

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

REPORT TO: SHARED SERVICES JOINT COMMITTEE

Date of Meeting:	27 January 2012
Report of:	Cheshire East – Director of Finance and Business Services Cheshire West & Chester – Director of Resources
Subject/Title:	Updated Financial Review – 2011-12

1.0 Report Summary

- 1.1 2011-12 is the third operating year for many of the Shared Services. This report summarises the current forecast outturn position for Shared Services for 2011-12 at the Third Quarter point (based on actual expenditure as at the end of November 2011).
- 1.2 Full details of the outturn projection for individual shared services are shown at Appendix 1.

2.0 Recommendations

- 2.1 That Members note the overall outturn position relating to current shared service arrangements.

3.0 Reasons for Recommendations

- 3.1 The position statement aims to ensure that the Joint Committee are up to speed on recent developments concerning shared service arrangements.

4.0 Wards Affected

- 4.1 This report relates to shared services that operate across both Cheshire East and Cheshire West and Chester so all wards are affected in both Councils.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

- 6.1 None.

7.0 Financial Implications for Transition Costs

- 7.1 None

8.0 Financial Implications (Summary Outturn Forecast 2011-12)

8.1 As part of producing and reporting on the 2011-12 third review of the financial position, each Shared Service has been reviewed and a summary of actual costs to date and forecast outturn positions for each service agreed. This outturn forecast is then split according to the respective cost sharing arrangement for each service. This has then been compared to the 2011-12 budgets for each Authority to produce a budgetary variance and forecast outturn position.

Full details of the outturn projection for individual shared services are shown at Appendix 1. The table below provides details of the Shared Services collective position as at the final outturn position.

2011-12	Projected Outturn (@ TQR) £000	Budget £000	Variance -under/over (@TQR) £000	Variance -under/over (@MYR) £000
Total Cost	16,090	13,458	2,632	2,688
East Cost Share	7,799	6,208	1,591	1,619
West Cost Share	8,291	7,250	1,041	1,069

8.2 Summary of Key Issues

8.2.1 Those Shared Services with significant forecast budgetary variances (i.e. those with total budget variances in excess of £100K) are summarised in the table below and explained further in the following section. In addition significant changes in budgetary variance from MYR to TQR are also analysed.

2011-12		Cheshire East			Cheshire West		
Shared Service	Total Variance -under / over £000	Projected Outturn £000	Budget £000	Variance -under / over £000	Projected outturn £000	Budget £000	Variance -under / over £000
ICT	2,438	4,870	3,592	1,278	5,370	4,210	1,160
HR & Finance	164	1,516	1,273	243	1,516	1,595	-79

8.2.2 HR & Finance

Cheshire East

Since the Mid-year review the forecast overspend has reduced from £273K to £243K, due to careful management of staff vacancies, agency staff, sickness cover and consultancy. Work is on-going to reduce the residual overspend via the Business Management Review with the aim of improving a range of HR,

Income to Cash and procurement processes to deliver a very high level of compliance and to reduce costs.

Cheshire West and Chester

There has been careful management of staff vacancies, agency staff, sickness cover and consultancy. The service was pump primed at the start of the financial year due to the Oracle upgrade. Expectation over required support continues to be managed downwards during the financial year in anticipation of planned savings for 2012-13.

8.2.3 ICT

The overspend being reported by the ICT Shared Service is little changed from the reported mid-year position and in summary can be explained through 4 main contributing elements. These are:

1.	The recognised discrepancy between the ICT Service's zero base budget for 2011-12 and the actual budgets held by each client.	£1.223m
2.	The expected under-delivery against efficiency targets.	£.260m
3.	An overspend in relation to IP telephony contractors.	£.040m
4.	An under-recovery of income in relation to a reduction in the number of commissioned project hours.	£.915m
	Total Variance	£2.438m

In recognition of the anticipated overspend that is currently forecast against the client budgets, the ICT Shared Service is actively working to reduce both its in year expenditure and baseline costs through a number of key reviews and identification of efficiencies. The detail of the overspend and mitigating actions were detailed in the previous report received at the Joint Committee briefing session on 30th September. In summary the actions were:

- Performance Management
- Commodity Sourcing
- Recruitment Review
- Contract Spend Analysis
- Architecture Simplification
- Review of Target Operating Model
- Benchmarking

There are a range of efficiencies that are achievable in year as a result of these exercises, although it should be noted that some of these savings will sit directly in the client areas. Further savings are hoped to be achieved in later years.

The following table provides an update on the current position in respect of commissioning and delivery of project work:

Summarised Work Programme 2011-12

	East (to TQR)	West (to TQR)	Total (to TQR)
Total Expected Demand	36,000	42,000	78,000
Commissioned Hours to Date*	23,870	24,744	48,614
Hours Delivered to Date	19,790	21,040	40,830
Small Job Requests**	4,010	5,390	9,400
Oracle (internal provision)**	4,640	5,500	10,140
Returned Hours for closed / completed projects	1,560	3,030	4,590
Balance to be commissioned	5,040	9,396	14,436

* Commissioned hours to date (excluding Oracle) show approved hours on the project register but exclude variances pending client approval

** Oracle includes commissioned projects and small jobs

Progress since the last report includes:

- Delivery of commissioned project hours within the service remains on course to achieve the forecast 59,200 hours (This equates to 76% of the total expected demand).
- The service has now exited a total of 6 colleagues under Performance Management.
- Consultation on the revised Target Operating Model was launched 1st December. There is a target headcount reduction of 30% for the service (including Performance Management). A one-off extra-ordinary redundancy cost will be required to fund this scale of exit.
- The review of third party spend continues in order to drive out additional efficiencies.
- A review of income into the service has now commenced, this will include the areas of Telephony, Broadband, Schools Support Team, and General Fees and Charges.

The ICT Shared Service continues to face a number of issues that challenge its ability to meet a break-even position against its revenue budget. The lack of visibility of the overall demand plan for the year, coupled with potentially scarce resources in some areas, means that the service is forecast to overspend against its revenue provision at the end of the year. The situation will continue to be managed, monitored and reported on to Members throughout the year, highlighting developing issues as they arise.

JOB will receive a report at its next meeting on 19th January highlighting the extent of the delivery of the recovery plan and actions still required to ensure that the ICT Shared Service starts the next financial year with a balanced budget.

9.0 Legal Implications

- 9.1 The Shared Services Administrative Agreement and Financial Memorandum set 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 managing financial arrangements in individual shared services.

10.0 Risk Management

10.1 As part of the periodic financial review process, risks are identified and escalated to the Joint Officer Board to be considered for inclusion on the Shared Services Strategic Risk Register. The potential for budget overspends has been identified previously via this process and has been categorised as a “significant” risk and as a result is regularly monitored.

11.0 Background and Options

11.1 2011-12 has seen a significant reduction in the number of shared services going forward with only 11 formal shared services now being reported on, and of these, 9 remain on-going (following the closure in August and September 2011 of the Autism Support Service and the Highways Maintenance Contract respectively).

12.0 Conclusion

12.1 Cheshire East

Within Cheshire East, the 2011-12 Shared Services outturn reveals a projected overspend of £1.591m. The majority of this overspend (£1,278m) relates to the ICT Shared Service with approximately half relating to the shortfall on deliverable development hours chargeable to capital schemes, with the remainder arising from the difference between the east operational budget and the current cost base of the service.

The remainder of the over spend relates primarily to the HR & Finance Service and this is broadly in line with expectations. It will be tackled by reducing costs through a combination of increased compliance with corporate processes and new developments enabled by the Oracle system upgrade.

12.2 Cheshire West & Chester

The overall Shared Service projected outturn for Cheshire West and Chester of £1.041m overspend relates primarily to the ICT Shared Service position which is partially offset by a number of underspends within other Shared Services.

13.0 Access to Information

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

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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

Documents are available for inspection at:

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