a HR AND FINANCE Overall Rating:

Service Manager: Vanessa Coates

The HR & Finance Shared Service provides transactional 'back office' services to Cheshire West and Chester ("CWAC") and Cheshire East ("CE") Councils (key clients) and also a range of external customers.

Key Achievements 2012-13

- A new streamline structure has been implemented reducing senior managers from 5 to 3 and making £100k saving.
- Continued review of transactions is leading to more efficient process and reduced costs – staffing has decreased by 6 FTE
- A review of shared service and client activity has been undertaken and a fully costed charging metrics has been developed for clients
- All new and statutory legislation, particularly around pensions, has been implemented without incurring staffing increases
- A major upgrade of Oracle has been supported, outstanding data fixes have been implemented to improve financial reconciliation and OLM and OPM phase 2 has been introduced
- BACS software has been update to ensure continued compliance and an electronic Direct Debit system has been introduced to replace paper-based processes and improve audit trails
- A New Company (Oracle) setup has been developed to support Client initiatives to develop alternative delivery models including the SLE and Tatton Park Enterprises Ltd
- Terms and Conditions have been developed to cover new staff TUPEing into Client Councils (e.g Child Care Enterprizes; Public Health; Patrols) and a range of staff have TUPE'd out of the Authorities e.g. Plusdane; Waste
- Several school academies have been added to our external supplier list ensuring income for future years.
- The Service is registered on a procurement framework with a view to increasing its client base

Outturn Budget Position: £77,657 underspent

Key Performance Indicators

Measure		Responsible Officer	Split	2011-12 Actual	2012-13 Target	2012-13 Actual	2013-14 Target	Comments on 2012-13 Performance	Direction of Travel
HRF1	Benchmarking cost per payslip	ESC Manager	Overall	1.70	1.70	1.65	1.65	No benchmarking was carried out during 2012-13, however a saving of £220k was made across the service. Payslips equate to 8% of the service saving £17,600. Across the 320,000 payslips this relates to 5p a payslip saving. The target for 2013-14 has not been reduced as staffing numbers are falling so less payslips will be required, any savings will be absorbed in the loss of economies of scale as both authorities outsource services and business is lost or more expensive to provide to smaller outsourced “companies”.	↑
			CE	1.70	1.70	1.65	1.65		
			CWAC	1.70	1.70	1.65	1.65		
HRF2	Benchmarking cost per payments invoice	Exchequer Manager	Overall	1.52	1.40	1.40	1.35	No benchmarking was carried out during 2012-13, however a saving of £220k was made across the service. Payments/invoices equate to 40% of the service saving £88k. Across the 738,000 payments/invoices this relates to 12p per process.	↑
			CE	1.52	1.40	1.40	1.35		
			CWAC	1.52	1.40	1.40	1.35		
HRF3	Benchmarking costs per receivables invoice	Income Manager	Overall	3.77	3.60	3.57	3.50	No benchmarking was carried out during 2012-13, however a saving of £220k was made across the service. Creditor invoices equate to 15% of the service saving £33k. Across the 160,000 processes for creditor invoices this relates to 20p per process.	↑
			CE	3.77	3.60	3.57	3.50		
			CWAC	3.77	3.60	3.57	3.50		
HRF4	Staff ratio of employees to Contracting staff	ESC Manager	Overall	500	500	502	500		↔
			CE	500	500	502	500		
			CWAC	500	500	502	500		
HRF5	% Invoices ready for processing in 10 working days*	Exchequer Manager	Overall	98%	98%	98%	98%		↔
			CE	98%	98%	98%	98%		
			CWAC	98%	98%	98%	98%		
HRF6	% Invoices paid within 31 working days of receipt	Exchequer Manager	Overall	93%	94%	94%	95%		↔
			CE	93%	94%	94%	95%		
			CWAC	93%	94%	94%	95%		
HRF7	% CRB’s being completed electronically	Sourcing Manager	Overall	81%	85%	92%	95%		↑
			CE	81%	85%	92%	95%		
			CWAC	81%	85%	92%	95%		

Delivery 2013-16

The future has been defined by Cheshire Authorities as the Shared Service will go forward joining with ICT to create a Separate Legal Entity, operating for it's share holders (CWAC & CE) ensuring cost effective delivery and services for it's officers, members and the public.
The key drivers of our service lies in accurate, timely, auditable, processes delivered in a cost effective efficient way.
It's customers expect excellent customer service and streamlined change management whether directed by the Authority or statutory change.
The service needs to embed best practice and standards to keep costs down and also be flexible to move with the directives.
A major driver will come from the "deliver differently" objectives of the organisations, ensuring that as elements of each Authority are separated from their parent Authority we can still offer, where appropriate, services to fit the formation of these new entities, not least our own.
Growing business and establishing new partnerships will also feature heavily over the next years. Again both parent organisations will expect a return on their investment and we must be ready to grow into new areas and show we can exist in a commercial environment.

Key Risks

Failure to deliver the Separate Legal Entity leading to business objectives and anticipated efficiencies not being delivered
Failure to deliver electronic solutions due to security concerns leading to systems/process developments not being progressed thereby reducing opportunities for efficiencies
Failure to agree scope of service with key clients leading to inability to develop commercial relationships and resulting in potential delays in the delivery of the SLE
Failure to develop a commercial culture and to provide employees with the skills and ability to operate in a changing environment resulting in confusion and a poor customer service
Investment in the service is not forthcoming leading to an inability to respond to technical developments resulting in reduced client satisfaction

A01b ICT SHARED SERVICE

Overall Rating:

Service Manager: John Callan

The main purpose of the Shared Service (CSS) is to develop, operate and progress towards delivering a cost-effective, quality and efficient service, supporting cost reduction through the introduction of lower cost technology whilst enabling each shared services customer to pursue their transformation agendas and introduce fundamental business change. This is achieved by building a strong and stable Shared Service which provides a flexible organisation through a professional, client focussed and efficient team. ICTSS exists to create customer value, innovate, make a lasting difference and be the shared service of choice. This will be achieved by; listening to and collaborating with customers and colleagues; communicating well; delivering our commitments; focusing on what matters most and being proud of our service.

Context:

Financial year 2012/13 was a major year of transition for the ICT Shared Service. It launched a new Target Operation Model on 1st April following a significant re structure of the business resulting in a 30% reduction in the overall headcount. This was followed by a recruitment of new capability at all levels but specifically at the leadership level to start to reshape the services. It also included procurement to source a new supply partner to assist change delivery who were appointed in March 2013 in readiness for the new financial year. The financial under spend reflects the ongoing work to recruit the right calibre staff and vacancy management programme undertaken to eliminate the overspend.

Key Achievements 2012-13

- The implementation of the New Target Operating Model to maintain levels of service, improved capability and delivered our financial budget.
- Won Kana International Award for Best Mobile Experience by being more responsive to citizens' needs as well as running service operations more effectively through the use of the Lagan CRM system.
- Fully implemented mature industry standard processes that are customer focused leading to an increased level of satisfaction and confidence with our customers.
- Established Programme and Project Services including PMO and Commissioning teams to deliver £6.6 million of change through 500+ projects.
- Development of a prioritised set of technology roadmaps to provide a baseline and inform investment planning and future state architecture.
- Maintained ISO9001 Quality, National Computing Centre ITDA and SIMS Accreditations and commenced new accreditations for the Service Desk Institute as well as achieving TOGAF - (The Open Group Architecture Framework) Accreditation.
- Improved and streamlined governance process through Portfolio Review Board, Technical Design Authority, Technical Review Group, Service Liaison Group and Strategic Oracle Board.
- Introduction of new toolsets and approaches for accelerated and assured project delivery.

Outturn Budget Position: £607, 030 Underspent

Key Indicators

Measure		Responsible Officer	Split	2011 -12 Actual	2012-13 Target	2012-13 Actual	2013-14 Target	Comments on 2012-13 Performance	Direction of travel
ICTSS 01	Service Desk Telephone Answer Service Level 80% in 20 seconds	Service Delivery Manager	Joint	90.4%	80/20	62.4%	80/20	Following the TOM restructure, there have been resource issues on the Service Desk which has lead to a reduction in call answer stats. Once fully populated, it is expected that the 80%/20sec target will be achieved in 13/14.	↓
ICTSS 02 **	% of priority 1 service desk calls resolved with 4 hours (for all channels and assigned by 1st line support). Incidents only	Service Delivery Manager	East And West	94%	95%/ 4 hours	Inc: 73.3% Inc: 85.3%	95% (excluding those referred to third parties)	Due to the nature and relatively small number of P1 incidents (which are managed through the Major Incident process), it is difficult to achieve this target. The process for raising, investigating, resolving and closing a major incident is embedded in ICTSS,and we will be negotiating the target with Clients.	↓
ICTSS 03 **	% of priority 2 service desk calls resolved with 8 hours (for all channels and assigned by 1st line support). By Incidents and Service Requests	Service Delivery Manager	East And West	Incidents: 87% Service Reqs: 97%	Inc: 95%/1 wk day S/R: 95%/5 wk days	Inc: 75.2% S/R: 96% Inc:78% S/R: 96.5%	Inc: 95% S/R: 95%	Incidents: There has been much discussion with CEC and CWaC around the appropriateness of incidents calls being logged as P2 and P3 – typically these are for VIPs irrespective of the nature of the incident. The focus will be on agreeing with CEC/CWaC how best to manage these calls. Service Requests: within service targets.	↓
ICTSS 04 **	% of priority 3 service desk calls resolved with 5 days (for all channels and assigned by 1st line support) By Incidents and Service Requests	Service Delivery Manager	East And West	Incidents: 90% Serv Reqs: 98%	Inc: 95%/2 wk days S/R: 95%/20 wk days	Inc: 74.6% S/R: 96.1% Inc: 73.5% S/R: 96.1%	Inc: 95% S/R: 95%	Incidents: There has been much discussion with CEC and CWaC around the appropriateness of calls being logged as P2 and P3 – typically these are for VIPs irrespective of the nature of the incident. The focus will be on agreeing with CEC/CWaC how best to manage these calls	. ↓

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of travel
						Actual			
ICTSS 04a **	% of priority 4 service desk calls resolved with 5 days (for all channels and assigned by 1st line support) Incidents only	Service Delivery Manager	East And West	Incidents: 95%	75%/5 wk days	91.9% 92.8%	75%	Within service targets	↑
ICTSS 05	% availability average of corporate network edge sites (corporate non-ADSL)	Service Delivery Manager	East And West	99.2%	99.0% (corporate non-DSL)	99.0% 97.5%	99.0%	Within service targets.	↔
ICTSS 06	% availability of core business applications during working hours (Priority 1 applications as defined in the business continuity plan)	Service Delivery Manager	East And West	99.8%	99.0%	99.7% 99.8%	99.0%	Within service targets.	↔
ICTSS 07	% projects completed within agreed timescales	Programme & Project Services Manager	Joint	51%	95%	33%	75%	Implementing the TOM had a significant impact on project delivery timescales because of the 60% reduction in internal project delivery capacity. This was further exacerbated by the introduction of a new agency contract on 1 April 2012, resulting in a bedding-in period for ICT provision, together with delays in securing a project delivery partner which impacted on our ability to secure timely supply. We are expecting a significant step change in 13/14.	↓
ICTSS 08	% projects completed within agreed budget	Programme & Project Services Manager	Joint	91%	95%	76%	75%	The impact of the TOM implementation as per S07 has also impacted this measure. There are also no tolerances or contingency budgets allocated to projects which impact on this measure.	↓
New PI 1	Availability - Exchange (Email)	Service Delivery Manager	Joint	99.5%	98%	99.8%	98.0%	Within service targets.	↑

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of travel
					Target	Actual			
New PI 2	Availability - Intranet	Service Delivery Manager	East And West	99.9%	98%	99.9% 99.9%	98.0%	Within service targets.	↑
New PI 3	Availability – Internet	Service Delivery Manager	East And West	99.8%	98%	100% 100%	98.0%	Within service targets.	↑
New PI 4	Availability – Click Into Cheshire	Service Delivery Mgr	Joint	99.91%	99.75%	100%	99.75%	Within service targets.	↑

Delivery 2013-16

The Joint Officer Board and Joint Committee, endorsed by both Authority Cabinet and Executive committees in January and April 2013 set out a vision for Shared Services to be a Separate Legal Entity (SLE) at the heart of delivery of efficient, cost-effective public services which are responsive to the needs of citizens and business services. In order to achieve this vision the shared services has identified a series of challenges which had to be faced and set out an ongoing programme for:

- Making CSS more customer focused and open to the clients that use our services by ensuring responsibilities and processes between the SS and clients are fully understood;
- Maintain high levels of service delivery aligned to approved service level agreements through an approved service catalogue with approved SLAs.
- Reducing the size and complexity of projects, and better manage risks thus improving the outcomes and implementation of solutions through strong supply management and commissioning processes;
- Enabling reuse of existing systems and 'off the shelf' components, reducing duplication, over-capacity and saving money by agreed architecture roadmaps at all levels including infrastructure, applications and business process.;
- Moving towards a common infrastructure, simplified architecture and application landscape, increasing efficiency and interoperability using the roadmaps as guides;
- Continually reviewing the Operating Model for shared services which makes better use of scarce resources aligned to a new service based model and creates a skilled workforce, working with sourcing partners to improve and exploit capability.
- Reducing the cost of the Shared Service by implementing stronger spend controls including third party spend and increasing income.
- Delivering value from existing suppliers including software licensing optimisation and renegotiation.
- Provides transactional 'back office' services to Cheshire West and Chester ("CWAC") and Cheshire East ("CE") Councils and also a range of external customers.

The 2013-16 plan builds on a number of significant successes which have been delivered and learned experience applied. Progress has been strong, as noted by independent Gartner cost benchmarks; maintaining ICT quality accreditations in ISO9001 and achieving accreditation from National Computing Centre as well as formative feedback from customer satisfaction surveys.

Shared services will maintain a commitment to transparency and openness by the publication of quality of service metrics relating to performance. These will continue to be developed to provide a more consistent measure for future years, demonstrating how shared services is progressing.

Key Risks

- Insufficient supply capability / capacity resulting in inability to deliver projects to time / budget / scope
- Inability to attract and retain workforce skills
- Staff do not buy into the culture of continuous improvement/new ways of working
- Income not realised from customers such as school buy back
- Cost of change recovery level insufficient to recover costs
- Inability to deliver further savings on 3rd party spend (in particular PSN)
- Inability to realise synergy savings by further consolidation within the Shared Service
- Missing or poorly-defined service level definitions
- Inability to retain customers/shareholders withholding investment
- Insufficient Investment in ICT Infrastructure and resulting risk to maintaining currency and renewal of hardware and software versions
- Shared Services commercial drivers and service offerings are not clearly defined leading to lack of business viability
- Client v Shareholder conflict of interests potentially leading to failure to standardise and simplify solutions and platforms (e.g. at TDA)
- Lack of clarity / ownership of business change management to support IT delivery (including decommissioning) resulting in reputational impact for ICT
- Roadmaps and future state architecture are not endorsed by stakeholders, leading to lack of investment agreement/different support models etc.
- Diverging client business and ICT strategies
- Rationale for technology / strategy and direction is not fully understood by the business
- Future state architecture /roadmaps compromised by regulatory / compliance changes driven by Central Government
- Technology Roadmaps and future state architecture slows down tactical solutions implementation for customers
- SLE business units not aligned with strategy and approach
- Lack of high level / up stream visibility of demand plans from customers to secure effective and timely supply channels
- Late scope / requirements / timescale changes by customer impacting on delivery performance
- Failure to adhere to the PSN CoCo, IL2 etc may lead to loss of PSN connectivity
- Out of date Service Risk Wheels aligned to Architecture Roadmaps for all critical Strategic Services leads to poor decision-making

A03 FARMS ESTATES

Overall Rating:

Service Manager: David Job

Cheshire Farms shared service was established to provide the management function for the Farms Estates of each authority, a rural property portfolio that provides opportunities for those wishing to take up farming on their own account and the rural based specialisms required in the acquisition, management and disposal of this and other rural property held by each authority. The team comprises two Land Agents and 1.3 fte support staff specialising in the acquisition, management and disposal of rural property and it is the costs associated with replacing or replicating the required skills sets that provide a fundamental reason for the formation of the shared service.

Management of the estates follow individual strategies approved by each authority in late 2011 / early 2012.

- CW&CBC policy is designed to manage the cessation of service provision over an undefined period of years.
- CEBC policy is designed around a retention model but aims to improve the operational and financial performance of its Estate over a 5 year period concluding in 2017. The key features of this Strategy are:

- A physical restructuring of the Estate to provide a range of farming opportunities suited to the modern needs of the agricultural industry.
- To realise capital receipts through the rationalisation of the Estate and to improve long term financial viability.
- The use and reinvestment of a proportion of the capital receipts in measures to a) improve the quality and efficiency of the retained Estate and b) finance the costs of disposal.

The service is provided on a pan-Cheshire basis to achieve maximum benefit from efficiencies and economies of scale in using specialist services and expertise.

Key Achievements

Cheshire East BC

- Capital receipts of £2.837 million (4 farmsteads plus 1 range of buildings and 1 clawback settlement - Total 57.387 acres)
- Investment of £320,222 in acquisitions (1 block let bare land - Total 51.97 acres)
- Revenue Budget outturn of approx £472,000 (underspend encompassing rental growth of £10,225 pa through rent review of18 farms across 1460 acres)
- Progress on structural modelling and targets.
- Improved decision making processes through introduction of Cabinet Review Group to governance model.
- Non Farms Estate - Over 800 acres let within 11 agreements generating approx £8,000 per annum.

Cheshire West &Chester BC

- Capital receipts of £2.103 million (2 farmsteads plus 4 blocks of land)
- Revenue Budget outturn of approx £370,000 (underspend encompassing rental growth of £24,988 pa through rent review of 16 farms across 1499 acres)
- Non Farms Estate - Over 350 acres let within 22 agreements generating approx £22,100 per annum.

Outturn Budget Position: £322,682 Underspent

Key Indicators

INDICATOR	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	2012-13 Variance	2013/2014 Target	COMMENTS
Revenue Income Generation							
CEBC	£632,587	£629,935	£696,674	£662,987	-£33,687	£697,717	Income Budgets
CW&CBC	£559,227	£616,327	£394,629	£561,566	£166,937	£394,629	
Total income	£1,201,579	£1,246,262	£1,092,303	£1,224,553	£133,250	£1,092,346	
In Year Debt							
CEBC		£2,810	<£ 10,450	£5,012.69	-£5,437.31	<£10,465.75	
CW&CBC		£8,576	<£ 5,919	£14,609.00	£8,690.00	<£ 5919.43	
Total In Year Debtors	£6,308	£11,386	<£ 16,369	£19,621.69	£3,252.69	<£16,385.18	1.5% of Income budget
				CEBC 0.75%	-0.65%	<1.50%	
% in year debt to total income	0.52%	0.90%	<1.50%	CW&CBC 2.60%	1.10%	<1.50%	
Total Debtors outstanding	£95,821	£96,115	£96,115	£ 98, 125	£2,010.00	£96,115	Reduction from 2013 actual
Capital Receipts							
CEBC	£1,608,000	£548,065	£ 2.70m	£2.83 million	+£0.13 m	£2.68 million	Flat profiled average of predicted total over 5 years
CW&CBC	£854,420	0	£ 1.60m	£2.10 million	+£0.5 m	£5.07 million	Profiled to possession (including identified disposals)
Capital Expenditure							
CEBC	£59,668	£94,341	£670,000	£328,269	-£341,731	£762,889	Capital Budget
CW&CBC	£5,186	0	0	£0	0	£0	
Vacancy Rate							
CEBC	5	6	< 6	3	-3	<7	
CW&CBC	4	5	< 8	5	-3	<5	
Total	9	11	<14	8	-6	<12	Approx < 10%
Asset Value							
CEBC	£ 7,499,442	£ 8,694,675		£ 7.47 million			
CW&CBC	£ 5,359,562	£ 6,910,649		£ 7.12			

				million			
Total	£ 12,859,004	£ 15,605,324		£ 14.59 million			
Net Income							
CEBC	£ 299,537	£ 386,049	£ 244,064	£ 471,803	£ 227,739		
CW&CBC	£ 281,052	£ 378,799	£ 273,570	£ 370,051	£ 96,481		
Total	£ 580,588.00	£ 764,848	£ 517,634	£ 841,854	£ 324,220		
Net Return On Asset value							
CEBC	3.99%	4.44%	4.68%	6.31%	+1.63%	4.68%	
CW&CBC	5.24%	5.48%	4.68%	5.19%	+0.51%	4.68%	

Delivery 2013-16

Challenges and opportunities that will shape future service delivery and inform key objectives, to include:

- **An overview of key drivers including resources reductions (budgets / staff)**

Budgets / targets for capital receipts, expenditure and structural change for both clients are profiled to approved strategies and recent challenge outcomes and therefore remain a stable and known target going forward, subject to variances that may need to be addressed reflecting greater than expected levels of activity in e.g. disposals which impact on income generation.

Staff resources are temporarily reduced having have absorbed the loss of one fte (Project Officer) and one similar post remains unfilled pending the development of the capital expenditure programme for CEBC with work load being bought in as required at this stage. This will need to be kept under review with a cost benefit analysis used to determine future plans. Plans to move office within Goldsmith are expected to be actioned this summer.

- **Meeting the needs of clients and stakeholders**

Whilst the focus of policy objectives for each client authority differs greatly, the activity and functions fulfilled by the shared service remain similar as do the needs of stakeholders and service users. Clearly relationships and linkages with client services will evolve / change as do structures and the need for clear and more distinct communications with customers (tenants) will need to be addressed.

- **Response to delivering and/or supporting new and developing delivery models**

The service has continued to adopt changes in reporting requirements to service client services needs and will need to respond to the host authorities stated preference of creating a commissioning authority model.

- **Detail on intelligence-informed key drivers including improving performance**

Key Risks

- Divergence of the two councils priorities / culture leading to misalignment of resources resulting in inefficiencies and breakdown of sharing arrangements.

A04 EMERGENCY PLANNING

Overall Rating:

Service Manager Chris Samuel

The overarching aim of the Shared Emergency Planning Service is to ensure that both Cheshire West and Chester Council, and Cheshire East Council, have the capability to respond effectively and efficiently to any major emergency in support of their communities, and the multi-agency response. The service is also responsible for the co-ordination of Business Continuity Management (BCM) function delivery across Cheshire East Council and Shared Services (the latter in conjunction with CWaC Risk & Continuity Officer). Staffing - The service has 7 staff (3 CWaC and 4 CE) with six officers based in Chester and one in Sandbach. Budget - the service has a budget of £327k pa of which £23K is income generated through cost recovery for work performed under COMAH, REPPIR and PSR legislation. The budget for 2013-14 reflects a 24% efficiency saving made in 2012-13.

Key Achievements 2012-13

- Responding to incidents - Co-ordinated an effective authority response to 45 incidents and over 300 severe weather and flood warnings on behalf of Cheshire West and Chester Council, and Cheshire East Council. The incidents have included a pan-Cheshire Major Flood Incident (24-29 September), pan Cheshire snow disruption, a major fire at the Essar Oil Refineryin Stanlow, the closure of the M56 at Hapsford for 12 hours, a large building roof collapse and evacuation in Winsford, a chemical suicide in Northwich, suspected IEDs in Macclesfield, Cuddington and Chester, numerous large fires and three separate flood incidents in Farndon. The team also led the co-ordination of both authorities' preparations for potential Fuel Tanker Driver Industrial Action in April 2012.

- Training - Designed and implemented a series of 7 Emergency Management Workshops (3 in CWaC and 4 in CE) with a total of 63 managers attending from both authorities. These sessions, which have received excellent feedback from delegates, are ensuring that managers are made aware of what is required of them whilst on either the Senior Manager Emergency Response Duty Rotas or as part of a Council Emergency Management & Response Team (CEMART) during an incident. An additional 9 events have been scheduled for the first half of 2013-14. This has been the key training focus for the team during 2012-13 and will remain so moving forward.

- Olympic Torch Relays (May 2012) - the team were heavily involved in the planning for the Torch Relay events in both authorities, culminating in the operation of local authority emergency centres in Winsford (29th) and Sandbach (31st), briefing of CEMARTs and attendance at the Joint Tactical Co-ordination Centres at Police HQ on both days. Preparations also involved the revision and multi-agency testing of the Chester City Centre Evacuation Plan.

- Public Health Transfer - The service explored the potential impact of the proposed public health changes from an emergency management perspective, ensuring that both authorities were prepared to deal with any Major Incident from the 1st April 2013. This included a full revision of the Council Major Emergency Response Plans for both authorities and ensuring awareness was raised about the Councils' new responsibilities.

- Industrial Hazard Planning - The team is currently responsible for 17 top-tier COMAH sites, 1 REPPIR facility and over 600kms of Major Accident Hazard Pipeline. Over the course of 2012-13 the team has undertaken a number of plan revisions including the Off-Site Plan for Urenco

(Capenhurst) and the Cheshire Major Accident Hazard Pipelines Plan, as well as co-ordinating a number of multi-agency exercises. The team also introduced a new annual maintenance charge in an effort to recover additional costs from COMAH and REPPIR operators across Cheshire.

- Significant Partnerships - Continued to participate in and co-ordinate a number of Cheshire Local Resilience Forum (LRF) projects, planning, training as well as chairing 5 multi-agency Task Groups covering subjects including Warning & Informing, Industrial Issues, Exercise Planning, Integrated Systems. The service also led the co-ordination of a multi-agency workshop on coastal pollution (December) and a major recovery phase exercise (March).

- Emergency Preparedness - Increased levels of emergency preparedness across both authorities generally through ensuring all generic and subject specific plans (including the CE and CWaC Multi-agency Flood Response Plans) were updated, implementing live testing of Main and Standby Emergency Control Centres, and ensuring regular liaison and awareness raising with key stakeholders and partners

- Business Continuity Management (BCM) - This work-stream, new to the service for 2012-13, has made good progress through at both a Cheshire East Council level and at a Cheshire Shared Service level. This work will continue into 2013-14 focusing on a Corporate BCM Plan for the authority, and ensuring robust service level plans are in place for all critical activities acrosss the authority and the Shared Services. The latter is undertaken working in partnership with Helen Turner (Risk & Continuity Officer, CWaC).

Outturn Budget Position: £21,440 overspent

Key Indicators

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of Travel
					Target	Actual			
EP01	Public awareness of what to do in the event of a large scale emergency (to be measured as part of CWaC Community Survey and CEC Citizens Survey)	Chris Samuel	Overall	16.1%	25%	**N/A**	25%	Question was asked in Q4 survey 2012-13 - results due in 2013-14. Bi-annual survey - next survey scheduled for Autumn 2013.	↔
			CE	14.0%	25%	**N/A**	25%		
			CWAC	18.2%	25%	**N/A**	25%		
EP02	Statutory plans delivered within agreed timescales	Chris Samuel	Overall	100%	100%	**95%**	100%	• All REPPIR and PSR plans are currently within agreed ONR and HSE timescales. • One COMAH Plan revision is outside current HSE timescales (Backford North PSD) – actions are underway to complete the revision asap. • Six COMAH Plan revisions were completed in 2012-13.	↓

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2012-13	Comments on 2012-13 Performance	Direction of Travel
					Target	Target			
EP03	Statutory exercises delivered within agreed timescales	Chris Samuel	Overall	100%	100%	**100%**	100%	Three exercises took place in 2012-13. All have taken place within agreed HSE and ONR timescales.	↔
EP04	Ensure council representation at required multi-agency meetings/ events/ projects	Chris Samuel	Overall	100%	100%	**100%**	100%	Target met.	↔
EP05	Serious/ Major Incidents responded to by Duty Emergency Planning Officer within appropriate timescales	Chris Samuel	Overall	100%	100%	**100%**	100%	The service has seen a significant increase in the number of incidents responded to in 2012-13. With an annual average of 34 incidents pa, the service responded to 45 incidents in 2012-13 with 37 of those occurring in a 9 month period between April and December. The service also responded to over 300 flood and severe weather warnings. All incidents were responded to within appropriate timescales.	↔
EP06	Seek views from partner agencies, services & industry regarding service performance.	Chris Samuel	Overall	**Not - completed**	Undertake survey with 75% return	**0%**	Undertake survey with 75% return	This objective has not been completed thus far due to competing priorities taking precedence. Intention is now to implement survey in 2013-14.	↓

Delivery 2013-16

The challenges and opportunities that will shape future service delivery and inform key objectives are as follows:

(1) Increase in incidents - the service has seen a significant increase in the number of incidents responded to in 2012-13. With an annual average of 34 incidents pa, the service responded to 45 incidents in 2012-13 with 37 of those occurring in a 9 month period between April and December,

(2) Non-incidents - the service has also seen an increase in 'non-incidents', i.e. ones that should be dealt with by other services but have been passed to us by the Customer Centres - this has an impact on agreed service work-streams as it takes time to deal with those incidents satisfactorily,

(3) COMAH - the service will see its COMAH Top-Tier Sites portfolio increase from 17 to 19 in 2013-14 with a resultant increase in workload,
(4) Reservoirs - there is the potential for an increase in the number of High Priority Reservoirs in the two authority areas with a resultant increase in workload.

(5) LRF Re-structure - there will be significant changes to the Cheshire LRF structure, which should have a positive impact on the amount of work undertaken by the service in support of that partnership.

(6) Adhoc Planning related work - the service has also seen an increase in the number of requests for Flood Emergency Plans as a condition of planning permissions - this work is on an adhoc basis, difficult to cater for in advance, and has an impact on agreed workload.

The key Objectives will be to:

- Continue implementation of the Emergency Management Training & Exercise Programme.
- Continue implementation of the off-site planning and exercise regime to ensure that both authorities meet their statutory emergency planning obligations under the COMAH, REPPIR, PSR, and Flood & Water Management legislation.
- Prepare and test Trentabank/ Ridgegate Reservoir Off-Site Plan (Langley), and implement public information campaign.
- Continue implementation of medium to long-term projects, which increase community resilience and emergency preparedness levels.
- Increase levels of emergency preparedness across both authorities generally.
- Continue participation in and co-ordination of Cheshire Local Resilience Forum (LRF) projects, planning, training and exercises.
- Co-ordinate Business Continuity Management (BCM) function delivery across Cheshire East Council and Shared Services.
- Lead on design and testing of a Multi-Agency Coastal Pollution Response & Recovery Plan for Cheshire Local Resilience Forum area.
- Develop and apply initatives to drive continuous improvement in operations to enable clients to achieve their outcomes thereby increasing customer satisfaction and providing value for money.

Key Risks

- Failure to deliver agreed objectives as a result of team responding to a medium to long-term major incident, e.g. influenza pandemic.
- Failure to deliver agreed objectives as a result of team responding to significant number of Major Incidents/ Major Incident Standbys throughout year.
- Failure to deliver agreed objectives as a result of team responding to significant number of non-incidents throughout year.
- Loss of permanent staff
- Loss of office premises
- Failure of LAEC IT and communications systems
- Failure of Duty EPO system
- Failure of officers to attend training events impacting on preparedness levels.
- Failure of industrial site operators to provide necessary information impacting upon team meeting statutory planning timescales.
- Town and Parish Councils choose not to participate in Community Resilience Programmes.
- Delay of revised MCA National Contingency Plan impacting on local planning schedule

A05 OCCUPATIONAL HEALTH

Overall Rating:

Service Manager **Eric Burt**

To provide a comprehensive occupational health service to customers including to:

- Assess medical suitability of potential employees
- Advise managers on a range or issues relating to employees sickness absence including risk assessment, work based assessments and ill health retirement
- Provide advice and guidance to employees managing sickness at work
- Measure and record specific medical data relating to employees occupation e.g. hearing tests, lung function tests, hand-arm vibration (HAV) tests;
- Promote healthy lifestyle choices and raise awareness of general health issues and provision of Healthy Living Clinics
- Establish an on-going health surveillance programme for noise-induced hearing loss, hand-arm vibration syndrome, lung function and skin surveillance

The service helps each council to deliver services by helping managers to manage absence and ill-health among its staff. It also provides statutory health surveillance as required under health and safety law and also advises managers on adjustments needed to accommodate new recruits with disabilities or additional physical or mental needs. The service also provides support and assistance to employees with physical or mental health problems and advises managers on return to work / phased return strategies.

Key Achievements

The OHU has:

- Provided occupational health services to over 30000 patients. These include the employees who work for both councils, staff in schools in East and West and the employees of a number of external organisations. (N.B. The number of employees is based on headcount and not full-time equivalent)
- Achieved £385 896 income. This is from the services to schools and academies in East and West, plus a number of external clients.
- Established health surveillance programmes for hand-arm vibration syndrome and noise at work. The ensures that the councils can comply with their statutory health and safety obligations
- Implemented the EOPAS diary management and patient record system. This will ensure the Unit can offer a more flexible service than previously with patient records being available at short notice at remote clinics.
- Worked in partnership with the Primary Care Trusts across Cheshire to deliver a seasonal flu vaccination programme
- Introduced 2 clinics in Cheshire East - Westfields and Macclesfield Town Hall

Outturn Budget Position: £11,394 Underspent

Key Indicators

	Measure	Responsible Officer	Split	2011-12 Actual	2012-13 Target	2012-13 Actual	2013-14 Target	Comments on 2012-13 Performance	Direction of Travel
OHU1	Pre placement questionnaires will be returned within 2 working days. (Where a follow up is needed, 3 attempts at contacting the applicant will be made within 1 week. If no contact is made the recruiting manager is informed).	Eric Burt	Overall	95%	98%	98%	98%		↑
OHU2	Upon receipt of a management referral the employee will be advised within 5 days of an appointment and have an appointment within 10 working days	Eric Burt	Overall	Not previously measured	Set baseline	Target not met	100%	The target will need to be changed to 'Upon receipt of a management referral the employee will be advised within 7 days of an appointment and have an appointment within 10 working days'. This is achievable when the additional Occupational Health Adviser is appointed	↔
OHU3	All appointments for employees will be confirmed with the manager within a 5 days	Eric Burt	Overall	Not previously measured	Set baseline	Target not met	98%	A new system of booking appointments with patients by the medical staff is underway; however the admin system needs to be changed to ensure managers get a timely notification of appointments for their staff.	↔
OHU4	Written reports to management will normally be issued within 3 working days following the consultation, subject to the need for further medical information.	Eric Burt	Overall	Not previously measured	Set baseline	100%	100%		↑

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of Travel
					Target	Actual			
OHU5	All information in medical reports will be specific in order for managers to make decisions about employees, particularly in cases of sickness absence	Eric Burt	Overall	Not previously measured	Set baseline	95%	100%	Performance is dependent on full and accurate information from managers on the management referral form.	↑
OHU6	Helpline enquiries responded to by the end of the next working day	Eric Burt	Overall	Not previously measured	Set baseline	100%	100%		↑
OHU7	Delivery of Efficiency Savings	Eric Burt	Overall	£44,347	£9,014 saving	£20 000 saving	£34,328 reduction in admin team costs		↑
OHU8	Staffing Levels	Eric Burt	Overall		1.0FTE reduction in admin team	1.0 FTE reduction in admin team	2.0FTE reduction in admin team		↑

Delivery 2012-13

- Develop and improve long-term shared service arrangements through regular strategic and performance review mechanisms to ensure that service delivery is stabilised and provides the best sharing option to meets the needs of Cheshire East Council and Cheshire West and Chester Council

- Restructure the Admin Team to reduce the number of employees and realise the efficiencies of the EOPAS system

- Develop the EOPAS system (Phase 2) in order for external customers to have access to the system for patient information.

- Reduce appointment waiting times to a maximum of 10 working days

- Review all the occupational health policies and procedures

- Improve the system for statutory health surveillance by ensuring that the Unit is adequately equipped and staffed to undertake this task on behalf of the parent councils

- Assist each council with management and reduction of sickness absence

- Develop and apply initiatives to drive continuous improvement in operations to enable clients to achieve their outcomes thereby increasing customer satisfaction and providing value for money.

Key Risks

- Loss of medical staff
- Loss of medical records
- Budget cuts and lack of investment
- OHU policies and procedures out of date

A06 ARCHIVES

Overall Rating:

Service Manager Paul Newman

Cheshire Archives and Local Studies (CALS) shared service is part of nation-wide network of statutory archive provision.
The service is responsible for:

- Acting as the corporate memory for its parent bodies and their predecessors
- Collecting and providing access to a comprehensive range of original records and archives to reflect the development of the County of Cheshire and its communities
- Maintaining a comprehensive collection of local studies materials and ensuring the supply of appropriate materials to libraries across the County
- Promoting and developing interest in all aspects of the history of the County
- Providing advice and guidance on all aspects of record-keeping and local and family history

The service also provides core archive provision to Halton and Warrington Borough Councils under a single Service Level Agreement (SLA) that has been in place since Local Government re-organisation in 1998.

The service fulfils the statutory requirement for all Councils under the 1972 Local Government Act to make proper provision for the archives in their care

Key Achievements 2012-13

- Customer Service Excellence standard maintained. The standard provides a framework for the way in which the service plans its services and communicates with its customers. This ensures that policies, procedures and performance measures are continually reviewed and kept relevant and meaningful.
- Relocation of archives from storage in Chester to Ellesmere Port Market. This has consolidated a large proportion of the service's off-site storage, resulting in more efficient delivery of archives and better storage conditions for these unique and irreplaceable records. It should be noted that the storage at Ellesmere Port is seen as an interim measure to service's storage crisis and has not gained approval from central government (via The National Archives) for the long term storage of public records (eg magistrates courts, hospitals)
- Disaggregation of Records Management service to CWAC ICT. This completes an objective stated at LGR in 2009 - that the management of both paper and electronic information should be carried out by the respective local authorities.
- Review of Archives service completed and reported to members of the Shared Services Joint Committee. Members acknowledged that to do nothing about the service's accommodation was not an option and subsequently funding was secured for the carrying out of an options appraisal/feasibility study, the results of which should be presented towards the end of 2013.
- Redesign of public facilities at Record Office. This was carried out in the light of changes in the pattern of demand for services, resulting in a use of space which better reflects the way in which customers now use the Record Office.

- 82 outreach activities delivered across Cheshire West, Cheshire East, Warrington and Halton. 4031 people participated in these workshops, talks, open days, etc, which brings the service to a more local audience across all the boroughs which fund it.
- Quick and appropriate response to major flood at archives storage at Chester Town Hall, which flooded 100 boxes of records belonging to external bodies such as the Diocese of Chester and the University of Chester. Following treatment by a specialist company, almost all records are now usable again.

Outturn Budget Position: £2,511 Overspent

Key Indicators

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-2013 Performance	Direction of Travel
					Target	Actual			
ALS-001	Retention of Customer Service Excellence (Charter Mark) standard	Lisa Greenhalgh	Overall	Achieved	Not measured	Achieved	Maintain standard	Maintained standard with no areas of non-compliance with standard.	↔
ALS-002	Rating achieved in the National Archives' self assessment exercise (ratings 1 to 4 stars)	Paul Newman	Overall	Scheme not yet running			Scheme timetable to be confirmed	Replaced by National Archives' Archives Accreditation scheme. Timescale for rollout of scheme not yet confirmed.	
ALS-003	Level of customer satisfaction as measured in PSQG survey rated as good or very good	Paul Newman	Overall	96%	100%	100%	95%+		↑
ALS-004	Net expenditure per '000 population in CIPFA Archive service statistics (b)	Paul Newman	Overall	Lowest quartile	Lowest quartile	Lowest quartile	Lowest quartile	35th out of 39 non-metropolitan archive services.	↔
ALS-005	SLA with Halton and Warrington Borough Councils	Paul Newman	Overall	Agreement maintained	As is	As is	As is	Maintained, with review of funding basis of SLA being carried out in 2013-14, to provide more stable basis for funding of service.	↔
ALS - 006	Increase in use of online resources as measured in website visits	Paul Newman	Overall	150,865	175,000	200,000	200,000	Increase does not take account of visits to externally-hosted 'Cheshire Collection' genealogical website. Expect to have figures for use of this website in summer 2013.	↑
ALS-M07	Delivery of Efficiency Savings	Paul Newman	Overall	£50,000	£36,500	-£6,500	£4,000	Target not achieved due to £43,000 spent on removal of archives to, and shelving in temporary accommodation at, Ellesmere Port Market.	↓

Delivery 2013-16

Key drivers for CALS are:

- A requirement to secure new premises, identified by The National Archives and the driver behind the review of the service which was finalised in 2012. An options appraisal/feasibility study will be presented early in 2014;
- The National Archives Accreditation scheme, being piloted in Spring 2013. Failure to gain accredited status would severely jeopardise the service's ability to secure external funding and damage its reputation amongst potential depositors and other stakeholders;
- a requirement to secure a more stable funding model under the SLA with Warrington (via the Livewire CIC) and Halton, and;
- Government policy on archives, which emphasises the need for archive services to develop bigger and better services in partnership, digital preservation and digital access to collections, and participation in cultural and learning partnerships which support a sense of identity and place within a community.

Service objectives are:

- Secure funding for new premises for the service to enable provision to meet the requirements of the National Archive
- Deliver high quality public services which support and enable customers to celebrate, preserve and learn about their heritage
- Collect and preserve archives and local studies material, in a variety of media, which reflect the activities and interests of the communities of Cheshire West and Chester, Cheshire East, Warrington and Halton
- Ensuring that collections and services are available to the wider community, through both online and local delivery
- Develop and apply initiatives to drive continuous improvement in operations to enable clients to achieve their outcomes thereby increasing customer satisfaction and providing value for money

Key Risks

- Reductions in service's core budget arising from reduced funding from Warrington and/or Halton under the SLA, leading to failure to deliver core services to all funding authorities.
- Inadequate staffing levels arising from failure of service to make business case replace staff if they leave the service, leading to failure to deliver core services to all funding authorities
- Inability to secure new premises arising from failure of funding bid to HLF, leading to funding gap and probable abandoning of plans to build new Record Office, failure of service to gain accredited status and removal of Place of Deposit status by government
- Failure to extend online access because of inadequate ICT infrastructure and support prevents service digitising archives and making information about collections available online
- Damage or destruction of collections arising from inadequate storage conditions and poor collection management
- Fall in demand for chargeable services results in drop in income to service, resulting in failure to deliver core archive services

A08 LIBRARIES SUPPORT SERVICES

Overall Rating:

Service Manager Sue Eddison

Libraries Shared Services provides support and specialist services to libraries and customers in Cheshire East and Cheshire West and Chester Libraries. It also provides resources and expertise to support the curriculum needs of schools and pupils, which subscribe to the Education Library Service. Its aim is to provide a cost-effective and efficient service for the clients and drive and support innovations in the service.

There are a total of 38.32 FTE members of staff and a budget of £774,528 with two premises at Hartford Way, Chester and ELS at Browning Way, Winsford, two delivery vans at Hartford Way and two mobiles and two delivery vans at ELS

Key Achievements

- Co-location of the LSS team to Hartford Way following refurbishment of premises - 100,000 volumes moved to Hartford Way from Picow Farm Bookstore
- Implementation of the LSS Review with new ways of working, the introduction of a generic grade 3 job description for the clerical staff and a streamlined Interlending Team with a reduction of 1.5 FTE through voluntary redundancy providing the service with greater business resilience to cope with seasonal work demands.
- Reduction of LSS Transport fleet from three vehicles to two and the reduction of 1FT Grade 3 post through natural wastage and compulsory redundancy.
- Rationalisation of the Library Admin to better reflect usage of the service by CE and CWAC. Reduction of 1FT Grade 4 post through natural wastage.
- Bookstart - targeted work in Cheshire East in seven Children's Centres to support early years language development programme
- Procurement and award of stock contract of £1.1 million per annum for CE and CWAC to achieve optimum stock provision for Libraries
- Introduction of e-audiobooks in September 2012. Currently have 1500 users with 5800 issues up to the end of March 2013.

Outturn Budget Position: £134,489 overspent

Key Indicators

The Libraries Shared Services performance management framework (PMF) has been radically revised to provide a smaller but more appropriate range of measures to enable increased frequency of reporting to the Joint Officer Board and Members. Owing to the review of the PMF the amount of comparative data is limited although it is anticipated that this will improve as the framework matures.

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of Travel
					Target	Actual			
N19	Use of public libraries	Sue Eddison	CE	2%				This should be removed from LSS as it is purely a CE and CWAC Libraries measure	N/A
			CWAC	-7%					
LPI	Increase issues per 1000 population	Sue Eddison	CE	+1%				This should be removed from LSS as it is purely a CE and CWAC Libraries measure	N/A
			CWAC	-2%					
NI72 & 92	Linked to delivery of Early Years Foundation Stage – gifting of Bookstart packs as a percentage of the target group	Sandra Evans	Overall	96.5%	97%	98%	97.5%		↑
			CE	97%	97%	98.35	97.5%		
			CWAC	96%	97%	97.65	97.5%		
CPA 11c	Time taken to replenish stock	Lexa Farthing	Overall	0%	0%	0%	0%	This should be removed as it is more of an issue for CE and CWAC and heavily dependent on book funds, which are not part of LSS' budgeting	N/A
NI 139	Support for older people – Books on Wheels	Sue Eddison	Overall					This should be removed from LSS as the delivery of the service is provided by front-line libraries	N/A
			CE	264					
			CWAC	209					
LSS BC	Staffing Levels	Sue Eddison	Overall	46.15	44.8 FTE	38.5 FTE	37 FTE		↑

Measure		Responsible Officer	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13	Direction of Travel
					Target	Actual			
LSS BC 3	BIS Usage	Sue Eddison	Overall	3.5% increase in enquiries and 30% decrease in income				Business Information Service was disaggregated from Libraries Shared Services in 2011-12 and finally closed in December 2012.	N/A
LSS BC4	ELS Growth of client base	Sue Eddison	Overall	8% decrease 314 287 6% decrease 50	1% increase 290 primary and special schools & 51 secondary schools	2% decrease in primary and special schools. 2% increase in secondary schools	1% increase in primary and special schools	1 secondary school closed and 1 federated so the net result was a £5,162 increase in income from secondary schools. Overall a £7,300 decrease in total income.	↓
NEW	Delivery of new stock – time from new stock arriving from supplier to being despatched to libraries	Lexa Farthing	Overall				5 working days		
NEW	Stock orders from libraries submitted to supplier	Lexa Farthing	Overall				3 working days		
NEW	Interlending response times – item request placed and response sent to library	Lexa Farthing	Overall				5 working days		
NEW	Local ENQUIRE service – number of questions answered	Sue Eddison	Overall		2% increase	6.9%	2% increase – 2957 questions answered		

Delivery 2013-16

- There is on on-going issue with the resourcing of the Education Library Service if schools opt out of the service, so a key objective for 2013-16 is to market the service to non-buyers within the current geographical areas and beyond.

- Securing ICT capital funding is becoming increasingly more important as the current library management system proves unfit for purpose and not serving the needs of the client and the public.

- The introduction of a specification for the Libraries Shared Services with clear performance measures will help the clients to monitor delivery to ensure that LSS provides an efficient and cost-effective service.

- LSS will be working closely with both CE and CWAC Library Services to address their e-strategies, so that they are equipped to meet the needs of their users and provide an efficient and cost-effective service.

Key objectives will be:

- Leading the procurement and implementation of a new library management system
- Supporting the e-strategy in Cheshire East and Cheshire West and Chester Libraries to enable greater electronic access to services
- Continuing the review of Education Library Service to develop marketing opportunities and deliver increased efficiencies
- Securing ongoing commitment to Bookstart - targeted work with two year olds and Cared For Children to address early language development and improve literacy levels in targeted areas
- Developing and applying initiatives to drive continuous improvement in operations to enable clients to achieve their outcomes thereby increasing customer satisfaction and providing value for money.

Key Risks

- Capital budget not available to progress ICT initiatives
- Delays with procurement of new library management system (LMS) leading to delayed transfer of data and implementation
- Failure to engage ICT in the implementation of the LMS leading to lack of support
- Reducing buy-back from schools leading to LSS exceeding its budget
- Failure to secure funding for replacement PCs leading to risk associated with ageing hardware
- Performance targets not met

A14 RURAL TOURING NETWORK

Overall Rating:

Service Manager; Kathryn West

The purpose of Cheshire's Rural Touring Arts Service (CRTA) is to provide a programme of high quality professional arts activities and events for rural areas in Cheshire in partnership with the communities of the villages involved.

CRTA is run by 1.5 posts, 2 part time scheme managers and a part time administrator. The CRTA is funded by the 2 local authorities and Arts Council England (ACE) as a National Portfolio Organisation. Funding for ACE is reviewed after 3 years. ACE funding is currently in place until 2015. The CRTA is hosted by CWAC. CRTA sits within the Arts and Festivals team in West and within the Arts, Heritage and Cultural Services on the East and contributes to the ongoing service plans of both teams.

Key Achievements

- The CRTA successfully bid for NPO status from ACE and created the Cheshire Lancashire Partnership with Spot on Lancashire, which helped drive efficiently savings in areas of programming and shared expertise.
- The CRTA have brought development areas of the scheme, which were external projects, under the core work of the scheme. This included setting up 2 new project Youth Live - to engage with young people in rural places and Cutting Hedge to showcase more artistically challenging work to rural venues. Cutting hedge builds a partnership with Axis Arts Centre at MMU
- CRTA has increased its digital output and use of social media as a way of engaging with audiences and artists
- The CRTA has continued to deliver on its targets set by ACE and the local authorities in regards to audience numbers, feedback from performances and range of work programmed
- The CRTA has continued to maintain and support 25 permanent community venues and continued to provide support and training for the volunteers involved in the CRTA

Outturn Budget Position: £1,201 underspent

Key Indicators

Measure		Responsibility	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2011-12 Performance	Direction of Travel
					Target	Actual			
CRTA1	% of audience rating performances as good or excellent	Katherine West	Overall	93%	94%	97%	94%	Final figures for Spring 2013 are yet to be fully collated, as the spring season performances go on until the end of June. Final figures will be available end of July 13.	↑
CRTA 2	% of audience attending due to networks good reputation	Katherine West	Overall	66%	65%	66%	65%	Final figures for Spring 2013 are yet to be fully collated, as the spring season performances go on until the end of June. Final figures will be available end of July 13.	↑
CRTA 3	% of audience attending due to performances happening locally	Katherine West	Overall	77%	75%	73%	75%	Final figures for Spring 2013 are yet to be fully collated, as the spring season performances go on until the end of June. Final figures will be available end of July 13.	↓
CRTA 4	Average audience per venue, per season	Katherine West	Overall	88	70	75	70	Final figures for Spring 2013 are yet to be fully collated, as the spring season performances go on until the end of June. Final figures will be available end of July 13. Due to funding cuts this year, there are less performances taking place and smaller performances which would account for a reduction in the audience numbers from last year, but we are still reaching above our target.	↑ (above target)

Delivery 2013-16

- Develop and improve long-term shared service arrangements through regular strategic and performance review mechanisms to ensure that service delivery is stabilised and provides the best sharing option to meets the needs of Cheshire East Council and Cheshire West and Chester Council
- Maintain and deliver the services and quality of the cultural events and activities delivered by the CRTA during 2013-16 (including the main network and development projects)
- Support and develop the network of promoters and partners and engage them with programming and network development
- Support professional artists and companies through CPD opportunities, mentoring scheme and the commissioning of new work
- Continue with the development of the use of digital and social media in the promotion and profile raising of the scheme
- Develop and apply initiatives to drive continuous improvement in operations to enable clients to achieve their outcomes thereby increasing customer satisfaction and providing value for money.

Key Risks

- Meetings do not take place and /or partners disagreed on key issues affecting the management of the scheme
- Funding to deliver the work is not maintained or funding targets met leading to insufficient funding to support the scheme and / or 25 venues
- Customer satisfaction is low and impacts on audience figures and income
- Promoters meetings don't take place resulting in them being disenfranchised with the scheme and drop out
- Resources and capacity for developing social media and digital output is limited resulting in new marketing opportunities not being exploited
- Value for money is deemed low and funding cut by LA and ACE

ARCHAEOLOGY PLANNING ADVISORY SERVICE

Overall Rating:

The Archaeology Planning Advisory Service (APAS) is a sub-regional service which provides advice on the archaeological implications of development for Cheshire West and Chester (CWAC) Cheshire East (CE), Warrington and Halton Borough Councils. The service operates as a shared service between CWAC and CE, and provides services to Halton and Warrington via service level agreements. The service to Halton also includes the provision of advice on the implications of development on the built historic environment. The service is hosted by CWAC.

Service Manager: Jill Collens

Achievements 2012-13

During 2012-13 APAS has:

- Submitted applications for additional external funding of £55,000 to carry out the final stages of projects which are currently due to end in 2014 (Chester Urban Archaeological Database, Nantwich Waterlogged Deposits Project).
- Assessed 1,096 planning applications for archaeological implications and provided archaeological advice on 226 applications.
- Provided built historic environment advice on 41 pre-application consultations and planning applications in Halton.
- Monitored 63 schemes of archaeological fieldwork.
- Reviewed 30% of the records in the Cheshire Historic Environment Record.
- Provided information from the Cheshire Historic Environment Record for 266 consultations.
- Received 67,000 search requests to Revealing Cheshire's Past, the public access version of the Cheshire Historic Environment Record
- Produced the definitive dataset of Article 4 directions for CWAC for Land Charges and the HER.
- Improved designation data to enable integration into the new CWAC and CE planning, constraints and land charges software.
- Published the Local Lists in Cheshire case study on the English Heritage HELM website.
- Agreed a metal detecting protocol for CWAC owned-land.
- Agreed a programme for the deposition of the backlog of Chester's archaeological archives with CWAC Museums.

Outturn Budget Position: £7,856 Overspend

Key Indicators

Measure		Responsibility	Split	2011-12 Actual	2012-13		2013-14 Target	Comments on 2012-13 Performance	Direction of travel
					Target	Actual			
ARC H001	% of number of records reviewed in the Cheshire Historic Environment Record per annum	Jill Collens	Overall	31%	5%	30%	5%	At the start of 2012-13 the HER comprised 42,000 records During 2012-13, 12,395 were reviewed. This high figure is largely due to the work of externally-funded project staff working on the records for Chester City, which skews the figures for normal operational work. The target for 2012-13 remains at 5%, as this project should no longer impact on this task.	↑
ARC H002	% of general enquiries to the Cheshire Historic Environment Record responded to within 15 working days	Jill Collens	Overall	98.5%	90%	96%	90%	During 2012-13, 276 consultations were received directly by the HER	↔
ARC H003	% of Farm Environment plan enquiries to the Cheshire Historic Environment Record responded to within 20 working days, according to agreed national service standard	Jill Collens	Overall	100%	100%	96%	100%	During 2012-13, 33 consultations were received directly by the HER. The target was not met as delays were introduced awaiting responses from external organisations.	↓
	% of archaeological development control advice provided within 21 working days.	Jill Collens	Overall	100%	100%	100%	100%	During 2012-13 1,095 planning applications were checked for archaeological implications (11% of total) and comments provided on 270 (132 for CWAC; 111 for CE; 21 for Warrington and 6 for Halton). Built historic environment advice was provided on 26 applications in Halton. Pre-application archaeological advice was provided on 46 proposals (26 for CE; 16 for CWAC; 4 for Warrington) and built historic environment advice on 15 proposals in Halton.	↔

Priorities for 2013-14
In addition to maintaining and improving on the achievements of 2012-13, APAS has the following priorities for 2013-14:

- Chester Urban Archaeological Database - Completion of Stage 2 Characterisation and Research Framework and if funding is approved by English Heritage, Stage 3 Strategy.
- Nantwich Waterlogged Deposits Project – Continued monitoring and recording of ground water conditions as part of agreed programme with English Heritage.
- Halton Castle maintenance programme – continue to assist in the implementation of the maintenance programme as agreed with English Heritage.
- Habitats and Hillforts Project - Continued input to ensure delivery of final publication.
- Development of the Historic Environment Record - carry out work programme as agreed as part of Data Audit with English Heritage and scope definitive dataset of designations data for Warrington & Halton.
- Local Plans – continue to input to emerging local plans.
- Heritage crime – continue to input to Heritage Crime programme in Cheshire.
- Archaeological Archives – Continued liaison with Museums Services to manage archaeological archives policies and monitoring of the deposition of the backlog of Chester's archaeological archives.
- North West Regional Research Frameworks – submit bid for funding to English Heritage for a review of the NW Regional Research Frameworks on behalf of the Association of Local Government Archaeological Officers.
- Post excavation backlog – continue to pursue options for publication of pre-PPG 16 excavations
- Archaeology website - develop new microsite
- Cheshire Archaeology Day – Stage Archaeology Day 2013 and begin preparations for Cheshire Archaeology Day 2014

Key Risks

- Significant increase in the number of planning applications and pre-application enquiries would impact on the ability to achieve the key measures

- Unpredicted demands, including increased numbers of consultations both national and local, would impact on the development of the Historic Environment Record

- Unsuccessful funding bids to English Heritage will impact on the delivery of project work, including the inability to complete the final stage of the Chester UAD project and the inability to provide reliable management decisions on the future preservation of Nantwich's waterlogged archaeological deposits.

 Agenda Item 9

CHESHIRE EAST COUNCIL
CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICES JOINT COMMITTEE

Date of Meeting:	28 June 2013
Report of:	Cheshire East – Head of Commercial Strategy, Business Innovation and Performance Cheshire West and Chester – Director of Resources
Subject/Title:	Future Proofing the Shared Services Governance Model

1.0 Report Summary

1.1 This report concerns the Shared Service Governance arrangements put in place in April 2009 between Cheshire East Council and Cheshire West and Chester Council. It assesses their continued fitness for purposes against a backdrop of reducing shared services, diverging requirements and the development of more commercial models of delivery.

2.0 Decision Requested

2.1 The exploration of alternative governance arrangements for current shared services be approved i.e.:

i. Emergency Planning to be transferred to the Joint Emergency Planning Liaison Board
ii. Rural Touring Arts to be provided by CWAC under a Service Level Agreement to CE

2.2 The proposed changes to the Shared Services Governance Structure be agreed i.e.:

i. Temporary inclusion of the SLE Executive Board and Programme Board until such times as the ICT and HR and Finance SLE has been delivered;
ii. Formalise Terms of Reference for the SLE Executive Board and Programme Board at the Joint Committee;
iii. Revise Joint Officer Board Terms of Reference to remove the Client Board and to more accurately reflect the membership of the Programme Board
iv. Endorse the introduction of Forward Plan for Shared Services business to ensure that decisions are made at the right time at the right forum

3.0 Reasons for Recommendations

3.1 Since their introduction in April 2009 the number of Shared Services has diminished and with it the requirement to deal with multiple operational and transitional issues associated with the initial bedding in of these arrangements. Whilst the remaining eight shared services are set to remain in some guise for the longer term it is anticipated that the associated governance requirements will reduce and therefore it is timely to revise these to ensure that these remain fit for purpose.

3.2 It is evident that whilst some service areas will remain shared they would be better served by alternative governance arrangements.

4.0 Wards Affected

4.1 Not applicable

5.0 Local Ward Members

5.1 Not applicable

6.0 Policy Implications

6.1 There are no direct policy implications

7.0 Financial Implications

7.1 There are no direct financial implications

8.0 Legal Implications

8.1 The Shared Services Administrative Agreement sets out the overall arrangements in relation to the manner in which the Authorities will work together. This includes Terms of Reference for the Joint Committee and the Joint Officer Board (as contained in Appendix 3). This document will need to be updated to reflect any fundamental changes to the current Agreement.

9.0 **Risk Management**

9.1 Proposed changes to the Shared Services Governance Structure might result in general operational decisions being delayed. This risk will be mitigated by a more pro-active approach to business planning as illustrated in Appendix 4.

10.0 Background and Options

10.1 The Local Government Review of Cheshire saw the dissolution of Cheshire County Council and six district councils in favour of two unitary authorities: Cheshire East Council and Cheshire West and Chester Council (CWAC). These became operational on 1 April 2009.

10.2 Whilst the bulk of services delivered by the former County Council were disaggregated to be delivered separately by the new councils a total of 32 service areas were retained to be delivered under a formal Shared Service agreement. Whilst each case was considered on its own merits the reasons for initially sharing could broadly be categorised by the following factors:

- insufficient time to disaggregate without potential risk of service disruption and therefore a transitional arrangement (e.g. Autism, Community Equipment)
- Prohibitive costs and little benefit in disaggregation (e.g. ICT)
- Inability to adequate split small specialist functions (Farms estate)

10.3 Sharing arrangements are formalised in an overarching Administration Agreement and Financial Memorandum with individual Shared Services Agreements and Secondment Agreements for each service area which were "hosted" by either CE or CWAC. The supporting governance model is available in Appendix 1 but in short these can be described as follows:

- Joint Committee – 3 Executive Members from each council
- Joint Officer Board – core membership including Section 151 Officers and Monitoring Officers from each council
- A Shared Service Manager for each service – liaising with client managers from each Council

10.4 Joint Committee have been required to meet monthly due to the pressure of transactional business requiring Member approval although meetings have been cancelled when there has been a lack of business.

10.5 Joint Officer Board meets fortnightly but has changed its format to enable adequate response to regular business and changing requirements e.g. developing a Separate Legal Entity for ICT and HR and Finance requiring consideration of both Provider and Client viewpoints. In effect this group met in three guises Regular JOB, SLE JOB and Client JOB as reflected in the revised Terms of Reference in July 2012.

10.6 Shared Service Manager and Client liaison meetings have varied across activities but on the whole where services remain they appear to be working well.

10.7 In effect these governance arrangements have seen the successful transition of the majority of shared services with only eight now remaining. Whilst it will be important to ensure that these continue to deliver quality services it is timely to consider their future direction and how this can best benefit both partners in the future. In doing this it will be important to establish governance arrangements which support and enable further transition.

11.0 Future Direction of Remaining Shared Services

11.1 Eight of the original shared services remain. These are:

- ICT
- HR and Finance
- Occupational Health
- Libraries Support Services
- Archives and Local Studies

- Emergency Planning
- Farms Estate
- Rural Touring Arts

11.2 Four years on from their inception there is an opportunity to look at these remaining services and to assess the potential future development and decision making requirements and how these can be best met by the existing governance arrangements whilst ensuring the most effective use of officers and Members time. An overall summary of the each service's potential direction of travel is contained in Appendix 2. This suggests that whilst there are still some big issues for the Joint Committee to consider (e.g. alternative premises for the Archives and Local Studies Shared Service) operational business is likely to decline. It also suggests that there are two Shared Services where alternative governance arrangements should be considered: Emergency Planning and the Rural Touring Arts service.

11.3 Emergency Planning - This Shared Service falls under the remit of the Joint Emergency Planning Liaison Board (JEPLB) as well as the Joint Committee. The JEPLB consists of both Members and senior officers from each Council. In effect this means that governance of the service is duplicated, for example, both receive Business Plans and Performance Reports although arguably these get more challenge from the JEPLB. There has been little requirement for JOB to get involved in resolving operational issues. Consideration should therefore be given to formally transferring the governance of this shared service to the JEPLB.

11.4 Rural Touring Arts - This Shared Service is totally grant funded and consists of 2 FTE staff employed by CWAC. JOB nor the Joint Committee have been required to consider any operational issues other than the Business Plan and consequent performance reports. Given this situation it is considered that this should cease to be a shared service but instead should become a service provided by CWAC to CE under an appropriate Service Level Agreement.

11.5 It is recommended that the above proposals receive due consideration with a view to transferring the governance of these Shared Services as suggested in each case.

12.0 Proposals for Changes to Shared Services Governance

12.1 Detailed proposals for the revised governance structure for Shared Services are contained in Appendix 3. This has been designed on the following basis:

12.2 Joint Committee – Monthly meetings have been scheduled for the current municipal year but it is unlikely that all of these will be required given the anticipated reduction in business and the delegation of powers to the SLE Executive Board. On this basis it is suggested that some of these meetings be cancelled as and when required based on the immediate need for Member input and for future years the frequency of meetings reduce to five per annum. JC Terms of Reference remain relevant and do not require updating (Annex 1).

12.3 Joint Officer Board – As above business dealt with at this Board is likely to reduce and therefore the frequency of meetings has been reduced to monthly Again it is likely that some of these may be subject to cancellation dependent on the level of business being generated. JOB Terms of Reference need to be updated to reflect proposed changes (Annex 2).

12.4 SLE Executive Board – This body will be responsible for executive decision relating to all decisions relating to the development of and transition of the ICT and HR and Finance shared services to a Separate Legal Entity from 1 April 2014. This was agreed by Cheshire West and Chester Executive on 13.01.13 and Cheshire East Cabinet on 02.04.13. SLE Executive meetings will take place monthly and have been scheduled to precede Joint Committee. Formal Terms of Reference for the Board are currently being drafted. This is a task and finish group as once the SLE is established this body will be replaced by a Shareholder Board.

12.5 SLE Programme Board – This body will be responsible for the delivery of the SLE. This will include co-ordinating project workstreams, mitigating risks and escalating issues and ensuring that sufficient resources are mobilised to deliver the SLE to plan. Formal Terms of Reference are currently being drafted but It is a given that the Programme Board will meet fortnightly and report monthly to the SLE Executive Board. This is a task and finish group as once the SLE is established the company's Executive Board will take responsibility for strategic business planning and operation delivery.

12.6 The key to ensuring that Shared Services issues are dealt with at the appropriate body at the right time is a more disciplined approach to business decision management. In an effort to introduce this, a draft schedule of business is attached in Appendix 4 for consideration. This attempts to illustrate where scheduled meetings might be cancelled subject to business need.

13.0 Conclusion

13.1 Overall the Shared Services Governance Structure remains fit for purpose although the frequency of meetings could be reduced by a more disciplined approach to business planning. Whilst a mechanism has been established there is a risk that momentum may not be maintained due to pressure on resources.

13.2 However it is evident that some of the remaining Shared Services might be better served by alternative arrangements. These should be explored in terms of reducing duplication in overlapping governance processes.

13.3. The introduction of the SLE Executive Board and the SLE Programme Board to oversee the transition of the ICT and HR and Finance Shared Services to a separate legal entity are temporary additions to the governance structure but their Terms of Reference once drafted need to be formalised by the Joint Committee to ensure that there is a mutual understanding on where key decisions relating to the SLE will be made.

14 Access to Information

14.1 The background papers relating to this report can be inspected by contacting the report writers:

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Designation: Cheshire East – Head of Commercial Strategy, Business Innovation and Performance /Cheshire West and Chester – Director of Resources
Tel No: 01270 685859 / 01244 977830
Email: vivienne.quayle@cheshireeast.gov.uk / julie.gill@chehsirewestandchester.gov.uk

Background Documents:

Cheshire East Cabinet Report – Shared Services – 7th October 2008
Cheshire West and Chester Executive Report – Joint Liaison Committee Recommendations: Caretaker and Nominated Councils; Shared Services: Service Delivery Option; Shared Back Office Services – 15th October 2009
Cheshire East Cabinet Report – Shared Services – 3rd March 2009
Cheshire West and Chester Executive Report – Shared Services – 18th March 2009
Cheshire East Cabinet Report – Shared Services – 23rd March 2009
Cheshire Shared Services Joint Committee Report –10th June 2009
Cheshire Shared Services Joint Committee Report – 13th July 2009
Cheshire Shared Services Joint Committee Report – 3rd September 2009
Cheshire Shared Services Joint Committee Report – 30th September 2009
Cheshire Shared Services Joint Committee Report – 26th October 2009
Cheshire Shared Services Joint Committee Report – 26th November 2009
Cheshire Shared Services Joint Committee Report – 3rd February 2010
Cheshire Shared Services Joint Committee Report – 12th March 2010
Cheshire Shared Services Joint Committee Report – 31st March 2010
Cheshire Shared Services Joint Committee Report – 28th May 2010
Cheshire Shared Services Joint Committee Report – 16th July 2010
Cheshire Shared Services Joint Committee Report – 17 September 2010
Cheshire Shared Services Joint Committee Report – 29 October 2010
Cheshire Shared Services Joint Committee Report – 26th November 2010
Cheshire Shared Services Joint Committee Report – 7th January 2011
Cheshire Shared Services Joint Committee Report – 25th February 2011
Cheshire Shared Services Joint Committee Report – 18th March 2011
Cheshire Shared Services Joint Committee Report – 29th July 2011
Cheshire Shared Services Joint Committee Report – 30th September 2011
Cheshire Shared Services Joint Committee Report – 25th November 2011
Cheshire Shared Services Joint Committee Report – 27th January 2012
Cheshire Shared Services Joint Committee Report – 24 February 2012
Cheshire Shared Services Joint Committee Report – 27th April 2012
Cheshire Shared Services Joint Committee Report – 18th May 2012
Cheshire Shared Services Joint Committee Report – 29th June 2012
Cheshire Shared Services Joint Committee Report – 27th July 2012
Cheshire Shared Services Joint Committee Report – 31st August 2012

Cheshire Shared Services Joint Committee Report – 28th September 2012
Cheshire Shared Services Joint Committee Report – 30th November 2012
Cheshire West and Chester Executive – 09th January 2013
Cheshire Shared Services Joint Committee Report – 22nd February 2013
Cheshire Shared Services Joint Committee Report – 22nd March 2013
Cheshire East Council Cabinet – 2nd April 2013

Documents are available for inspection at:
Cheshire East Democratic Services
Westfields
Middlewich Road
Sandbach
CW11 1HZ
or:
Cheshire West & Chester Democratic Services
HQ Building,
Nicholas Street,
Chester,
CH1 2NP

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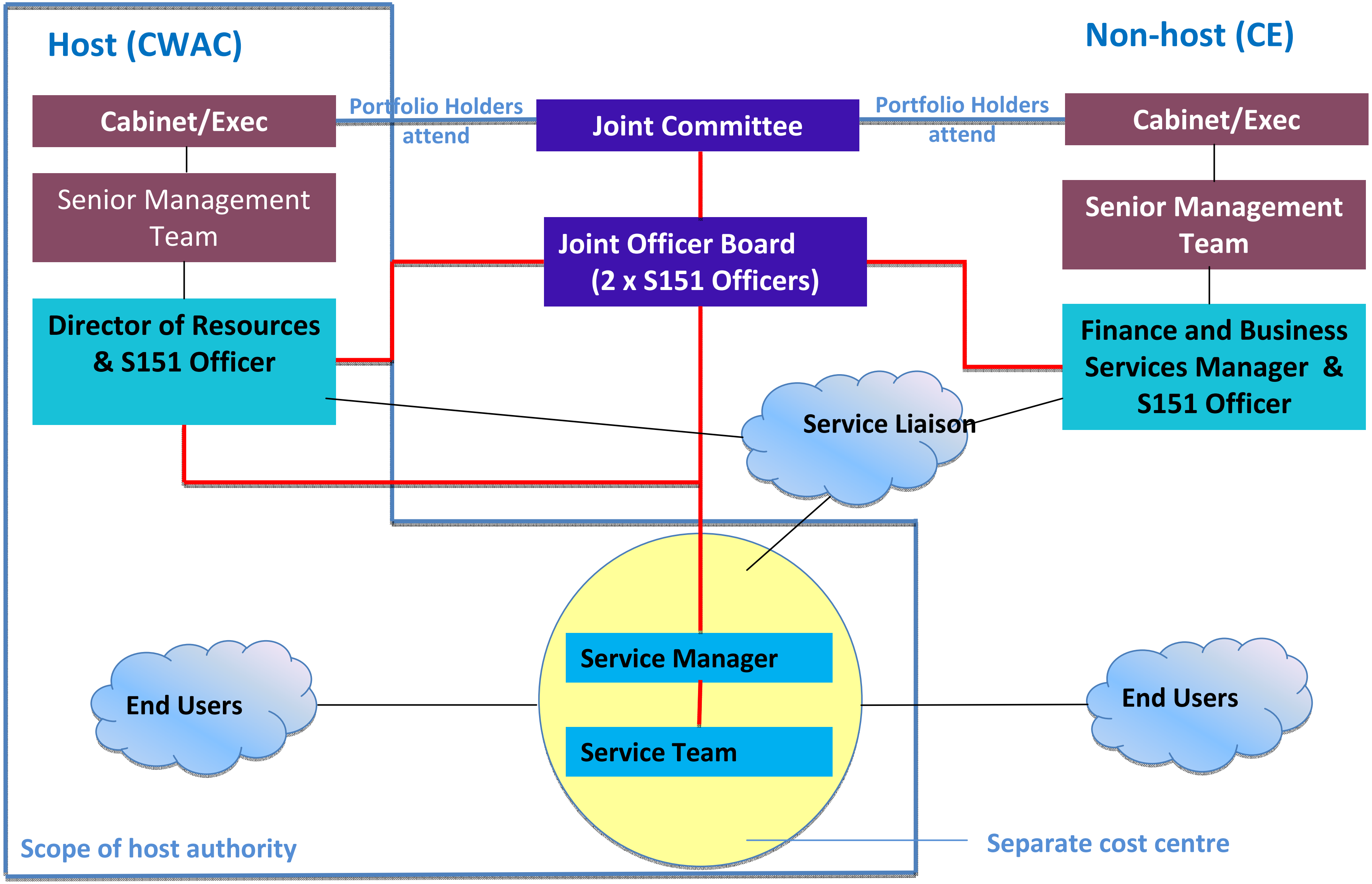
APPENDIX 1

Shared Services Governance Model



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APPENDIX 2

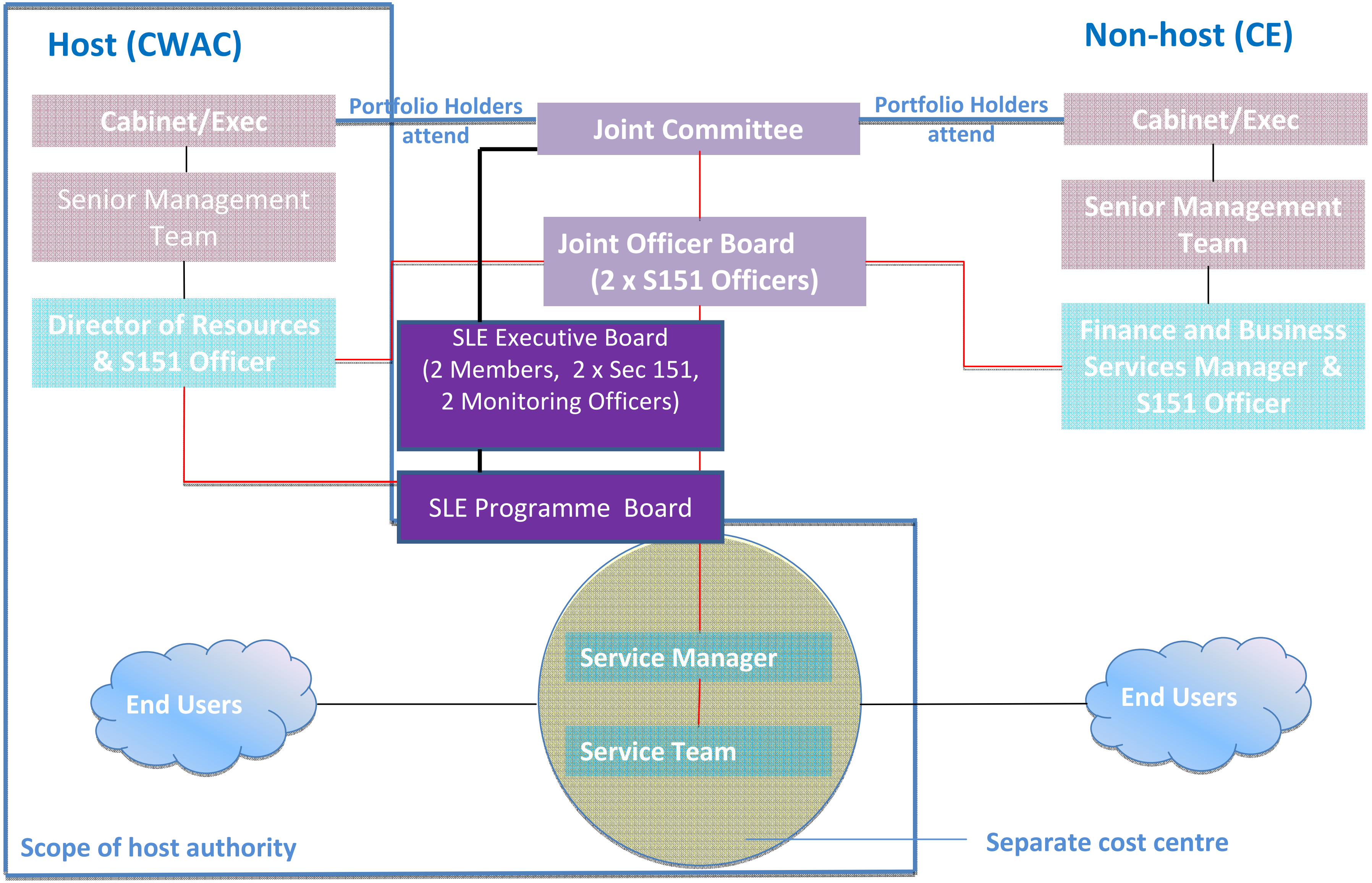
FUTURE DIRECTION OF REMAINING SHARED SERVICES

SHARED SERVICE	FUTURE DIRECTION
ICT **HR and Finance**	Both Councils have agreed a recommendation to move these shared services into a Separate Legal Entity from 1 April 2014. To facilitate this the Joint Committee have delegated any decisions concerning the transfer to an Executive Programme Board which includes representatives from both Councils including the Chairman and Vice Chairman of the Committee, Section 151 Officers, Monitoring Officers and the project Senior Responsible Officers (SROs). This will be underpinned by an Officer Programme Board, chaired by the SROs and with the responsibility for overseeing delivery through the various workstream leads. The introduction of these governance arrangements will replace the need for decisions to be made by the Joint Committee although it is anticipated that Members will receive regular updates on progress.
Occupational Health	The OHU has recently gone through a review which recommends that the service be given the opportunity to restructure and implement an electronic system to drive and inform performance over the next 10 months. Outcomes will be used to assess the future of the service. The JOB and Joint Committee will be required to consider these and the future direction of the OHU.
Libraries Specialist support	Work is currently underway to transfer employees in this service to CWAC which will remove the need for JOB to be involved in the resolution of day to day staffing issues which arise from the Secondment arrangements. New IT systems to support frontline libraries and the Education Library (ELS) are planned but any decisions relating to implementation are likely to rest with the clients. There is potential for the ELS to become more commercial and this is currently being explored. The JOB and Joint Committee will be required to consider these and the future direction of the OHU.
Archives and Local Studies	The key issue for this service is the provision of alternative premises for the growing archive. A project is underway to deliver a feasibility study which will explore potential sites. This is a major capital project will require the involvement of the JOB and the Joint Committee. A staff transfer as in LSS is anticipated in due course which if achieved will reduce issues raised at JOB.
Emergency Planning	The Service falls under the remit of the Joint Emergency Planning Liaison Board (JEPLB) as well as the Joint Committee. In effect this means that governance of the service is duplicated, for example, both receive Business Plans and Performance Reports although arguably these get more challenge from the JEPLB. There has been little requirement for JOB to get involved in resolving operational issues. Consideration should therefore be given to formally transferring the governance of this shared service to the JEPLB.
Farms Estate	This is small specialised service managing its clients' farms estates. However since its inception clients' policies have diverged with one focusing on retention (CE) and the other on divesting its farms estate. This means that although the Service continues to deliver similar core services at present although the client's overall objectives will mean that it will eventually only be supporting CE Farms Estate. The development of this situation needs to be monitored by the JOB and the Joint Committee to enable key decisions to be made as appropriate.
Rural Touring Arts	This Service is totally grant funded and consists of 2 FTE staff employed by CWAC. JOB notr the Joint Committee have been required to consider any operational issues other than the Business Plan and consequent performance reports. Given this situation it is considered that this should cease to be a shared service but instead should become a service provided by CWAC to CE under an appropriate Service Level Agreement.

APPENDIX 2

APPENDIX 3

Shared Services Governance Model Incorporating SLE Arrangements – June 2013



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APPENDIX 3
ANNEX 1

Extract from Shared Services Administrative Agreement: Joint Committee Terms of Reference

SCHEDULE 2

Terms of Reference of the Joint Committee

1. The Joint Committee's role is to oversee the management of those services which are provided on a Cheshire wide basis on behalf of Cheshire West and Chester Borough Council and Cheshire East Borough Council, to ensure effective delivery of such services and to provide strategic direction.

2. The Joint Committee is specifically responsible for:

2.1 Developing and agreeing the strategy for each of the services

2.2 Agreeing the responsibilities of each Council to support the delivery of the approved Business Plan Service Delivery Statements and agreed strategy, including any specific responsibilities falling to the Discharging Council

2.3 Ensuring that such responsibilities are clearly documented in a Business Plan (or similar)

2.4 Ensuring that the services are provided within the policy and budget set by the councils

2.5 Ensuring the provision of adequate funds and other resources

2.6 Approving the Business Plans and Service Delivery Statements for the Specified Functions, including targets for service quality, performance and efficiency

2.7 Ensuring that there are robust plans for any disaggregation of services and that there is a smooth transition to the separate arrangements

2.8 Ensuring that the arrangements for the management of the Cheshire Shared Services enable each Council's statutory requirements to be met

2.9 Ensuring that clear policies are in place and that these are complied with

2.10 Agreeing the basis for apportioning cost between the two Councils and the amount to be apportioned

2.11 Reviewing the performance of the services and initiating additional / remedial action where appropriate

2.12 Approving business cases for proposed changes and overseeing the progress of the subsequent work

2.13 Ensuring that effective risk management arrangements are in place, that the services are subject to adequate and independent audit and that any audit recommendations are acted upon.

2.14 Maintaining an up to date list of the respective Chief Officers and supporting them in the performance of their duties

2.15 Resolving issues that have been referred to the Joint Committee by Chief Officers

2.16 Providing an Annual Report to each of the two Councils.

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APPENDIX 3
ANNEX 2

Terms of Reference Joint Officer Board

Shared Service arrangements between Cheshire East and Cheshire West and Chester continue to develop and to reflect this it has been necessary to review the operation of the Joint Officer Board (JOB) to ensure that this continues to respond to these developments in an appropriate and timely way.

One of the main areas to be progressed is the development of a Separate Legal Entity (SLE) for the ICT and HR and Finance Shared Services. Prior to formal decision on this issue it was necessary to initiate separate Executive Board and Client arrangements on which future working relationships would be established. The JOB Terms of Reference were amended to reflect this development

Formal decisions to progress with an SLE were agreed by CWAC and CE in January and April 2013 respectively and processes are now being put in place to progress the delivery of the SLE. The JOB Executive Board and Client Boards will cease. The following new arrangements will be put in place:

SLE Executive Board - with delegated powers from the Joint Committee to oversee the strategic delivery of the SLE this body will consist of Members and Officers and will meet monthly.

SLE Programme Board – this officer body will project manage the delivery of the SLE and will meet fortnightly

There is still a requirement for the Joint Officer Board to meet to respond to formulate the strategic direction for remaining shared service and as such the current Terms of Reference continue to be fit for purpose. **Regular JOB** will continue to meet on a monthly basis as business requires.

Core membership of each Group is contained in the appendix. Other officers, including Shared Service managers will be invited to attend as and when required.

A Forward Plan will be developed to assist the management of agendas and timed slots will be introduced to manage attendance.

Joint Officer Board Terms of Reference

1. Purpose of Group

1.1 The Joint Officer Board's role is to support the Joint Committee in overseeing the management of Cheshire Shared Services, helping ensure the effective delivery of such service and helping to provide strategic direction

2. Specific Responsibilities

2.1 The Responsibilities of the Joint Officer Board include:

2.1.1 Considering proposed budgets, Business Plans, Service Deliver Statements, Business Cases and other key documents relating to the delivery of the services

2.1.2 Monitoring the performance and financial position of the services and reporting accordingly to the Joint Committee

2.1.3 Reviewing the end of year accounting statements, including the cost sharing proposals

2.1.4 Making recommendations, providing advice and where required, referring matters for resolution to the Joint Committee in a timely and efficient manner

2.1.5 Ensuring effective link and liaison with the Chief Officers in Cheshire East (CE) and Cheshire West and Chester (CWAC) responsible for the services

2.1.6 Considering issues referred to the Joint Officer Board, resolving where possible and appropriate and escalating to the Joint Committee where appropriate

2.1.7 Confirming the appointment of Service Managers and dealing with other HR related work referred to the Joint Officer Board

2.1.8 Acting as the central focal point for all matters relating to shared services

2.1.9 Ensuring consistent and effective communications in both Councils on all matters relating to shared services

2.1.10 Supporting the Joint Committee in developing the strategy and long term vision for Cheshire Shared Services

2.1.11 Promoting Cheshire Shared Service in CE, CWAC and in the external environment

2.2 Sub Sets of Joint Officer Board and Joint Committee will act as the SLE Executive Board and the SLE Programme Board to facilitate the transition of the ICT and HR and Finance Shared Services to a Separate Legal Entity.

3. Membership

3.1 Core members have been identified for each grouping in the Terms of Reference but other officers may be invited to attend as appropriate. membership for each sub group of the Joint Officer Board will vary according to which of the board is meeting. Section 151 Officers will be core to JOB and the SLE Executive Board

4. Quorum

4.1 Deputies for the Joint Chairs are as follows:

4.1.1 Mark Wynn – CWAC

4.1.2 Chris Mann – CE

4.2 In the event that one of the Joint Chairs is unavailable for a planned meeting but the deputy is able to attend, then the meeting can go ahead or be re-scheduled. In the event that neither of the Joint Chairs, not their deputies are available, then the meeting will be re-scheduled

5. Reporting Lines

5.1 The Joint Officer Board will report to the Joint Committee

5.2 The SLE Programme Board will report to the SLE Executive Board

5.3 The Shared Service Liaison Meetings will report to Regular Joint Officer Board

Frequency of Meetings

6.1 The Joint Officer Board will normally meet monthly

6.2 The SLE Executive Board will meet monthly

6.3 The SLE Programme Board will meet fortnightly

Secretariat

7.1 This will be provided jointly by CWAC and CE in accordance with arrangements agreed by the Joint Chairs

6. Decision making

8.1 Decision will be formalised through the agreement of both Joint Chairs in each case, advised by other members of the appropriate group

APPENDIX 1 – Membership of Boards

Regular Joint Officer Board

Core membership

Name	***Role***
Julie Gill	Joint Chair and Section 151 Officer for CWAC
Vivienne Quayle	Joint Chair and Section 151 Officer for CE
Miec Sullivan-Gould	Legal CWAC
Julie Openshaw	Legal CE
Mark Wynn	Finance (Deputy for Julie Gill as required)
Christine Mann	Finance (Deputy for Vivienne quayle as required)

Support

Name	***Role***
Jackie Gray	Shared Service Manager
Sharon Barclay	SLE Programme Manager

Invited to Regular Joint Office Board if required

Name	***Role***
John Callan	ICT Shared Service Manager
Vanessa Griffiths	HR and Finance Shared Service Manager
Eric Burt	OHU Shared Service Manager
Sue Eddision	Specialist Shared Service Manger
Jonathan Pepler	Archive Shared Service Manager
Chris Samuels	Emergency Planning Shared Service
Ian Marshall	Archaeology Shared Service
David Job	Farms Estates
Kathryn West	Rural Touring Network
CE Service Managers	
CWAC Service Managers	

SLE Executive Board

Core membership

Name	***Role***
Councillor David Brown	Joint Committee Member
Councillor Les Ford	Joint Committee Member
Julie Gill	Section 151 Officer for CWAC
Vivienne Quayle	Joint Chair and Section 151 Officer for CE
Miec Sullivan-Gould	Legal CWAC
Julie Openshaw	Legal CE

Support

Name	***Role***
Sharon Barclay	SLE Programme Manager
Rachel Graves	Democratic Support

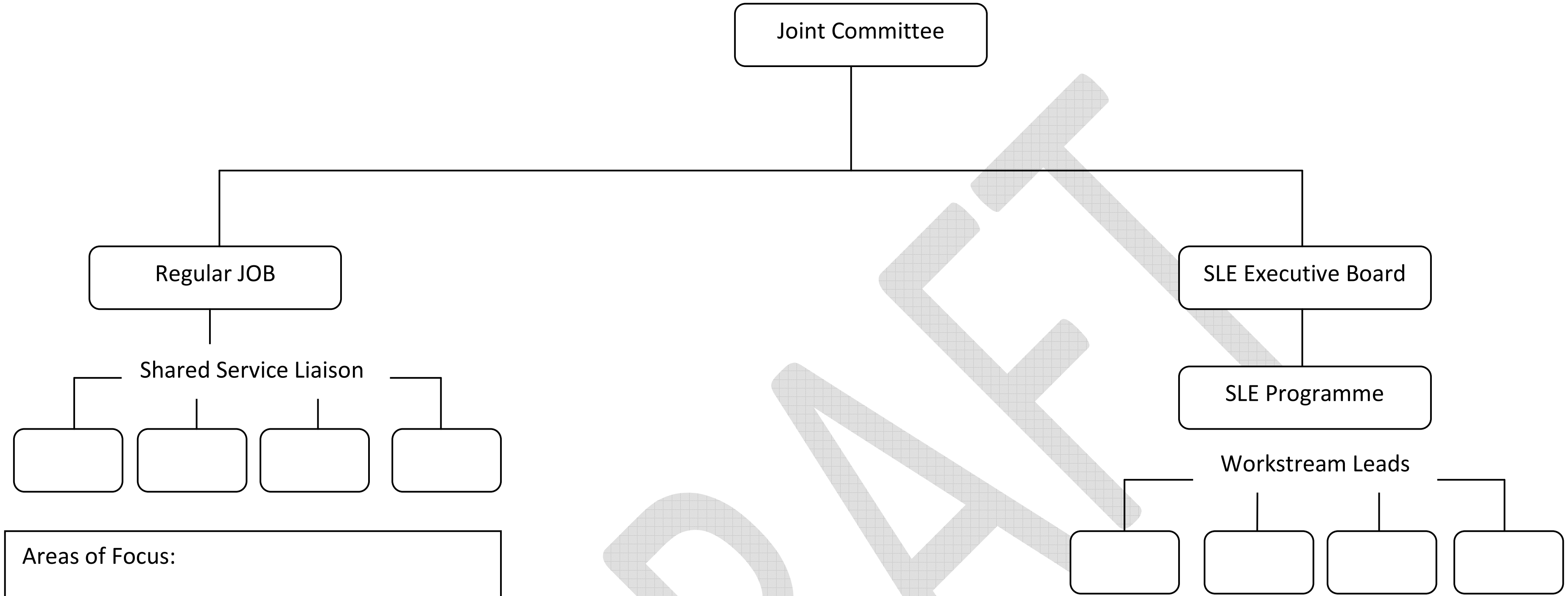
SLE Programme Board

Core membership

Name	***Role***
Mark Wynn	Joint SRO CWAC
Chris Mann	Joint SRO CE
Sharon Barclay	SLE Programme Manager
Jackie Gray	Business Change Manager

Optional Workstream Leads

Sam Brousas	Staff & Stakeholder Engagement
Steve Wilcock	Company Formulation & Governance
Karen McIlwaine	Client Operations- Commissioners
John Callan	SLE Operations – Suppliers
Graham Gresty	Contract & Performance Management
Angela Davies	Business and Development Plan



Areas of Focus:

- Strategic direction of current Shared Services and potential new opportunities
- Resolution of Shared Service operational Issues and policy development (excluding those in the SLE)
- Shared Service financial and non-financial performance (excluding those in the SLE)
- Joint Committee Business
- Communications (internal and

Areas of Focus:

- Establishing the the ICT and HR and Finance shared services as an SLE
- Stakeholder & employee engagement
- Company formation and governance
- Client Operations – commissioners
- SLE operations – suppliers
- Contact and performance management
- Business and development Plan
- Developing Commercial Business Model with fully costed Service catalogue/s
- Increasing partner base and developing trading model

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SLE EXECUTIVE BOARD AND SHARED SERVICES JOINT COMMITTEE

JOB Agenda Discussion	SLE Project Board	Date	SLE BOARD 2.PM	JOINT COMMITTEE 3.00PM	Deadline for Reports	Agenda due out	CE Member Briefing
06 June 2013 - HR scenarios - SLE Workstreams - Future Governance	20 June 2013	28 June 2013	- MD appointment - Sub-groups	- SS Outturn performance - OHU Review - SLE Update - Transformation challenge fund - Future Governance?	19 June 2013	20 June 2013	3.30 pm 25 June 2013
04 July 2013 - Unions - Ist quarter review	04 July 2013 18 July 2013	26 July 2013		- SS position statement - 1st quarter review - SLE Update	17 July 2013	18 July 2013	2.00 pm 24 July 2013
01 August 2013 - Unions - Risk review	01 August 2013 15 August 2013	30 August 2013	- Finalise business case - Agree shadow Mode 01.09.13 - Agree branding	- SLE Update	21 August 2013	22 August 2013	9.30 am 30 August 2013
29 August 2013 - Unions	29 August 2013 12 Sept 2013	27 September 2013	- TUPE - Memo / articles of association	- SLE Update	18 September 2013	19 September 2013	10.00 am 24 ept 2013
26 Sept 2013 - Unions	26 Sept 2013 10 Oct 2013	25 October 2013		- Mid-year review - SLE Update	16 October 2013	17 October 2013	10.00 am 22 Oct 2013
24 October 2013 - Mid Year Review - Budget challenge - Unions	24 Oct 2013 07 Nov 2013	29 November 2013		- SLE Update	20 November 2013	21 November 2013	3.00 pm 26 Nov 2013
21 Nov2013	21 Nov 2013 05 Dec 2013	20 December 2013	- Funding arrangement - Shareholder agreement		11 December 2013	12 December 2013	11.30 am 17 Dec 2013
19 Dec 2013	19 Dec 2013 02 Jan 2014	24 January 2014		- SS position statement - SLE Update	15 January 2014	16 January 2014	10.00 am 21 Jan 2014
16 January /13 Feb 2014 - Unions - ¾ Year Review	16 Jan 2014 30 Jan 2014 13 Feb 2014	28 February 2014	- Go live decision	- SLE Update - ¾ performance review	19 February 2014	20 February 2014	3.00 am 26 Feb 2014
13 Feb / 10 March 2014 - Unions - Budget Challenge	27 Feb 2014 10 March 2014	28 March 2014	- Formal formation of the company	- Formal formation of the company	19 March 2014	20 March 2014	3.00 am 26 March 2014
10 March / 10 April 2014	24 March 2014 10 April 2014	25 April 2014	- First meeting of Shareholder Board		16 April 2014	17 April 2014	3.00 pm 23 April 2014
	24 April 2014 08 May 2014	23 May 2014			14 May 2014	15 May 2014	3.00 pm 20 may 2014

Business to be scheduled:
- Archives Review

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