



# Shared Services Joint Committee

## Agenda

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**Date:** Friday 28th March 2014  
**Time:** 1.30 pm  
**Venue:** Committee Room 1 - Wyvern House, The Drumber, Winsford, CW7 1AH

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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. Apologies for Absence**

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

**2. 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.

**3. 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 below.

**4. Minutes of the Previous Meeting (Pages 1 - 4)**

To approve the minutes of the meeting held on 10 January 2014.

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

**Contact:** Rachel Graves  
**Tel:** 01270 686473  
**E-Mail:** [rachel.graves@cheshireeast.gov.uk](mailto:rachel.graves@cheshireeast.gov.uk)

5. **The Future of Cheshire Shared Services** (Pages 5 - 26)

To consider proposals relating to the future direction of the remaining shared services arrangements between Cheshire East and Cheshire West and Chester Councils.

6. **Cheshire Archives and Local Studies Feasibility Study Progress Report** (Pages 27 - 30)

To receive an update on the progress of the feasibility study relating to the potential relocation of the Cheshire Archive and Local Studies Shared Services and to approve proposals for public consultation on the choice of site.

7. **The Future of Occupational Health Shared Services** (Pages 31 - 40)

To consider proposals to explore the option of engaging an appropriate external provider to work in partnership with the Occupational Health Shared Services in providing cost effective and resilient services to its clients.

8. **CoSocius Go Live Decision** (Pages 41 - 70)

To consider approval to transition CoSocius Limited which is currently operating in "shadow mode" into a fully operational arms length trading company.

9. **Exclusion of the Press and Public**

The report relating to the remaining item on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

**PART 2 - MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT**

10. **CoSocius Limited Go Live Decision** (Pages 71 - 86)

Minutes of a meeting of the **Shared Services Joint Committee**  
held on Friday, 10th January, 2014 at Committee Room 1 - Wyvern House,  
The Drummer, Winsford, CW7 1AH

## **PRESENT**

Councillor D Brown (Chairman)  
Councillor L Ford (Vice-Chairman)

Councillors B Moran, P Raynes, L Jones and L Riley

## **Officers**

### Cheshire East Council

Chris Mann, Corporate Resources Manager  
Jackie Gray, Corporate Manager Business Intelligence and Data  
Suzanne Antrobus, Senior Lawyer  
Steve Wilcock, Finance Lead  
Rachel Graves, Democratic Services Officer

### Cheshire West and Chester Council

Julie Gill, Director of Resources  
Sharon Barclay, Project Manager Change Management Service  
Vanessa Whiting, Head of Legal and Democratic Services  
Karen McIlwaine, Senior Legal Manager - Safeguarding and Litigation

Dominic Whelan, Managing Director CoSocius

## **32 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **33 DECLARATIONS OF INTEREST**

No Declarations of Interest were made.

## **34 PUBLIC SPEAKING TIME/OPEN SESSION**

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

## **35 MINUTES OF PREVIOUS MEETING**

### **RESOLVED:**

That the minutes of the meeting held on 29 November 2013 be approved as a correct record and signed by the Chairman.

### 36 SHARED SERVICES POSITION STATEMENT

Consideration was given to a report which provided a summary of the current position of the Shared Services arrangements between Cheshire East Council and Cheshire West and Chester Council.

A summarised position statement for all current Shared Service arrangements was detailed in Appendix 1 to the report.

One of the outcomes from the strategic and operation review of the Libraries Support Services and the Education Library Service was that Cheshire East staff employed in the Libraries Support Service would be transferred to Cheshire West and Chester under TUPE regulations. Following some delay this had now been completed with the Transfer Agreement becoming operational on 5 December 2013.

The Cheshire Archives and Local Studies Shared Services Manager was seeking to put a similar arrangement into place to reducing the amount of management time spent on managing two sets of staff on differing terms and conditions of employment. The Joint Officer Board had endorsed this approach with a view to getting the transfer arrangements in place by 1 April 2014 and the Committee was asked to approve the proposal.

It was expected that the feasibility study relating to the potential re-location of the Cheshire Archive would be delivered in March 2014. On delivery of the Report, a preferred option could be identified and work commenced on securing external funding from the Heritage Lottery Fund.

**RESOLVED:** That

- (1) the overall position statement relating to current Shared Service arrangements be noted; and
- (2) the proposal to enter into a Transfer Agreement for staff employed in the Cheshire Archives and Local Studies Shared Service be approved.

### 37 EXCLUSION OF THE PRESS AND PUBLIC

The Committee were informed that the report made specific references to commercial information, operational issues and on-going negotiations between Cheshire West and Chester Council and Cheshire East Council and a third partner that could not be disclosed at this point in time, and

**RESOLVED:**

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of

Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

**38 PRINCIPLES OF ON-BOARDING FURTHER PARTNER INTO COSOCIUS LTD**

Consideration was given to the report of Managing Director, CoSocius Ltd on the principles of on-boarding a further partner into CoSocius Ltd.

**RESOLVED:** That

- (1) Agreement in principle be given for Wirral Council to join CoSocius as a third partner.
- (2) The Principles of Wirral joining CoSocius be agreed as outlined in section 3.4 of the report.
- (3) Agreement in principle be given that Wirral Council join CoSocius as a full partner and the Section 151 officers of both Councils be authorised to proceed with the next steps, as outlined in section 11 of the report.
- (4) A full business case be presented in March 2014 demonstrating the full expected benefits and associated costs of change to enable an informed decision to be made regarding Wirral becoming a partner in CoSocius.

The meeting commenced at 12.30 pm and concluded at 1.45 pm

Councillor D Brown (Chairman)

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# CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

## SHARED SERVICES JOINT COMMITTEE

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<b>Date of Meeting:</b>	28 March 2014
<b>Report of:</b>	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
<b>Subject/Title:</b>	The Future of Cheshire Shared Services

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### 1.0 Report Summary

- 1.1 At 1<sup>st</sup> April 2009, Cheshire East Council (CEC) and Cheshire West and Chester Council (CWAC) continued to share 32 services post LGR. These arrangements were set out in formal legal agreements supported by a robust governance framework which has overseen the majority of the shared services transition to alternative models of delivery. Today just seven shared services remain.
- 1.2 This report examines the successes and lessons arising from the shared arrangements to date which include significant financial efficiencies (circa £7 million) and staff reductions (220 FTE plus). It puts forward proposals for the remaining shared services, their on going governance and assesses if these arrangements will continue to meet the needs of both councils in the future or if other service delivery options need to be explored, and if so, when.

### 2.0 Recommendations

- 2.1 The report recommends that:
- (i) The proposed way forward for the remaining shared services (Appendix 2 but as summarised in Table 1, para 12.1) be agreed;
  - (ii) The reduced frequency (i.e. bi-monthly) of Joint Officer Board and the Joint Committee meetings from 2014-15 onwards as set out in Appendix 4 be approved, and
  - (iii) The formal transfer of governance for the Emergency Planning Shared Service to the Joint Emergency Planning Liaison Board be agreed.

### 3.0 Reasons for Recommendations

- 3.1 The number of Shared Service arrangements between CEC and CWAC has reduced significantly over the past five years. The anticipated transfer of the ICT and HR and Finance Shared Services by 01 April 2014 should mean that the level of business being referred to Joint Officer Board (JOB) and Joint Committee will reduce and therefore the frequency of meetings can be reduced accordingly.
- 3.2 The Emergency Planning Shared Service falls under the remit of the Joint Committee however its response activity falls under the remit of the Joint Emergency Planning Liaison Board (JEPLB), a body consisting of officers and

executive Members from both Councils. In effect there is a duplication of governance. In June 2013 the Joint Committee agreed a proposal to formally transfer the governance of the shared service to the JEPLB. This proposal was agreed by the JEPLB at their meeting on 28<sup>th</sup> February 2014.

#### **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**

- 6.1 None.

#### **7.0 Financial Implications**

- 7.1 There are no direct financial implications arising from the recommendations however if applied Officers and Members will spend less time in preparing for and attending meetings and there should be some savings linked to reduced expenses claims associated with travel and attendance allowances.

#### **8.0 Legal Implications**

- 8.1 The Administrative Agreement sets out the overall arrangements in relation to the manner in which the sharing Authorities work together. The Shared Service Agreement sets out the governance mechanisms by which the JOB and Joint Committee operate. Schedule 1 of the agreement sets out the constitution of the Joint Committee and sets the frequency of meetings as every two months.
- 8.2 Over the past three years the level of activity on shared service issues was sufficient to increase the frequency of Joint committee meetings to monthly. However, given that business is now likely to reduce it is proposed that the frequency of Joint Committee meetings reverts to bi-monthly. In the event that there is insufficient business to warrant a meeting the Joint committee will be cancelled.
- 8.3 A proposed schedule of meetings for the 2014/15 democratic year is contained in Appendix 4.

#### **9.0 Risk Management**

- 9.1 There is a risk that if the frequency of JOB and Joint Committee meetings is reduced this might delay formal decisions regarding the strategic operation of the remaining shared services. There is currently no procedure for dealing with matters of urgency other than through each of the individual Council's Procedural Rules. In the event of such a situation arising it is proposed that due consideration will be given to the issue in consultation with the Section

151 Officers and the Legal Officers from each Council to agree the most appropriate course of action. This may involve consulting with the Chairman and Vice Chairman and convening an additional meeting of the Joint Committee as appropriate dependent on the gravity of the situation to be resolved.

- 9.2 It is anticipated that operational issues will be dealt with through existing Client Liaison arrangements but in the event of any issue not being resolved to mutual satisfaction it will be raised at the earliest opportunity with the Joint Officer Board.

## **10.0 Background and Options**

- 10.1 The Local Government Review (LGR) of Cheshire saw the dissolution on seven district Councils and one County Council to be replaced by two new Unitary authorities – Cheshire East (CE) and Cheshire West and Chester (CWAC). In undertaking this change process there were sound business reasons to continue to deliver some services jointly whilst in other areas there was just insufficient time to disaggregate the activity ahead of vesting day.
- 10.2 At 1<sup>st</sup> April 2009, CE and CWAC continued to share 32 services post LGR. These arrangements were set out in formal legal agreements including:
- Administrative Agreement
  - Financial Memorandum
  - Individual Shared Service Agreements
  - Individual Shared Service Secondment Agreements
- 10.3 From the outset a robust governance framework involving a Joint Committee and a Joint Officer Board was put in place to support the Shared Services and oversee their strategic operation (Appendix 1). Together these have provided the appropriate forums for key decisions, monitoring performance, resolving issues and overseeing transitions to alternative arrangements as and when this has been necessary. It is anticipated that the latest transition will see the ICT and HR and Finance Shared Services move to a separate legal entity – CoSocius, on 1 May 2014. After this just seven shared services remain.

## **11 Shared Service Performance**

- 11.1 Appendix 2 provides an overview of the original shared services with an indication of their current status and indicates where services have transitioned to alternative arrangements over the past 5 years.
- 11.2 In many ways CE and CWAC were ahead of the game in their sharing arrangements with other authorities only pursuing this option in later years in response to increasing austerity measures imposed by central government. Whilst it could be argued that this was a “marriage of convenience” rather than one of choice given that it was prompted by LGR it has on the whole been a relationship that has worked. The balanced nature of the Joint Committee (3 Executive Members from each Council) has provided some robust debate but in every case a consensus on the way forward across a broad range of issues

has been achieved thereby evidencing the benefit of executive powers being vested in this body.

- 11.3 At this stage it is appropriate to note some of the successes achieved by the sharing arrangements and to highlight some of the lessons learned along the way:

Successes:

- Circa £7 million efficiency savings secured
- Significant staffing reductions (220 plus) achieved across all areas through service review and remodelling
- No major service failures in initial transition and approximately 75% of major ICT incidents resolved within service target (CE 74.6%, CWAC 78.1%)
- Major Oracle upgrade implemented and operational across both councils and developments underway to support multiple ASDVs in both councils
- Co-location of Library, ICT and HR and Finance Shared Services achieved and associated efficiencies delivered
- Significant reduction in long term ICT contractors through service redesign and procurement of single supply partner delivering increased efficiency
- Long term ICTSS budget issues successfully addressed resulting in a positive budget position being achieved by 2012-13
- Successful separation and transition of high profile service areas e.g. Youth Offending Team, Emergency Duty Team, achieved without any service breakdown
- Ability to respond to differing client requirements evidenced e.g. Farms Estate, Emergency Planning
- Successful transition of Students Loan Shared Service to a new national Student Loan's Company
- The successful closure of the shared Cheshire Business Supplies on the grounds that the service was no longer viable
- Introduction of Budget Challenge to ensure that Shared Services contribute to efficiency savings requirements of both partners.
- Development of separate legal entity to increase commerciality and provide increased efficiency and potential income stream to CEC and CWAC (decision pending)
- Rigorous approach to periodic reviews to inform future delivery e.g. Archives, Occupational Health, Libraries, CBS Supplies
- Alternative staffing transfer arrangements put in place to maximise management efficiency in addressing staffing issues e.g. Libraries and Archaeology Planning Advise

Lessons

- Insufficient publicity about what CEC and CWAC achieved by sharing from the outset – other authorities have been more pro-active in this area and have received more plaudits thereby putting them in a better position to expand the share

- Sharing services requires a good level of openness and trust between partners and providers (officers and Members) – too much time can be spent discussing about who is getting what
- Shared Services need to have a higher profile in partner organisations to ensure that all managers understand their governance thereby preventing unilateral decisions regarding shared service staff and/or functions
- Minutes of Joint Committee meetings should be formally received by each partners executive body to increase awareness of issues and resolutions which are likely to impact on client services
- Shared Service governance needs to be properly supported and resourced by both partners to avoid the risk of imbalance and too much knowledge and experience being vested in one individual.
- A suitable mechanism needs to be put in place to enable the Joint Committee to make timely urgent decisions between formal meetings as and when the need arises e.g. dealing with VR situations

## 12 **Review of Remaining Shared Services**

12.1 As already noted review activity is common place across the shared services to ensure that the service and delivery model remain fit for purpose and continue to meet the needs of both councils. A recent assessment of the remaining shared service has been undertaken which considers:

- the current arrangements and requirements for the future
- A high level evaluation of potential options for alternative delivery models (including amalgamation with another shared service)

Recommendations in each case are provided in the table below with full details contained in Appendix 3

**Table 1**

<b>SERVICE</b>	<b>RECOMMENDATION</b>
Occupational Health	That all options for future service delivery (i.e. joining an SLE, increased trading or potential outsource arrangement) be re-examined to determine the best way forward to be agreed by 1 June 2014 at the latest.
Farms Estate	To remain "as is" until 2016 when the position will be reviewed against progress on the implementation of CEC and CWAC's strategies for the Farms Estates.
Civil Protection and Emergency Planning	To remain "as is" and overall governance transfer to the JEPLB by 30 March 2014 at the latest
Libraries Specialist Support	To continue "as is" until 2015/16 when position will be reviewed again but ELS to be reviewed in the interim to assess benefits of alternative delivery models.
Archives and Local Studies	That the Shared Service continues "as is" until the future premises issue is clear (Autumn 2014) but staff transfer and management changes to be implemented in the interim with formal Agreements being amended accordingly.
Rural Touring Arts Network	Service continue "as is" unless a broader review of Cultural Services is commissioned by either authority when it will form part of the scope of that review

Archaeology Planning and Advisory Service	Develop in consultation (CWAC and CE) a revised arrangement (shared or otherwise) for the provision of Archaeological Planning advice and management of the HERS before 01.10.2014
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- 12.2 In each case the original reason for these becoming a shared service remains in that there are no real business benefits to be gained from splitting the function. As the Councils have matured service requirements in these areas have largely stayed the same but where these have diversified (e.g. Cheshire Farms Estate) the shared service has been able to continue to meet the needs of both clients.
- 12.3 All Shared Services are subject to regular performance monitoring by Client Managers and the Joint Officer Board (JOB) and Joint Committee and a robust approach to budget challenge has been adopted to ensure that they deliver efficiencies. Performance data suggests that all shared services are largely delivering to plan
- 12.4 There is some evidence that hosting a shared service is becoming problematic in terms of progressing internal changes e.g. CWAC's recent management review. The joint funding of the sharing arrangement means that although the Shared Service Manager is employed by one partner they are equally responsible to both partners. The nature of this relationship is set out in the Shared Service Governance Framework (Appendix 1). In effect this means that there should be joint consultation on any issue impacting on the Shared Services and its ability to deliver services to either partner. Consequently this restricts independent actions by any party.
- 12.5 Both Councils are currently pursuing commissioning models which will see many services move to alternative delivery vehicles (wholly owned companies, Trusts etc.). On the Shared Services front it is anticipated that ICT and HR and Finance will transition to a separate legal entity – CoSocius, in April /May 2014. It is possible that other shared services could be transitioned into this vehicle e.g. OHU, but it is considered that a full impact assessment on both parties and from the perspective of both clients, is required before any such development is progressed.
- 12.6 There may also be opportunities to reduce overheads in the shared service families by amalgamating similar services e.g. LSS, Archives and RTA into a cultural shared service. Such an arrangement could reduce management and support costs but could potentially have a negative impact on the level of professional support available to clients.
- 12.7 It is suggested that current shared services and the opportunity for potential future sharing should be kept under review.

### **13 Review of Shared Service Governance Framework**

- 13.1 Given that Shared Services is now a much smaller operation it is also timely to review the governance framework to ensure that this remains appropriate to future needs.

- 13.2 The governance framework underpinning the shared services has worked well over the past 5 years (Appendix 4). In practice this has been quite flexible allowing changes in format and meeting frequency as appropriate to business need. This was last reviewed in June 2012 when changes were made to the JOB to facilitate early client / provider issues relating to the development of the ICT and HR and Finance SLE. The arrangements were changed again in 2013 as this moved into formal programme delivery mode.
- 13.3 It is testimony to all those involved that the shared service operation has been managed by consensus between the two Councils with issues being worked through by the JOB and /or Joint Committee. However given the reduction in operation it is perhaps timely to scale back the governance to ensure that it remains appropriate to the continuing shared services.
- 13.4 It is proposed that when / if the transition of CoSocius has been achieved that JOB and the Joint Committee meet quarterly to oversee business appertaining to the remaining Shared Services. Business will include Service planning, performance monitoring and an overview of review activity to inform future developments. Both parties will continue to agree any VR costs arising in the Shared Service in line with legal agreements but given the reduced frequency of meetings it might be appropriate to introduce a procedure to resolve any urgent issues in the intervening period. The meetings between the two bodies will be staggered to provide for the appropriate flow of business and where urgent matters arise these will be dealt with in consultation with the Section 151 Officers and the Chairman and Vice Chairman of the Joint Committee.

## **14.0 Conclusion**

- 14.1 The Shared Service arrangements between CE and CWAC Councils have reduced considerably since they were put in place almost five years ago. For those that have remained longer term it is evident that these have delivered benefits in terms of cashable and non cashable savings. In those that remain it is evident that a shared solution is still the best option whilst fundamental issues concerning future service delivery are worked through to a satisfactory conclusion for both partners. Moving forward it is considered that governance arrangements should be scaled back as appropriate to the ongoing shared service operation.

## **15.0 Access to Information**

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

*Officer: Peter Bates, Chief Operating Officer – Cheshire East Council /  
Julie Gill, Director of Resources – Cheshire West & Chester Council*  
Tel No: 01270 686013 / 01244 977830  
Email: [peter.bates@cheshireeast.gov.uk](mailto:peter.bates@cheshireeast.gov.uk) /  
[Julie.gill@cheshirewestandchester.gov.uk](mailto:Julie.gill@cheshirewestandchester.gov.uk)

**Background Documents:**

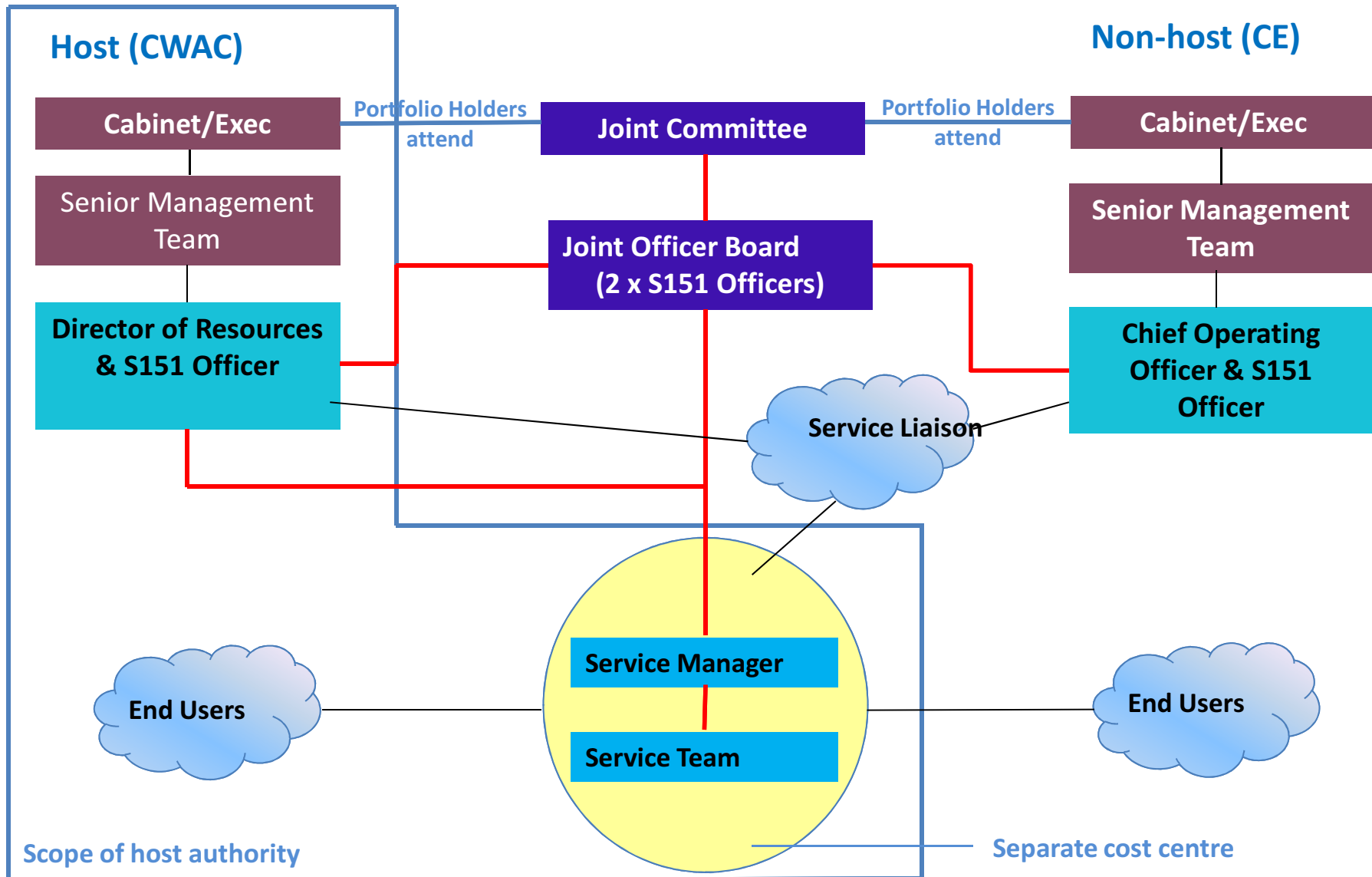
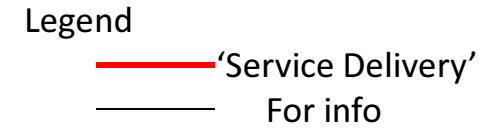
*Cheshire East Cabinet Report – Shared Services – 7<sup>th</sup> October 2008*  
*Cheshire West and Chester Executive Report – Joint Liaison Committee Recommendations: Caretaker and Nominated Councils; Shared Services: Service Delivery Option; Shared Back Office Services – 15<sup>th</sup> October 2009*  
*Cheshire East Cabinet Report – Shared Services – 3<sup>rd</sup> March 2009*  
*Cheshire West and Chester Executive Report – Shared Services – 18<sup>th</sup> March 2009*  
*Cheshire East Cabinet Report – Shared Services – 23<sup>rd</sup> March 2009*  
*Cheshire Shared Services Joint Committee Report – 10<sup>th</sup> June 2009*  
*Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> July 2009*  
*Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> September 2009*  
*Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2009*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> October 2009*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> November 2009*  
*Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> February 2010*  
*Cheshire Shared Services Joint Committee Report – 12<sup>th</sup> March 2010*  
*Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> March 2010*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> May 2010*  
*Cheshire Shared Services Joint Committee Report – 16<sup>th</sup> 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 – 26<sup>th</sup> November 2010*  
*Cheshire Shared Services Joint Committee Report – 7<sup>th</sup> January 2011*  
*Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> February 2011*  
*Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> March 2011*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> July 2011*  
*Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2011*  
*Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> November 2011*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> January 2012*  
*Cheshire Shared Services Joint Committee Report – 24 February 2012*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> April 2012*  
*Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> May 2012*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> June 2012*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> July 2012*  
*Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> August 2012*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> September 2012*  
*Cheshire Shared Services Joint Committee Report – 11<sup>th</sup> November 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> February 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> April 2013*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> June 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> July 2013*  
*Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> September 2013*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> November 2013*

*Documents are available for inspection at:*

*Cheshire East Democratic Services  
Westfields  
Middlewich Road  
Sandbach  
CW11 1HZ*

*Cheshire West & Chester Democratic Services  
HQ Building,  
Nicholas Street,  
Chester,  
CH1 2NP*

# Appendix 1: Shared Services Governance Model



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## APPENDIX 2

Shared Service Details					
Ref	Service Name	Host	Service Manager	Cost Share	Position
A01a	HR & Finance	CWAC	John Callan	49% CEC / 51% CWaC	Anticipated transfer to CoSocius (SLE) - April 2014
A01b	ICT	CWAC	John Callan	50%:50%	Anticipated transfer to CoSocius (SLE) - April 2014
A03	Farms Estate	CE	David Job	56% CEC:44%CWaC	To remain "as is" until 2016 when the position will be reviewed against progress of the implementation of CEC and CWAC strategies for the Farms Estate
A04	Civil Protection / Emergency Planning	CWAC	Chris Samuel	50%:50%	To remain "as is" but with overall governance transferred to the Joint Emergency Planning Liaison Board in February 2014
A05	Occupational Health	CWAC	Eric Burt	50%:50%	Review currently underway to determine future model of delivery. To be agreed by 30 March 2014
A06	Archives	CWAC	Paul Newman	50%:50%	To continue "as is" until the future premises issue is clear. However staff transfer and management changes to be implemented in the interim with formal ~Agreements being amended accordingly
A08	Libraires Specialist Services	CWAC	Sue Eddison	50%:50%	To continue "as is" until 2015-16 when the position will be reviewed againh but Education Library Service to be reviewed in the interim to assess benefits of alternative delivery model
A09	Emergency Duty Team	CWAC	Peter Murphy		Disaggregation completed. Log closed by JOB 08.06.11. subject to CWAC Team Leader appointment process being completed September 2011 . Joint Committee agreed 29.07.11
A10	International Unit	CE	Dave Wharton		Transitioned to separate arrangements by mutual agreement (date) but outstanding issue concerning the lease of the Brussels Office
A14	Rural Touring Network	CWAC	Katheryn West	50%:50%	To continue "as is" unless a broader review of cultural services is commissioned by either authority when it will form part of the scope of that review
A15	Approved Mental Health Professional	CWAC	Cath Lawrie		Transitioned to separate arrangements by mutual agreement (date)
B02	Autism Support	CWAC	Ann White		This Shared Service arrangement has been terminated and the Transition Log endorsed by joint committee on 27.01.12
B03	Sensory Impaired Service	CWAC	Daphne Jones		The disaggregation of the SIS Production Unit has been completed. Transition log to be completed and signed off at JOB and Joint Committee – 30 September 2011.
B04	Urban Traffic Control	CWAC	Rob Brooks		This Shared Service arrangement has been disaggregated and a transition log has been completed for sign off by the Joint committee on 27 April 2012.
B05a	Highways and Geotechnical Lab	CWAC	Rob Brooks		Review of service recommended closure of Lab. Approved by Joint Committee along with VR requests. Transition log completed and agreed at JOB 14/5/10 and JC 28/5/10
B05b	Highways Maintenance Contract	CE	Phil Sherratt		Transitioned to separate arrangements by mutual agreement and endorsed by Joint committee 31.10.11
B06	Integrated Transport	CWAC	Steve Williams		Transitioned to separate arrangements by mutual agreement and agreed by Joint committee 30.09.11
B08	Children's Centres Programme	CWAC	Martin Chatfield		Service effectively concluded in March 2010 but not formalised. Log closed by JOB 08.06.11. Agreed by Joint Committee 29.07.11
B11	Student Finance	CWAC	Judith Gibson		Service transferred to Student Loans Company on 31 January 2011. This is reflected in the TQR financial position - £181k u/s. <b>Transition log to Joint Committee 24.06.11</b>
B14	Archaeology Service	CWAC	Jill Collens	47% CEC / 53% CWaC	To develop in consultation (CE and CWAC) a revised arrangement (shared or otherwise)for the provision of Archaeology Planning Advice and management of the HERS before 01.04.14.
B15	Drug and Alcohol Action Team	CE	Lucia Scally		Shared Service set up when existing partnership arrangement in place. Log to revised to reflect ongoing partnership. To complete by 31.01.2012
B16	Commissioned Community Equipment	CE	Lucia Scally		Duplication of sharing arrangements. Continues as a partnership between CE, CWAC and two former PCTs. Log closed by JOB 08.06.11. Agreed by Joint Committee 29.07.11
B17	Learning Resource Network	CWAC	Colin Ashcroft		This Shared Service arrangement has been terminated and the Transition Log endorsed by Joiuint Committee 27.01.12

B18	Cheshire Domestic Abuse	CE	Judith Gibson		Shared service concluded April 2010 - Transition completed and formally signed off by Joint Committee on 18.03.11
B20	Visual Impairment Services	CE	David Davies		Shared service concluded April 2010 - Transition completed and formally sign off by Joint Committee 18.03.11.
B22	NVQ Assessment Centre	CE	Fran Dimelow		Shared service concluded April 2010 - Transition log endorsed by JC 28.05.10
B23	Minerals and Waste	CWAC	Anne Mosquera		Shared Service transferred to Service level agreement provided by CWaC to CE. Transition log enndorsed by Joint Committee 26.11.10
B24	CBS Supplies	CWAC	Kevin Wilkinson		Close down agreed by Joint Committee 07.01.11 and Transition log completed and signed off by Joint Committee 29.07.11
B29	Youth Offending Service	CE	Penny Sharland		Transitioned to separate arrangements by mutual agreement and Transition Log endorsed by Joint committee 01.10.12

"Live" Shared Service

Services no longer shared

SHARED SERVICE NAME: OCCUPATIONAL HEALTH UNIT

MANAGER: ERIC BURT

CWAC CLIENT MANAGER: Sam Brousas

CEC CLIENT MANAGER: Julie Davies

**Core purpose:** 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.

CURRENT SERVICE DIMENSIONS 2013/14	HOST	BASIS	STAFF TOTAL: 7.1 FTE		BUDGET TOTAL: £191,183		3/4 YEAR: £34.4k U	
			Split East	Split West	East		West	
			2	8	£95,926		£92,257	
			Cost split: 50%		50%		50%	

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	N/A		N/A		AMBER		GREEN	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
			-2 FTE (tbc)		2.5 FTE (tbc)		3FTE	
<b>POSITION STATEMENT:</b> Last Review completed in April 2013	<p>The performance of the OHU was initially hampered by delays in implementing a new records management system and associated changes to the staffing structure. A review of the service undertaken in April 2013 has been successful in addressing these issues and there is evidence that performance is improving.</p> <p>The OHU Shared Service was subject to a fundamental review in 2012/13 which considered alternative options for service delivery including: Improved as is; Lean model; Outsourcing; Disaggregation; DSO and; Separate Legal Entity.</p> <p>The outcomes of this activity was reported to the Joint Committee on 25 June 2013 when it was recommended and agreed that:  <b><i>The Service be taken forward in two stages, with the option 'Improved As Is' being selected first as this would allow the OHU to continue to approve and develop its performance and commercialise its operations in order to ensure that future conversion into a company was feasible</i></b>" This option paved the way for the second stage and the establishment of the OHU as a commercial company. A further report was to be brought to the Joint Committee in January 2014 recommending an appropriate commercial vehicle for the services, including the potential of out-sourcing, integration into the proposed Single Legal Entity or the conversion of the service into a Council owned company.</p> <p>The OHU has undertaken a programme of activity to improve its operation which includes implementation of the EOPAS system and further staffing restructuring realising modest efficiency savings. However difficulties with recruiting suitable staff have raised some issues regarding the future sustainability of the service. Initially it was considered that the operation could be moved into a suitable SLE but the ongoing viability of the service needs to be re-examined before such a decision can be made. Therefore work is currently underway to re-evaluate the potential options for future service delivery.</p>							

**Recommended way forward: That all options for future service delivery (i.e. joining an SLE, increased trading or potential outsource arrangement) be re-examined to determine the best way forward to be agreed by 1 June 2014 at the latest.**

**SHARED SERVICE NAME: CHESHIRE FARMS SERVICE****MANAGER: DAVID JOB****CWAC CLIENT MANAGER: Richard Green****CEC CLIENT MANAGER: Caroline Simpson**

**Core purpose:** The Cheshire Farms Shared Service manages the farms estate portfolio of each authority with the express aim of providing opportunities for those wishing to take up farming on their own account. With the need for a vibrant agricultural industry to meet a range of the community's priorities including food security, stewardship of the environment and landscape, this remains its core purpose today and the brief continues to expand broadening its benefit across the wider community.

CURRENT SERVICE DIMENSIONS 2013-14	HOST	BASIS	STAFF TOTAL: 3.3 FTE		BUDGET TOTAL: - £514,259	¾ YEAR:- £250k U
			East	West	East	West
	CEC	Secondment	2	2 (1 vacant)	-£241,170 Management Cost split: 56%	-£273,089 44%

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	GREEN		GREEN		GREEN		GREEN	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
	0		1		0		0	

<b>POSITION STATEMENT:</b> No review undertaken to date.	The Cheshire Farms Service works well as a shared service even though its clients have differing strategies regarding the future of their respective estates (i.e. CEC maintaining/CWAC divesting). Service delivery is straight forward as is the financial management of the overall operation.							
	The Service performance is consistently high and budget savings and staffing efficiencies have been delivered as a matter of course. The Service is currently running with a vacancy and whilst there are no plans to fill this on a full time basis although a part time appointment may be necessary to take forward planned initiatives.							
	Whilst CWAC's disposal strategy will see a reduction in the scale of the operation this will not be achieved in the short term and therefore it is considered that the current arrangements are appropriate to future delivery. Client Managers support this position and there is no desire to disaggregate the shared service.							
	The Shared Service manager is one of long standing and has been involved in service review activity pre LGR (CCC Best Value Review) when alternative service delivery models were explored but rejected. Regular interaction at a regional and national level via professional bodies ensures awareness of the latest national developments in this area including collaborative pilots in Wales and divestment of Farms Estates elsewhere (e.g. Lancashire). It is considered that increased collaboration is unlikely to deliver any benefit given the size of the services and diverse strategies of current clients and those of neighbouring authorities and would be impractical in terms of the travel requirements this would place on the service.							

**Recommended way forward: Cheshire Farms Service to remain "as is" until 2016 when the position will be reviewed against progress on the implementation of CEC and CWAC's strategies for the Farms Estates.**

**SHARED SERVICE NAME: CIVIL PROTECTION / EMERGENCY PLANNING****MANAGER: CHRIS SAMUEL****CWAC CLIENT MANAGER: John Jeffrey****CEC CLIENT MANAGER: Steph Cordon**

**Core purpose:** 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 (latter in conjunction with CWaC Risk & Continuity Officer).

CURRENT SERVICE DIMENSIONS 2013-14	HOST	BASIS	STAFF TOTAL: 7 FTE		BUDGET TOTAL: £303,507		3/4 YEAR: £5k U	
			East	West	East		West	
	CWAC	Secondment	4	2	£151,185		£152,322	
				(1 vacancy)	Cost split: 50%		50%	

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	GREEN		GREEN		AMBER		GREEN	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
			2			£100k		

<b>POSITION STATEMENT:</b> No review undertaken to date.	The Cheshire Civil Protection / Emergency Planning Service works well under shared arrangements. The dip in performance at this time was due to a high volume of emergency activity which had a negative impact on the delivery of core objectives and a budget pressure of £20k which has since been addressed.
	The JEPLB reduced the Emergency Planning Service budget by 24% in 2012-13 reflecting a national trend to significantly downsize similar services. Under the auspices of the JEPLB, options to expand the service with Halton, Warrington and Cheshire “blue light” services have all been assessed but these have been rejected by potential partners largely on the basis of cost. Developing shared service arrangements with Wirral may provide an opportunity to broaden the Emergency Planning share in time as might the development of two emergency response hubs in the North Wales region.
	It is considered that further efficiencies in staffing would compromise delivery. The Service’s performance is regularly scrutinised by the JEPLB in terms of its emergency response and statutory obligations relating to COMAH sites across the two boroughs (primarily located in CWAC). Given the nature of service it is difficult to assess delivery requirements in the longer term and therefore future developments can only really be judged against short term (annual) delivery.
	Emergency Planning was originally subject to the Shared Service governance framework. However the response activity it provides falls under the remit of Joint Emergency Planning Liaison Board (JEPLB) – a body made up of officers and members from CEC and CWAC. This in effect added another layer of governance. In June 2013, the Joint Committee agreed a proposal to formally transfer the governance of the Shared Service to the JEPLB. A report to the JEPLB detailing governance requirements was considered at their meeting on 28.02.14 when the transfer of governance was agreed in principal due to Joint Committee ratification

**Recommended way forward: Cheshire Civil Protection / Emergency Planning Shared Service remain “as is” and overall governance transfer to the JEPLB by 30 March 2014 at the latest.**

SHARED SERVICE NAME: LIBRARIES SPECIALIST SERVICES

MANAGER: SUE EDDISON

CWAC CLIENT MANAGER: Mike Dix

CEC CLIENT MANAGER: Paul Bayley

**Core Purpose:** Libraries Specialist Services provides support to libraries and customers in CEC and CWAC Libraries. It also provides resources and expertise to support the curriculum needs of schools and pupils which subscribe to the Education Library Service (ELS). Its aim is to provide innovative, cost-effective and efficient service for its clients.

CURRENT SERVICE DIMENSIONS 2013-14	HOST	BASIS	STAFF TOTAL: 36.49 FTE		TOTAL BUDGET: £769,883	¾ YEAR: £10k O
			East	West	East	West
	CWAC	Transferred (01.12.13)	0		£384,116	£385,717
					Cost split 50%	50%

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	AMBER		AMBER		AMBER		AMBER	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
			-1	£89,060	-3.5	£157,000	0	£40,000

<b>POSITION STATEMENT:</b> Last review completed November 2012	<p>The LSS is working well under the current arrangements. A review of activity was undertaken in 2011/12 which ran concurrently with a major project to co-locate three of its teams to a single site achieving significant service efficiencies. The outcomes were presented to the Joint Committee on 30.11.12 when further recommendations were agreed including: the transfer of all staff to CWAC, replacement of the Libraries Management Systems, reducing the mobile fleet and revising pricing structure for ELS. These have since been implemented and formal SLAs based on a realistic budget have been put in place to drive further efficiencies through ongoing delivery. However these are disproportionate and will lead to an imbalance in delivery which will need to be managed unless a common agreement can be achieved.</p>
	<p>The ELS is self funded by services purchased by schools across Cheshire (including Halton and Warrington) through the annual SBSA process which presents some issues with long term planning. Efforts are being made to address this by offering discounts for longer term buy-in and exploring other potential markets (e.g Trafford, Stockport). In 2014/15 further work will be undertaken to assess the alternative options for the ongoing delivery of this element of the LSS e.g. SLE, Trust etc.</p>
	<p>Service performance is steady overall despite some initial issues with changing indicators. Past overspends have been addressed. Client managers have set out clear expectations for the medium term linked to key frontline projects which it is anticipated will further stabilise the PMF.</p>
	<p>Opportunities for broader sharing of this service do exist which it would be appropriate to pursue in the medium term. Another option might be a combined Cultural shared Service including LSS, Archives and RTA.</p>

**Recommended way forward: LSS to continue “as is” until 2015/16 when position will be reviewed again but ELS to be reviewed in the interim to assess benefits of alternative delivery models.**

**SHARED SERVICE NAME: ARCHIVES AND LOCAL STUDIES****MANAGER: PAUL NEWMAN****CWAC CLIENT MANAGER: Mike Dix****CEC CLIENT MANAGER: Helen Paton**

**Core Purpose:** The purpose of CALS is to promote the preservation and use of, and interest in the archives and local studies of Cheshire, as a safeguard of democratic accountability, a resource for lifelong learning for individuals and a means of reinforcing community identity. It fulfils the statutory requirement of CE and CW&C under the Local Government Act 1972, s 224, to make “proper arrangements with respect to any documents that belong to, or are in the custody of the council”.

CURRENT SERVICE DIMENSIONS	HOST	BASIS	STAFF TOTAL: 18FTE		BUDGET TOTAL	3/4 YEAR: £37k O
			East	West	East	West
	CWAC	Secondment	7.5	10.5	£200,918	£205,369
					Cost split: 50%	50%

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	GREEN		GREEN		AMBER		AMBER	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
			0.5	£84,000	1	£36,500	0	

<b>POSITION STATEMENT:</b> Last review completed in July 2012	<p>The primary reason for the downturn in the Archives performance arises from the inadequacy of the premises as raised by the National Archives. This was formally reported to the Joint Committee on 27.07.12 as the key outcome arising from a fundamental review of the service. Members agreed doing nothing was not an option and requested that a feasibility study be undertaken to assess alternative premises. Funding for this was secured in 2013-14 and consultants have recently been appointed. The study will consider four sites in both CE and CWAC and look at opportunities to secure external funding. The study will be completed by March 2014 and is likely to result in a capital project coming on stream in 2015-16 financed at least in part by both authorities.</p>
	<p>Net expenditure on this Service remains in the lowest quartile and SLAs with Halton and Warrington have been improved to provide greater certainty around future funding. Reassessment of Customer Excellence is anticipated in 2014.</p>
	<p>A CWAC management restructure is proposing a merger of the Archives Shared Service and CWAC's non-planning archaeologist. The impact of this change will need to be considered in the shared service arrangements going forward with any imbalance in service provision being addressed through appropriate channels.</p>
	<p>Potentially, either authority could take on overall responsibility for the Archive and provide services to the other via an SLA but this is unlikely to happen in the short term given the current uncertainty surrounding accommodation. A staff transfer is to be progressed in the interim as agreed by Joint Committee on 10.01.14. Once the future premises situation is clear there may be an opportunity to look at alternative delivery models e.g. a Trust potentially involving broader Heritage services across Cheshire. Another option might be a combined Cultural shared Service including LSS, Archives and RTA.</p>

**Recommended way forward: that Archives and Local Studies continues “as is” until the future premises issue is clear but staff transfer and management changes to be implemented in the interim with formal Agreements being amended accordingly.**

**SHARED SERVICE NAME: RURAL TOURING ARTS****MANAGER: KATHRYN WEST****CWAC CLIENT MANAGER:****CEC CLIENT MANAGER: Helen Paton**

**Core Purpose:** 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.

CURRENT SERVICE DIMENSIONS	HOST	BASIS	STAFF TOTAL: 1.5		BUDGET TOTAL: £24,860	3/4 YEAR: Net Nil
			East	West	East	West
	CWAC	Secondment but no secondees	0	2	£12,480 (fixed cost)	£12,480
					Cost Split 51%	49%

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	GREEN		GREEN		GREEN		GREEN	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget

<b>POSITION STATEMENT:</b>	This is a small shared service wholly funded by grants received from the Arts Council for England. Funding has been secured until 2015.							
	The performance of the Shared Service is consistently high and client managers are satisfied with its services and the provision of rural arts programmes.							
	The Shared Service has developed a broader partnership with Spot on Lancashire which has delivered benefits of greater shared experience and efficiency savings in arts programming delivered on behalf of both Councils.							
	There is currently no reason to review this Shared Service arrangement however if there are difficulties in securing funding beyond 2015 or either authorities requires to undertake a broader cultural services review e.g.to determine future alternative delivery models, it is proposed that the RTA shared service be included.							
	Another option might be a combined Cultural shared Service including LSS, Archives and RTA.							

**Recommended way forward:** The Rural Touring Arts Shared Service continue “as is” unless a broader review of Cultural Services is commissioned by either authority when it will form part of the scope of that review.

**SHARED SERVICE NAME: ARCHAEOLOGY PLANNING & ADVISORY SERVICE      MANAGER: JILL COLLENS**

**CWAC CLIENT MANAGER: Mike Dix**

**CEC CLIENT MANAGER: Ian Dale**

**Core purpose;** The Archaeology Planning Advisory Service (APAS) provides advice on the archaeological implications of development for Cheshire West and Chester (CWAC) and Cheshire East (CE), under the provisions of the National Planning Policy Framework. It also 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.

CURRENT SERVICE DIMENSIONS	HOST	BASIS	STAFF TOTAL: 5		BUDGET TOTAL: £227,142	3/4 YEAR: Net Nil
			East	West	East	West
	CWAC	Transferred (01.08.11)	0	5	£96,925 Cost Split 47%	£130,217 (incl.£25 k income) 53%

OVERALL PERFORMANCE RATING	2010-11		2011-12		2012-13		2013-14 (Mid Year)	
	NA		GREEN		AMBER		GREEN	
EFFICIENCIES DELIVERED	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
	0		0		0		0	

**POSITION STATEMENT:**  
Last reviewed July 2011

The Archaeology Planning Advisory Service operated as a shared service from April 2009. However in August 2011 arrangements were put in place to transfer the two staff employed in CE to CWAC and a variation to the original SS Agreement was put in place on a fixed term. Under this arrangement CE pays a fixed cost to CWAC. This runs until 31 March 2014. In the event that the shared arrangement terminates the current Agreement provides that associated liabilities will be split 53% CWAC: 47% CE. The main difficulty associated with disaggregation is the ability to split the Historic and Environmental Records (HERS).

Heritage services are coming under intense pressure as a result of austerity measures being imposed on councils and many across the north west are under threat. Initial enquiries suggest that there may be opportunities to extend Cheshire's current sharing arrangement to the Wirral and to provide Development Control advice to Merseyside Authorities. There may also be the potential to develop more regional working in consultation with English Heritage. A national review of Archaeology Services has been commissioned by the Dept of culture and this is due to report in May 2014. It is likely that this report will set a clear direction for archaeology services in the future and therefore it has been agreed to role forward the current SS Agreement to 01.10.14 to enable a fundamental review of the arrangements to be undertaken which will enable any outcomes from the national study to be taken into account.

**Recommended way forward: Develop in consultation (CWAC and CE) a revised arrangement (shared or otherwise) for the provision of Archaeological Planning advice and management of the HERS before 01.10.2014**

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## FUTURE OF CHESHIRE SHARED SERVICES: GOVERNANCE - PROPOSED SCHEDULE OF MEETINGS 2014-15

JOINT OFFICER BOARD	AGENDA DUE FOR PUBLICATION	JOINT COMMITTEE MEETING	POTENTIAL BUSINESS	NOTES
13.03.14	20.03.14	28.03.14	<ul style="list-style-type: none"> <li>• Future of Shared Services</li> <li>• OHU Review: Stage 2</li> <li>• Archives Feasibility Study Update</li> </ul>	
10.04.14	17.04.14	25.04.14	<ul style="list-style-type: none"> <li>• OHU Review Stage 2 Update</li> </ul>	
08.05.14	15.05.14	23.05.14		Day after European Elections
03.07.14	17.07.14	25.07.14	<ul style="list-style-type: none"> <li>• Review of SS Outturn Performance 2013-14</li> <li>• First quarter financial review 2014/15</li> </ul>	
28.08.14	18.09.14	26.09.14	<ul style="list-style-type: none"> <li>• Outcomes of Archives Feasibility Study</li> <li>• Mid-Year Financial Review</li> </ul>	
23.10.14	20.11.14	28.11.14		
20.11.14	15.12.14	23.12.14		Close to Christmas – in previous years this meeting been cancelled
12.03.15	19.03.15	27.03.15		

KEY		Current meeting
		Proposed Future Meetings



## **CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL**

### **SHARED SERVICES JOINT COMMITTEE**

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<b>Date of Meeting:</b>	28 March 2014
<b>Report of:</b>	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
<b>Subject/Title:</b>	Cheshire Archives and Local Studies feasibility study progress report

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#### **1.0 Report Summary**

This report provides a summary of Stage 1 of the feasibility study relating to the potential relocation of Cheshire Archives and Local Studies. It also seeks approval of the process of public consultation relating to the choice of sites.

#### **2.0 Recommendations**

2.1 That the report on Stage 1 of the feasibility study be noted.

2.2 That the public consultation be approved.

#### **3.0 Reasons for Recommendations**

3.1 The report aims to ensure that the Joint Committee are up to speed on progress with the feasibility study and that the consultation plan meets the required approval of Joint Committee.

#### **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 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.

#### **6.0 Policy Implications**

6.1 None.

#### **7.0 Financial Implications**

7.1 None.

## **8.0 Legal Implications**

8.1 None.

## **9.0 Risk Management**

9.1 The site options appraisal and feasibility study, together with public consultation, will help to provide an objective, transparent assessment of the best site for new premises, thus aiding future decision-making.

## **10.0 Background**

### Feasibility study

- 10.1 In the third quarter of 2013/14 a procurement exercise was undertaken to appoint a consultant to carry out a site options appraisal (Stage 1) and feasibility study (Stage 2). The consultants appointed were Design Group – Chester (DGC).
- 10.2 DGC were presented with 20 sites in Cheshire West and Chester and Cheshire East, identified by the respective Property/Assets teams according to a high level brief which focussed on size of site, accessibility, suitability in terms of flood risk and environmental pollution and the potential to contribute to regeneration projects.
- 10.3 DGC spent four weeks assessing each site against 6 key requirements, assigning a 'score' for each. A chart indicating the scores forms Appendix 2 of this report.
- 10.4 In mid February member workshops were held in Sandbach and Chester at which members were presented with DGC's assessment of the sites and invited to comment and select those sites which should go to the feasibility study stage. The sites selected were

#### Cheshire East

Crewe Library  
Crewe Bus Station  
Middlewich, town centre plot  
Crewe Municipal Buildings

#### Cheshire West and Chester

Northwich, Watling Street offices  
Winsford, Verdin Exchange  
Chester, former Enterprise Centre  
Ellesmere Port, EPIC Centre

A study into the feasibility of remodelling the current Record Office in Duke Street, Chester, will also be undertaken.

- 10.5 The feasibility study is due to be completed at the end of March 2014. A verbal update will be supplied to members of the Joint Committee.

### Consultation

- 10.6 Discussions with the Councils' Research and Intelligence/Research and Consultation teams made it clear that a public consultation would have to be

carried out as part of the project, because of the potential impact on the current visitors to the Archives and Local Studies service.

10.7 An overview of the consultation plan is as follows:

Support

The consultation will be run with the support of the Councils' Research and Intelligence/Research and Consultation teams.

Timetable

The consultation will run for 12 weeks, from 7 April to 28 June 2014. The results of the consultation will be analysed in time for reporting to portfolio holders and the Shared Services Joint Committee in the Autumn of 2014, as part of the report on the feasibility study currently being undertaken.

Objectives

The consultation is being run to gather views of customers and potential customers as to the most important factors to consider when deciding on the site of potential new premises for the Archives and Local Studies service. The consultation format and process will be agreed with both portfolio holders.

Type of consultation

Different forms of consultation will be run, appropriate to the audience being consulted. The methods used will include an online survey, paper forms, face-to-face consultation, and publicity in local press and online. It is likely that informal verbal comments will be received, as well as letters/emails to the service, and procedures will be put in place to ensure that these are recorded as part of the consultation process. Any data collected will be maintained and used in accordance with the principles of the Data Protection Act.

Geographic scope

As the Archives and Local Studies service is a shared service, the consultation will be run across both CEC and CWAC, while because of the Service Level Agreement the service has with Warrington and Halton Borough Councils for the delivery of archive services, the consultation will also be run across those boroughs. Because of the service's international audience, the survey will also be aimed at customers and other stakeholders outside of the four boroughs.

Feedback

An analysis of responses will be made available online and at the Cheshire Record Office.

Next steps

- 10.8 A business plan and external funding strategy are currently being developed, to look at potential sources of funding, including, but not restricted to, the Heritage Lottery Fund. The delivery of outreach programmes will be an essential part of an HLF bid, while the local delivery of services will also be further developed through a review of Local Studies provision in CWAC and

CEC libraries. Business planning will focus on commercial opportunities which arise from the proposed project. This work will be completed in July.

- 10.9 It is anticipated that a report, consisting of the feasibility study, results of the public consultation, external funding strategy and business plan, will be completed in the Autumn of 2014.

## **11.0 Conclusion**

- 11.1 This report provides a summary of progress with the feasibility study, the next steps and its timescale. It aims to support Joint Committee in its future decision-making about the future of the proposal to relocate the Archives and Local Studies shared service.

## **12.0 Access to Information**

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

Officer: Paul Newman, Archives and Local Studies Manager  
Tel: 01244 973391  
Email: [Paul.Newman@cheshiresharedservices.gov.uk](mailto:Paul.Newman@cheshiresharedservices.gov.uk)

## **CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL**

### **SHARED SERVICES JOINT COMMITTEE**

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Date of Meeting:	28 March 2014
Report of:	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
Subject/Title:	The Future of Occupational Health Shared service

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#### **1.0 Report Summary**

- 1.1 This report is a follow up to the Shared Services Committee Report of 28th June 2013 which summarised the conclusions of a review of the Occupational Health Shared Service (OHU).
- 1.2 The recommendation from this report was that the future delivery of the Occupational Health Unit be 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.
- 1.3 A further report was requested to be brought in January 2014 recommending an appropriate commercial vehicle for the service.
- 1.4 This report considers the options previously identified for future delivery of the OHU (out-sourcing, integration into CoSocius or the conversion of the company into a Council owned company) and recommends that the Occupational Health Unit explores a partnership with an external occupational health provider in order to continue to deliver the service to the two councils.

#### **2.0 Recommendations**

- 2.1 It is recommended that the Occupational Health Unit moves to a new delivery model for occupational health services which would involve procuring a partner organisation to deliver services and provide resilience to the Unit when needed.
- 2.2 It is recommended that the Occupational Health Unit remains as a shared service and undertakes a collaborative/joint procurement exercise for 2.1
- 2.3 It is recommended that the hybrid model outlined above is adopted for year 1 with a proposal to explore moving the service into CoSocius in year 2.

#### **3.0 Reasons for Recommendations**

- 3.1 In January of this year, the Occupational Health Unit lost some key members of staff and subsequently struggled to recruit to these posts (2 x Occupational Health Advisers and the Admin Team Leader). This left the unit vulnerable and as a result the clinic waiting times (particularly in Cheshire East where these team members predominantly supported) rose to over 3 weeks, which led to a number of complaints from managers, HR colleagues and patients. This also came at a time when the external contracts were being re-negotiated, so it put at risk the continuation of some contracts with schools and external customers. Therefore, despite making significant improvements to the service, including the introduction of electronic records, the Unit is unsustainable in its current form as it has very little resilience to pressures such as staff reductions, sudden increases in demand and staff sickness / holidays etc. Whilst agency staff have been used to fill the gap in the short term, this is not a long term solution due to the importance of consistency in quality and support.
- 3.2 The report on the 28th June 2013 identified alternative delivery options for OHU in detail. The recommendation in the previous report was for two phases; phase one – continue to improve and develop the in-house service and; phase two – establishing OHU as a commercial company.
- 3.3 Phase one improvements have been completed, as noted above in 3.1 and attention has now turned to Phase 2 of the exercise. Alongside the detailed information provided and the research that was carried out for the initial report, additional research has been undertaken in light of the new recommendations and options explored in this report (outlined in Section 10).
- 3.4 The outcome of the review recommends the option to retain the core function of the Occupational Health Unit in-house i.e. management referrals. It is considered necessary to keep this function in-house in order to ensure that the high quality of the OHU reports is maintained and that the good relationships between HR and OHU in both Cheshire East and Cheshire West and Chester continues. Additionally, the Council has successfully implemented electronic records through EOPAS and it is proposed that any future delivery model continues with this management system.
- 3.5 A 'hybrid' model where some functions are outsourced to an external provider would increase the capacity of the Unit to deal with management referrals much quicker and keep waiting times down. It would also enable the Unit to engage in more proactive work e.g. working in partnership with the Health and Safety Teams in East and West to engage in well-being initiatives e.g. stress management
- 3.6 The hybrid model would also enable the Unit to continue to provide services to schools and external customers, thus maintaining the income opportunities.
- 3.7 It is anticipated that the following services currently being provided by OHU would be delivered by a partner organisation:
- Pre-employment medical assessments / medicals

- Health surveillance
- Vaccinations
- 'Overflow' clinics for times of high demand to prevent lengthy waiting times for an appointment

#### **4.0 Wards Affected**

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

#### **5.0 Local Ward Members**

- 5.1 Not applicable.

#### **6.0 Policy Implications**

- 6.1 None.

#### **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.
- 7.2 The low cost of the Occupational Health Unit is a direct result of selling the services to customers, so if staffing levels are reduced in the Unit, the waiting times will immediately increase and this puts the continuation of the external contracts (including the provision of services to schools and academies) at risk. This will, in turn, increase the costs to both councils.

The cost of the hybrid model can be broken down as follows:

- Pre-employment assessment – approximately £ 15 - £20 each (currently 300 per month)
- Health surveillance – this could be carried out by a technician instead of an Occupational Health Adviser / nurse so this would reduce the cost
- Vaccinations could be carried out by a nurse instead of an Occupational Health Adviser so this would reduce the unit cost of carrying out vaccinations
- Overflow clinics – these would cost between £250 - £400 per day

- 7.3 For a hybrid model the costs can be estimated as:

- Pre – employment assessments – £18 000
- Health surveillance – 4 clinics per month @ £250 = £12000

- Vaccinations (e.g. Hep B) – 100 per year @ £100 = £10000
- Overflow clinics – 60 per year @ £250 = £15000
- Total estimated cost - £55 000 (£27 500 to each council)

7.4 OHU would keep in-house the following

- Advice on the effects of treatment and how it could impact on the patient's work including e.g. the effects of medication on driving;
- Maintenance of medical records for Patients
- Access is available for urgent oral consultation/ communication from management, following a major accident/incident at work;
- Specialist advice on medico-legal issues including ill-health and disciplinary action.
- Training and briefing sessions on a range occupational health issues.
- Advice & guidance on council policies and procedures for occupational health issues
- Management referrals and reports to managers / HR / employees including return-to-work advice (e.g. phased return / reasonable adjustments)
- Ill-health retirement medical assessments
- Strategies to promote well-being / healthy living and lifestyle choices to raise awareness of medical issues including heart disease, hypertension and diabetes
- Provision of counselling (for patients who do not have access to the EAP)

7.5 The cost of the in-house service is shown in Appendix 1.

## 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 In terms of continued trading the OHU service is able to provide administrative, technical and professional services to designated public bodies in accordance with the Local Authorities (Goods and Services) Act 1970. Public bodies includes other local authorities, the probation trust and schools. Payment terms are not limited to direct recover of costs. The OHU may also provide services more widely but is limited to recovery of actual costs. Trading commercially – i.e for a profit – must be carried out via a company structure.

- 8.3 Any new arrangement for implementing a hybrid model would require a procurement exercise to comply with Financial and Contract Procedure Rules and ensure value for money and quality of service. A detailed specification of services including levels of service and KPIs would be required. Contract terms and conditions will also include non-solicitation provisions to protect the OHU service against “poaching” by the appointed provider.

## **9.0 Risk Management**

- 9.1 One of the key risk associated with Phase 1 of the OHU review was that in-house service would become the holding pattern for future delivery. The implementation of Phase 2 has effectively mitigated this risk however the risks identified with this phase are:
- Loss of income from external customers and schools if the quality of the service is not maintained
  - Increased waiting times for appointments leading to delays in getting employees back to work; delays in getting medical reports for disciplinary /grievance procedures, delays in getting information for ill-health retirements,
  - Delays in processing pre-employment medical information
  - Poor service delivery leading to loss of reputation and poor staff retention rates
  - Higher staff turnover resulting in increased recruitment fees, loss of experienced staff, costs of re-training staff in EOPAS system, employee stress levels, increases in complaints etc

## **10.0 Background and Options**

- 10.1 On 28 June 2013 the Joint Committee received a report outlining the outcomes arising from a review of the Occupational Health Shared Service. This recommended that the Service be taken forward in two stages, firstly to continue to improve the in-house service so that it was in the best possible shape for commercialisation and at that stage to then place it in an appropriate delivery vehicle.
- 10.2 Work on the first phase has now been completed and the improvements implemented include:
- Implementation of the E- OPAS electronic records management system to provide better information and cost recovery;
  - Greater clarity on roles and operation of the Service;
  - Implementation of a leaner staffing structure with the ability to respond to changing needs;
  - Improved contract management arrangements;
  - Introduction of a commercial charging model, and;
  - Improved counselling arrangements primarily for CEC.

10.3 In light of the above the focus shifted to the second phase of the review commencing with a desk based reassessment of the options appraisal undertaken in the original review to ensure that these remained relevant. This considered:

- Continuation of the in-house service
- A standalone commercial company / separate legal entity
- Transferring OHU into CoSocius

10.4 In the interim a further option came to light which was considered worthy of further exploration involving a potential hybrid partnership model with an external provider.

10.5 A review of each of the four options concluded:

## **11 In house service**

11.1 The limitations of operating to service in-house are set out in section 3.1 of the report. The Occupational Health Unit does not have any resilience to adverse events such as staff sickness, staff leaving and sudden increases in demand for occupational health services.

## **12 A standalone commercial company / separate legal entity.**

12.1 To trade commercially requires the OHU to operate as a company and to do this, it must be able to demonstrate a robust business plan. Given the cost profile of the OHU it is unlikely this would be a financially viable option as a standalone vehicle. If a company were established, to enable the company to provide OHU services to the councils “as of right” without a procurement exercise, it would have to fall within the scope of the teckal procurement exemption. This would require the owning councils to operate the company as if it were an in-house department, by retaining the right to set the strategic objectives and key decisions of the company. In particular, the ability of the company to trade with third parties would be limited to around 10% of its total trading activity (although this will rise to 20% in 2015). Given the income profile of the company this is not a viable option. A more viable alternative would be the inclusion of the OHU within CoSocius Ltd will mitigate the limitation on trading with external customers.

12.4 Therefore this is not recommended as a suitable delivery model.

## **13 Transferring OHU into CoSocius**

13.1 The service is provided to both Cheshire West and Chester and Cheshire East councils and as the service is ‘traded’ and operates in a market where there are commercial competitors, it would benefit from the business development and marketing support of CoSocius.

13.2 A significant proportion of customers are schools who are also customers of CoSocius and transferring the OHU into CoSocius would mitigate risks related

to selling services to external customers and compliance with EU procurement directives and 'Teckal exemption' requirements.

- 13.3 As part of CoSocius, the OHU external trading would be a smaller element of a much larger turnover therefore there would be the opportunity to grow the OHU business without breaching the limits on third party trading.
- 13.4 This option could provide a long-term occupational health delivery solution if there was scope to invest in the service.

#### **14 Out-sourcing the Occupational Health Unit**

- 14.1 There remains the option to outsource the service completely however, this would negate the opportunity to grow the commercial element of OHU, and the lead in time for the outsourcing option would be approximately 12 months to allow for key decision making in both Cheshire West and Chester and Cheshire East Councils, as well as the procurement activity.
- 14.2 Therefore, due to the lead in times and commercial limitations, this is not a recommended option.

#### **15 Hybrid Partnership Model**

- 15.1 This option came to light following discussions with another Council. Basically this consists of an arrangement whereby the Council employs its own nurse who triages the management referrals and then arranges for the appropriate medical appointment with the external provider. The external provider also uses the council's premises to run their own clinics and provides a discounted service to the council in recognition of this.

#### **16.0 Access to Information**

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

*Officer: Peter Bates, Chief Operating Officer – Cheshire East Council /  
Julie Gill, Director of Resources – Cheshire West & Chester Council  
Tel No: 01270 686628 / 01244 977830  
Email: [peterbates@cheshireeast.gov.uk](mailto:peterbates@cheshireeast.gov.uk) /  
[Julie.gill@cheshirewestandchester.gov.uk](mailto:Julie.gill@cheshirewestandchester.gov.uk)*

#### ***Background Documents:***

*Cheshire East Cabinet Report – Shared Services – 7<sup>th</sup> 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 – 15<sup>th</sup> October 2009  
Cheshire East Cabinet Report – Shared Services – 3<sup>rd</sup> March 2009  
Cheshire West and Chester Executive Report – Shared Services – 18<sup>th</sup> March 2009  
Cheshire East Cabinet Report – Shared Services – 23<sup>rd</sup> March 2009*

*Cheshire Shared Services Joint Committee Report – 10<sup>th</sup> June 2009*  
*Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> July 2009*  
*Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> September 2009*  
*Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2009*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> October 2009*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> November 2009*  
*Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> February 2010*  
*Cheshire Shared Services Joint Committee Report – 12<sup>th</sup> March 2010*  
*Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> March 2010*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> May 2010*  
*Cheshire Shared Services Joint Committee Report – 16<sup>th</sup> 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 – 26<sup>th</sup> November 2010*  
*Cheshire Shared Services Joint Committee Report – 7<sup>th</sup> January 2011*  
*Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> February 2011*  
*Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> March 2011*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> July 2011*  
*Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2011*  
*Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> November 2011*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> January 2012*  
*Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> May 2012*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> June 2012*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> July 2012*  
*Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> August 2012*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> September 2012*  
*Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> November 2012*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> February 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> April 2013*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> June 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> July 2013*  
*Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> September 2013*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> November 2013*

*Documents are available for inspection at:*

*Cheshire East Democratic Services  
Westfields  
Middlewich Road  
Sandbach  
CW11 1HZ*

## Appendix 1

### 1.0 The costs of the hybrid model are:

- Staffing costs (including doctors) - £ 406 000
- Supplies and services - £ 64 000
- Total cost - £ 470 000 (£235000 each)

### 1.1 Summary of new proposal

- Cost of out-sourced services £ 55 000
- Cost of in-house services £ 470 000
- Total cost of new proposal £ 525 000
- Total income £ 380 000
- Net cost £ 145 000 (£72500 reach)

### 1.2 Projected out-turn 2013 – 14

- Projected out-turn 2013 – 14 £ 190 000\*
- Cost of new model £ 145 000

\*The projected out-turn for 2013 – 14 includes one-off costs for staff redundancies, early retirement pension costs, agency recruitment fees and agency staff fees

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## **CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL**

### **SHARED SERVICES JOINT COMMITTEE**

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<b>Date of Meeting:</b>	28 March 2014
<b>Report of:</b>	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
<b>Subject/Title:</b>	CoSocius Limited Go-Live Decision

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#### **1.0 Report Summary**

- 1.1 The purpose of this report is to seek approval to transition CoSocius Limited, which is currently operating in 'shadow mode', into a fully operational, arms-length, trading company.
- 1.2 In considering readiness for go- live the report addresses the following:
- The financial viability of the company as a stand-alone trading entity.
  - The company's five year financial model and projected shareholder returns.
  - The financial, legal and risk implications of the future operating model for the Councils and the company.
  - The governance, contractual and performance framework for the new company.
  - The transition and benefit realisation plans.
  - Programme assurance evidence.
- 1.3 The overall conclusion is that all essential pre-requisites for go-live are in place.

#### **2.0 Recommendations**

The report recommends that the Shared Services Joint Committee:

- 2.1 approves the transition of CoSocius Limited to become a trading entity from 1<sup>st</sup> April 2014, with planned operational transfers of contracts and staff effective on 1<sup>st</sup> May 2014.
- 2.2 authorises the Head of Legal and Democratic Services for each authority in consultation with the Section 151 Officers for each authority to finalise the

detailed terms and conditions for, and enter into, all necessary legal documentation required to give effect to recommendation (2.1) including but not limited to the:

- Contract for Services;
- Shareholder agreement;
- IT Systems and Services agreement;
- Support Services Agreement;
- Leases of Goldsmith House and Kelly House;
- Working Capital Agreement;
- Data processing and Data Sharing Agreement;

referred to in section 10 of this report;

- 2.2.1 Approves the provision of a joint working capital facility to the Company of £7m on terms to be agreed by the Head of Finance (CWaC) and Chief Operating Officer (CEC);
- 2.2.2 Agrees the provision of a joint guarantee by the two Councils in respect of pension liabilities for the duration of the contract for services in respect of transferring staff with an estimated value of £7.3m;
- 2.2.3 Agrees to the provision, by the two Councils, of such financial guarantees as the Company may reasonably require for the duration of the Contract for Services subject to the approval of the Head of Finance (CWaC) and Chief Operating Officer (CEC) on a case by case basis including parent company guarantees up to £50k;
- 2.2.4 Endorses the 5 year financial model, on the understanding that regular reports are submitted to the Shareholder Board and appropriate Council governance committees.
- 2.3 Endorses the cost reduction activity outlined in Section 5.2.4 that proposes to displace a proportion of contractor staff with fixed term contracts.
- 2.4 Endorses the Transition Improvement Plan included in Appendix 7.
- 2.5 Agrees that the Programme Board prepares for a formal 'Closure' of the delivery programme, focusing on the cut-over to transitional activity and produces a final closure report including lessons learned.

### **3.0 Reasons for Recommendations**

- 3.1 The Councils set out on a journey to create a limited company that would deliver value to shareholders and the public and develop an innovative and sustainable business model which builds on the success of the existing shared service arrangement and the savings, in excess of £6.7m, that have already been achieved since 2009.

- 3.2 CWaC Executive and CEC Cabinet members<sup>1</sup> have agreed to transfer the existing ICT and HR & Finance Shared Services into a Teckal compliant company wholly owned and controlled by both Councils, now called CoSocius Ltd. CoSocius was established as a company limited by shares in September 2013. As a company it is a legal entity, capable of making its own decisions. It can enter into contracts, employ staff, own property and bring court proceedings in its own name. The company currently has three directors, Chris Mann (CEC) and Mark Wynn (CWaC) and Dominic Whelan (Managing Director).
- 3.3 Whilst CoSocius is registered as a limited company, it is currently operating in “shadow mode”. It is therefore not formally trading and no assets, staff or business has been formally transferred from the Councils.
- 3.4 In line with agreed programme management and governance procedures this report has been prepared to assess the readiness of the new company to operate independently from its shareholding Councils and to take on the transferred functions and associated assets.
- 3.5 The assessment is based on consideration of the following issues:

**Financial viability:** the net operating costs of the company are analysed in **Section 5** below. These are affordable within the current levels of budget provision in both Councils. The inflation, income generation and efficiency savings targets assumed in projections for future years are considered reasonable.

**Projected Shareholder returns:** the 5 year financial model set out in **Section 6** demonstrates how the original business case savings targets will be achieved, and potentially exceeded over the medium term. This is based on generating new trading income, but also attracting additional shareholding partners.

**Financial and, Legal Implications & Risk Management considerations:** **Sections 7, 8 and 9** of the report set out the specific financial and legal implications for the Councils of the new company arrangements. The governance model proposed will allow these to be managed and controlled so that the wider interests of local tax payers and business are not compromised.

**The proposed contractual and governance arrangements:** set out in **Section 10**, they provide a robust framework for future management and direction of the company and a basis to drive forward culture change in both the company and the client Councils in a spirit of mutual co-operation and shared success.

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<sup>1</sup> Report to CWaC Executive 9<sup>th</sup> January 2013 and report to CEC Cabinet 2<sup>nd</sup> April 2013 – which includes the approved high level business case.

**The Transition Improvement and Benefit Realisation Plans: Sections 11 and 12** of the report outline the work required beyond go-live to ensure that CoSocius remains a sustainable and viable commercial entity which delivers a return to its shareholders.

**Programme Board Assurance & Independent verification: Section 13** describes the evidence that has been used by the Programme Team to support the go-live recommendation and the positive outcome of independent verification undertaken by the Internal Audit teams of both Councils.

## **4.0 Background**

In December 2009 the Shared Service Joint Committee articulated a vision that would see key shared back office functions operating on a more commercial footing and delivering significant benefits for both partners. This report sees the culmination of four years' work to make that vision a reality by transitioning of the ICT and HR and Finance Shared Services to a separate legal entity – CoSocius Limited – a wholly owned company owned by Cheshire East and Cheshire West and Chester Councils.

The following section provides a brief overview of the Programme Board Governance & Delivery phases which have led to the recommendations in 2.0.

### **4.1 Programme Governance**

A Programme Board was established in June 2013 comprising seven workstreams to ensure a safe implementation of the company. The Programme Board Senior Responsible Owners (SRO's) are Chris Mann (CEC) and Mark Wynn (CWaC) and the governance of the Board is provided by the Joint Officer Board jointly chaired by Peter Bates, Chief Operating Officer (CEC) and Julie Gill, Director of Resources (CWaC) and the Shared Services Joint Committee, chaired by Cllr David Brown (CEC) and deputy chair Cllr Les Ford (CWaC).

The Programme Delivery Plan includes a significant amount of work which changes the way the Councils will operate with CoSocius in the future.

### **4.2 Programme Delivery**

The Programme Delivery Plan has had two significant phases. The Phase 2 Programme Delivery Plan is attached at Appendix 1.

#### **4.2.1 Delivery Phase 1:**

The first 100 days (June – Nov) focussed on tasks relating to the governance and formation of the company, culminating in the Shared Services Joint Committee approval on 29<sup>th</sup> November 2013 of the following:

- Articles of Association
- Decisions reserved to the Councils as shareholders
- Proposals for the establishment of, composition and terms of reference for the shareholder board
- Heads of terms for the shareholder agreement, contract for services, working capital facility and support services
- Proposed structure of the CoSocius company Board of Directors and company organisation design
- Key operating principles recommended in order for CoSocius to be established on a commercially viable basis, covering:
  - Staff remuneration and pensions
  - The Councils commitment (including any new separate legal entities) to purchase from the company
  - The treatment and ownership of assets
  - Management of contracts
  - Council funding and guarantees to the company
  - Basis of charging for services

#### **4.2.2 Delivery Phase 2:**

The final 100 days (from Dec 13 to the formal Closure of the Programme): focussing on tasks relating to the re-baselining of the service budget to reflect the true costs of CoSocius (as described in detail in Section 5) and all contractual matters between CoSocius and the Councils as Shareholders (as described in detail in Section 10).

Whilst CoSocius is registered as a limited company, it is currently operating in “shadow mode”. It is therefore not formally trading. No assets have been transferred, staff have not formally TUPE transferred from the Councils to CoSocius, no formal contract for services has been signed & sealed nor have any financial guarantees been approved by either Council.

In line with good programme management and CEC & CWaC Council’s governance procedures this report has been prepared following a robust assessment of the readiness of the new company to operate independently from its shareholding Councils. The Phase 2 Programme Delivery Plan is attached at Appendix 1.

From 1<sup>st</sup> April 2014 the focus of the Programme Board will be:

- to initiate formal closure processes, executing cut-over activity, completing final due-diligence of programme deliverable,
- preparing for the deliverability of the Transition Plan activities; and
- the production of a formal Closure report including lessons learned.

The sections to follow address the key factors in determining whether CoSocius is ready to move to the natural next step to Go-Live from 1<sup>st</sup> April 2014.

## **5 The Financial Business Case**

As previously referenced the case for creating CoSocius was to harness the benefits that a more commercial operation can potentially deliver through increased trading, securing greater economies of scale and business development and growth.

This section focuses on the financial affordability & future viability of CoSocius and assesses the case for change which delivers the financial benefits that will accrue.

### **5.1 Original business case**

- 5.1.1 The original high level business case was based on the Cheshire Shared Services cost base as at October 2012. Over the past 18 months a significant amount of work has been undertaken to establish the full cost of operation as an arms-length company, and inevitably there have been some changes to the original assumptions. The largest single change is that the assumed increase in the future service contribution rate for the LGPS (cost was projected to cost £168k in 2014/15 rising to £503k 2018/19) which has not materialised following the latest advice from the pension fund actuary. Therefore the revised consolidated position is improved compared to the original business case.
- 5.1.2 Spending in 2013/14 in respect of one-off set up costs and business start-up is broadly in line with the original business case estimates of £395k and £250k respectively. All on-going costs have been included in the financial model set out in Appendix 3 along with revised and updated income and savings projections. Whilst these are based on similar assumptions to those included in the original business case, they have been updated and re-phased to reflect current views on market opportunities and a better understanding of potential cost and savings associated with on-boarding new partners.
- 5.1.3 It is important to note that the original business case included estimates for income from a new 'factory'. The current CoSocius financial model and scenarios referred to in this paper do not include any assumptions for a new 'factory' at this stage because the business plan has been based on existing services and functionality that is transferring to the Company. The Councils may choose to further review the services offered by the Company which may increase efficiencies and offer more market opportunities.
- 5.1.4 It is therefore proposed that the updated financial model set out in Appendix 3 is approved as a basis for monitoring future delivery and performance and that the estimates included in the original business case are deemed superseded, and are used for comparative purposes only.

## 5.2. The Cost Base for CoSocius

- 5.2.1 In order to transition the existing shared services, hosted by CWaC and recharged to CEC on largely a 50/50 basis, a baseline trading account has been established to identify the total net operating cost of the business. This is detailed in Appendix 3 and shows a baseline net operating cost of £13.7m, as compared to the historic service cost of £10.1m. The difference reflects the adjustments required to move from a traditional “in-house” cost base (which normally only includes direct costs), to a full cost accounting basis, including all business operating costs and overheads. The adjustments required are summarised in the table below:

Re-baselining details:	£m
Current base budget as an “in-house” services	10.1
Additional funding approved in the business case to cover additional ongoing set up costs such as new corporate staffing and to cover costs of ongoing support services (e.g.: legal, finance, audit etc.)	+0.4
Transfers of existing support service budget (mainly running cost of Goldsmith House (rent, business rates, utilities), but also includes legal, finance, insurance etc.)	+1.0
Access charge for use of Council owned asset by the company (mainly the Oracle platform)	+2.3
Interest on working capital loans provided by the Councils	+0.3
Budget reduction for the historic pensions deficit retained by the Councils	-0.4
<b>Restated Cost Base</b>	<b>13.7</b>

- 5.2.2 To implement the above changes, there will be a number of corporate budget transfers which will ensure that the services provided by the company are still affordable within planned budget resources. ***Therefore the new cost base for CoSocius results in no new additional budget requirement for either Council.***
- 5.2.3 In November 2013 the fixed / variable cost ratio was calculated as 70/30%. Following the re-baselining exercise the percentage split of fixed / variable cost has been recalculated and the fixed costs are now moving in a downward direction. The Transition Improvement Plan will address the further restructuring of the cost base required to enable CoSocius to respond more flexibly as both Councils move towards a commissioning model of service delivery. This will be facilitated by exploitation of developments such as the implementation of PSN in 2014/15, and through further review of staffing, contract and corporate fixed costs
- 5.2.4 An example of how CoSocius is seeking to realise cost reduction benefits can be demonstrated in the following approach being taken to change the current capacity & capability model:

Moving forward the company wishes to use the option to employ more people on temporary contracts in lieu of contractors, likely to be between 12 months

to 2 years in length but dependent on customer demand. Initial assessment of the cost reductions, based on 25 roles over a 2 year period, is in the region of £600k - £900k and it will have a direct impact of reducing the overall cost reflected in the rate card<sup>2</sup>.

## 6. The 5 year Financial Business Plan

6.1 The Company Financial Plan includes a five year financial model that is based upon an agreed financial budget and forecast for 2014/15. It then builds up over the following four years to give a forecast based on the medium term business strategy. A detailed financial spreadsheet is available: a summary of this is attached at Appendix 3 providing detail on the 2014/15 financial budget and the forecast for the financial position at the five year point, based on achievement of three potential scenarios. Further detail on these scenarios is included below.

### 6.2 The 2014/15 Financial Plan.

6.2.1 The start point for the five year plan is the setting of the detailed 2014/15 financial budget based upon the following:

- the baseline 2013/14 Budget for Cheshire Shared Services
- plus additional funding allocated in the SLE Business Case
- minus 2014/15 efficiency targets
- plus the addition of the company operating overheads (previously within Council departments)

6.2.2 The CoSocius 2014/15 baseline Budget summarised by operating area is:

Staff and People	11,144
Premises and Facilities	1,105
Corporate Operations (incl Buy Back)	3,733
Technical Services	4,631
Projects	7,808
<b>Gross Cost</b>	<b>28,421</b>

Current Income	6,940
Current Income Projects	7,808
Total Current Income	14,748
<b>Net Cost to both Councils</b>	<b>13,673</b>

<sup>2</sup> Rate Card refers to the daily rates of charging for provision of Project and Change activity.

### 6.3 Five Year Financial Model with Scenarios (Revised Company Business Plan)

6.3.1 The five year financial model is based upon the base line costs set at 2014/15 (as per table at 6.2.2) uplifted for pay awards (1% per annum) and non-pay inflation (2.5% per annum). It also includes efficiency savings and income from sales and a new partner.

6.3.2 The following scenarios are used in the financial tables illustrate how the Company can deliver savings against the baseline (section 6.3.6 – 6.3.9):

- **Scenario 1** – focuses on the Company achieving the savings targets illustrated in section 6.3.3 and with the current level of income for schools and councils being maintained; but with no further income from new business or any income from a new partner.
- **Scenario 2** – builds upon the savings in Scenario 1 and also includes income from new business as illustrated in section 6.3.4
- **Scenario 3** – builds upon the savings and income in Scenario 2 and includes financial benefits from the successful on-boarding of a new partner in 2016/17 and a further partner in 2018/19.

6.3.3 The savings targets are based upon assumptions that savings will be achieved through a mix of the following:

- 2014/15 – staffing efficiencies (£0.2m); utility costs (introduction of energy saving measures - £0.025m) and reduction in operating costs (postage and stationary - £0.1m) and technical (reduction in circuits - £0.2m)
- 2015/16 – focus on licencing models; 3<sup>rd</sup> party contracts and reduction in applications – total savings £0.5m;
- 2016/17 – staffing and technical savings achievable due to increase in scale following new partner (focus on applications, service desk and customer contact areas) and costs of capital – total savings £0.48m;
- 2017/18 and 2018/19 – technical savings (focus on new licencing and cheaper service provision of core platform and applications) and support service costs (review of 3<sup>rd</sup> party support contracts) – total savings £0.4m per annum.

6.3.4 **New Business Targets** – The marketing strategy includes a focus on increasing sales within the Education sector, Blue Light and Health and Public Sector Network (PSN). The creation of the new Commercial Director and supporting Business Development Manager posts will provide capacity to develop this pipeline and future bid opportunities.

- **Education:** The intention is to build upon the successful service currently provided to Academies and Schools and reach out towards the independent sector. To aid this strategy, the Company is creating a dedicated Business Relationship Manager for Education. The targets for new business in this area assume that we achieve new contracts from 2014/15 onwards.

- **Blue Light and Health:** To operate in these sectors, we will be able to leverage the benefits of the PSN and the associated secure network provision as well as existing service provision for ICT and Employee Services. The Managing Director has experience in Blue Light sector and the new Commercial Director has experience in the Health sector. Blue Light services are being encouraged to look at new ways of delivering services and sharing across Local Authorities. Recognising that this is a new area, the target for new business commences in 2015/16.
- **Public Sector Network.** Both Councils have invested in PSN which will deliver savings to existing councils and schools and provide greater flexibility and a more stable and resilient network. CoSocius will aim to develop this as a product to sell onward. This should achieve benefits to the Councils by sharing the fixed costs across a wider PSN client base. It will also allow CoSocius an opportunity to gain a small revenue from provision of the 'wrap around services' such as internet and firewall provision, email and internet filtering. Targets for this commence in 2015/16 to allow for the new network to be established.

6.3.5 The income targets used in the model have been based upon the following assumptions, including:

- operating margin for new sales of 12%;
- financial information for a new partner is based upon detail previously developed from conversations with other councils;
- financial information for payroll and ICT services for smaller contracts (i.e.: academies and blue light) is based upon existing tender assessments;
- PSN sales based upon the existing costing work for provision of CoSocius 'wrap around' services such as firewall, internet and email filtering and management charges.

6.3.6 **Scenario 1 – Achievement of Savings Targets.** The following table shows the baseline cost (as at 2014/15) with an updated Year 1 forecast for 2014/15 onwards including indexation applied and achievement of savings targets.

Savings targets achieved but no new business or new partner	Baseline Costs	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 5 2018/19
	£'000					
Gross Cost	28,421	28,548	27,653	27,328	27,162	26,788
Net Cost	13,673	13,673	13,132	12,726	12,356	12,040
Total Savings from Baseline	0	0	541	947	1,317	1,633

**6.3.7 Scenario 2 – Achievement of Savings Targets and New Business Targets.** The following table shows the baseline costs as per the table above including the savings targets. It now also includes the impact from income and costs of sales for new business (Section 6.3.6).

Savings, new business targets achieved but no new partner	Baseline Costs	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 5 2018/19
	£'000					
Gross Cost	28,421	28,898	29,094	29,838	30,741	31,436
Net Cost	13,673	13,673	12,949	12,397	11,881	11,396
Total Savings from Baseline	0	0	724	1,276	1,792	2,277

**6.3.8 Scenario 3 – Achievement of Savings Targets, New Business Targets and New Partners.** The following table shows the baseline costs as per the table above (Section 6.3.7) including the savings targets and new business targets. It now also includes the impact from income and costs of sales for new partners.

It assumes that CoSocius gains a new Local Authority partner in 2016/17 that achieves additional savings to existing shareholders and it also targets an additional smaller Local Authority organisation in 2018/19. The detailed financial modelling for a new partner has been based upon the previous work completed for a potential partner project. Using that model the contract value of approximately £7.8m pa of income, would deliver approximately £1m savings pa to the new third partner and an additional £1.8m savings pa to CoSocius existing shareholders

Savings, new business targets achieved and new partners on-board	Baseline Costs	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 5 2018/19
	£'000					
Gross Cost	28,421	28,898	29,094	35,912	36,815	40,874
Net Cost	13,673	13,673	12,949	10,581	10,295	9,404
Total Savings from Baseline	0	0	724	3,092	3,378	4,269

- 6.3.9 **Comparison against original business case.** The original business case for the separate company made assumptions on potential income from three elements: new business, new partner and a new 'business unit'. The table on below (row 1) shows the predictions from the initial business case assuming the income from all three elements was achieved. The following rows provide the summary detail for each of the three CoSocius scenarios outlined above.

	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 5 2018/19
<b>Total Savings – Original Business case</b>	(830)	1,230	1,190	1,110	no data
<b>Total Savings – CoSocius 5 year model (Scenario 1)</b>	0	541	947	1,317	1,633
<b>Total Savings – CoSocius 5 year model (Scenario 2)</b>	0	724	1,276	1,792	2,277
<b>Total Savings – CoSocius 5 year model (Scenario 3)</b>	0	724	3,092	3,378	4,269

#### 6.4. Summary of the Financial Case

The savings identified in Scenario 1 were not included in the original business case and many will be achievable without necessarily setting up the Company. However, Scenario 2 and 3 demonstrate the potential savings that may be achieved if the Company is established. Scenario 1 therefore acts as the secure base line to build upon for these future potential benefits. If the Company pursues the new business opportunities then the financial model indicates that it will out-perform the revenue savings targets in the original business case by 2016/17 without needing to gain a third partner. However, the business strategy seeks a third partner and potentially a fourth. This would enhance the savings further as shown in Scenario 3.

#### 7.0 Financial Implications – The Councils Financial Commitments

- 7.1 The following section sets out the financial implications for the two Councils arising from the recommendations set out in Section 2.

#### 7.2 **Contract for Services**

Both CEC & CWaC will have their own contract for services with CoSocius. Both clients have specified their Service Requirements and CoSocius has responded with a priced offer. The cost of the contract for 2014/15 with both authorities is £13.7m. The basis of the contract price, this year, for both partner authorities is full cost recovery including the cost of overheads but no profit margin. Income generated by new business, outside of the Councils, will be charged with appropriate margins including profit but taking account of the limitations placed by Teckal. CoSocius will need to move to a more mature and commercial pricing model in the medium term and this is captured as a key outcome in the Transition Improvement Plan, referred to in Section 12.

### 7.3 ***CoSocius Cashflow forecast***

The Councils will provide a working capital loan facility from Day 1. The cashflow modelling has identified that the maximum working capital requirement is expected to be £7m but this will fluctuate during the year depending on actual cashflows. The maximum anticipated exposure for each council is £3.5m. This will be closely monitored – at least monthly - by the Company Board of Directors and by the company financial controller (a role to be filled initially on a buy-back basis from CWaC). Specific draw-downs from the loan will be done in agreement with the Councils. A copy of the initial cashflow forecast is attached at Appendix 2.

Interest on the loan will be initially be charged at 4.85%. This equates to a market rate of interest and is sufficient to ensure the Council complies with State Aid guidance (based on advice obtained directly from DCLG). It is assumed in the financial forecasting that the interest rate will reduce as the Company trades and begins to improve its credit worthiness. The Company will review its credit score using an appropriate rating agency such as Dunn & Bradstreet or Experian on at least a six monthly basis.

### 7.4 ***Parent Company Guarantees (PCG's)***

For PCG's relating to CoSocius the Councils will act as the "parent" company. At present the Councils are not giving any PCG's other than the Pension Guarantee – detailed in Section 7.5. However for CoSocius to win business from other Public Sector bodies it is likely that PCG's may be required in the future. If they are required, approval will be sought on a case by case basis. It is proposed that authority be delegated to Head of Finance (CWaC) and the Chief Operating Officer (CEC) to approve individual guarantees with a value of up to £50k each on a case by case basis. Shareholder approval above this limit will be required.

In addition to PCG's the Councils may need to provide supplier guarantees. As part of the programme delivery plan we have contacted all suppliers to advise them that their contract will be transferring to CoSocius (either Novated or as managing agent). It is possible that some suppliers may require a guarantee from the Councils as CoSocius does not have the same credit standing as the Councils. To date we are not aware of any such request.

### 7.5 ***Pensions***

The Cheshire Pension Fund will require the Councils to guarantee the LGPS pensions liabilities of CoSocius in order to protect the interests of other Scheme employers. On a normal outsourcing, the Councils would pass this risk to a 3<sup>rd</sup> party usually by requiring the company to either purchase a pensions bond (a form of insurance) or provide a Parent Company Guarantee (PCG). For a new company such as CoSocius with no financial reserves and no financial track record, purchasing a bond could be a significant cost. The estimated cost is between £146k a to £292k pa based on a bond amount of £7.3m. However, over the longer term as the company becomes more financially secure and has its own credit record, this cost should fall.

The Councils will provide the equivalent of the PCG as they already carry the funding risk relating to the staff who will transfer to CoSocius and they will retain significant control over the operation of the company. It is anticipated that as the company evolves through the incubation period and moves towards commercial independence, it will reduce the potential liability of the Councils PCG. Reducing reliance on Council support has been identified as a key success criterion in the Transition Improvement Plan.

There is a risk that provision of a parent company guarantee could be challenged as unlawful state aid. However the Councils have taken expert advice and consider that the provision of a PCG is justifiable in the circumstances and the risk of a challenge is considered to be small.

## **7.6 Insurances**

The contract requires the Company to insure against the following risks:

- Public Liability Insurance – £10m
- Employers Liability Insurance - £10m
- Professional Indemnity Insurance - £2m
- Computer Insurance (Kelly House) - £5m
- Cover as required by the leases - various

In addition the company will maintain Directors and Officers professional indemnity cover for £2m for the Board of Directors.

The company may have a higher level of cover especially whilst it is buying as part of the Councils policy. The company may also choose to take out other cover such as business interruption.

## **7.7 Capital Budget**

Included in the contract is a requirement for the Councils to keep oracle and related systems platforms up to date. The estimated projected total cost of meeting this obligation over the next 5 years is £9.1m shared between the 2 Councils. This amount has been used to calculate the access payment of £2.1m which the Councils will charge CoSocius for the use the Oracle platform.

The estimated total of £9.1m comprises £5.4m for the regular updates and minor upgrades, and approximately £3.7m for a major upgrade that is expected towards the end of the initial 5 year contract period in around 2018/19. Current capital programme provision is sufficient to meet the expected cost of £5.4m for the regular updates/minor upgrades, but is not sufficient to fund the cost of the major upgrade. Therefore a further business case and approval would be required before this major upgrade could commence. This restriction will be reflected in the contract.

## **8.0 Legal Implications**

- 8.1 The legal aspects of the decision to externalise services to a company were documented in detail in the reports to Executive and Cabinet in January 2013 and April 2013 respectively including consideration of legal powers, trading requirements, the application of the Teckal procurement exemption and TUPE/pensions. Further legal implications are included within the body of the report as appropriate.
- 8.2 The Councils have taken specialist legal advice in relation to state aid (which is unlawful) and taken necessary steps to mitigate the risk of a state aid challenge by ensuring the company is charged commercial rates for the leases of Kelly House and Goldsmith House, market rates of interest in relation to working capital requirements and the inclusion of leasing charges for access to IT systems. As noted in section 7.5 there is a small risk in relation to the provision of a parent company guarantee by way of a pension bond, however the Councils consider the approach taken is justified.
- 8.3. Certain information referred to in the appendices to this report, namely appendices 2, 3, 4 and 7, is exempt information within the meaning of paragraph 3 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial and business affairs of the Councils and Company. Due to the commercial sensitivity of this information, the public interest in maintaining the exemption outweighs the public interest in disclosing it.

## **9.0 Risk Management**

- 9.1 The Top 12 programme risks as previously endorsed by the Shared Services Joint Committee, is attached in Appendix 6.
- 9.2 All risks have been regularly reviewed by the Programme Board. The majority of risks are still relevant as the CoSocius transitions to a separate trading company. Therefore appropriate risks will continue to be monitored by the Board of Directors and its management team through the company Risk Management Strategy and progress reported to the Shareholder Board at agreed intervals

## **10 Proposed Contractual Arrangements & Governance**

- 10.1. In November 2013 the Shared Services Joint Committee approved the recommended governance and management structure for CoSocius<sup>3</sup>. This included the Matters Reserved for Shareholders. Some elements of these arrangements are still to be implemented, for example the appointment of non- Executive Directors and the Company Chairman. It is proposed that the Shared Services Joint Committee delegate to the Section 151 Officers of each authority, in consultation with the Chair & Vice Chair and the respective Heads of Legal Services the implementation of the final governance structure.

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<sup>3</sup> Shared Services Joint Committee report 29 November 2013: Governance arrangements – CoSocius Limited; and Company Board of Directors structure - CoSocius Limited.

10.2. The Contract Documentation between the Councils and CoSocius has been prepared and details are listed below. The contracts and agreement are in the process of being agreed between CEC and CWaC lead officers and legal representatives. This is supplemented by additional external expert advice of complex matters such as State Aid. CoSocius has appointed an independent legal firm (Anthony Collins LLP) to review the legal documentation of behalf of the Board of Directors.

#### 10.2.1 ***The Contract for Services***

The contract for services sets out the overarching terms and conditions such as payment arrangements, service default provisions and termination. Attached to it are a number of key schedules;

- **Service specification, KPI's and Charging Schedule** (CWAC and CEC) - form a key component of this document and set out what the company will provide to what level of service and at what cost;
- **Business Transfer agreement** – deals with the transfer of office equipment, personal IT and novation of existing customer contracts
- **Property Leases** - The form of leases for Goldsmith House and Kelly; House;
- **Contracts** – details of all contracts to be managed by the company on behalf of the Councils together with those to be novated to the Company;
- **Staffing and Pensions** - detailed provisions for dealing with the transfer of staff, the apportionment of liabilities, pension arrangements including continued access to the LGPS and the list of transferring staff;
- **Change control** – mechanism for dealing with changes to the service during the contract period;
- **Benchmarking** – provides for the services that may be benchmarked by the Councils and the process to be followed;
- **Data processing and data sharing** – Arrangements for the processing of data by the Company on behalf of the councils and for sharing data between the Councils and the company;
- **Support Services agreement** – sets out the terms on which support services are to be provided by the Councils to the Company, such as HR, Finance and company secretarial. Initially these services will be provided by CWAC with a review initiated if key personnel, the nature of the services or volumes change. The provision of support services is for a period of 3 years. For year one, charges will be £497k.
- **Working Capital and contingency agreements** - As referred to in Section 7.3, the Councils will each provide a revolving working capital facility to the company.

### **10.2.2 IT Systems and Services Agreement**

The Councils are making the Oracle platform, network and infrastructure available to the company to enable it to:

- provide the contracted services back to the Councils,
- to support the business of the company – for example to enable it to run its own payroll, and
- provide services to third parties. A leasing charge will be made to the company and the company will be responsible for maintaining the systems and services to a specified level.

### **10.2.3 Shareholder Agreement**

This agreement sets out the relationship between the two Councils and the company and includes provisions for management of the company and approval of the business plan, access to company records, transfer of shares, admission of new shareholders and termination arrangements.

### **10.2.4. Property Leases**

The Company will enter into leases in respect of Kelly House and Goldsmith House for a term of 5 years with break clauses at the end of the 3<sup>rd</sup> year (12 months' notice). It should be noted that Kelly House will be granted a sub-lease subject to landlords consent.

### **10.3 Contractual & Operational activation**

To enable cut-over activity, the contract for services will commence on 1<sup>st</sup> May 2014 which will trigger a transfer of staff under TUPE and will be the effective date for all other legal documentation. The revised Articles of Association approved by the Shared Services Joint Committee on 29<sup>th</sup> November 2014 will be formally adopted in early April.

### **10.4 Company Governance Manual**

As part of its governance arrangements the company will have its own set of Finance and Contract Procedure Rules (FCPRs) which set out a framework for managing decisions and the related financial implications, including defining who is authorised to make these decisions. These are broadly in line with those of the two Councils.

The critical elements of a robust governance framework will be in place for Go-live date. These include:

- Financial & Contract Procedure Rules
- Financial Scheme of Delegation
- HR Scheme of Delegation
- Health & Safety Policy

The remainder of the governance policies are in development and will be completed post 1<sup>st</sup> April 2014; these include elements such as:

- Equality Policy
- Sustainability Policy
- Risk Management Framework
- Data Protection Policy, HR Policies and Procedures (e.g. Discipline, Grievance, Capability etc.)

## 11.0 Expected Benefits

- 11.1 The original business case and decision papers included benefits (both financial and non-financial) as follows:

***Deliver savings:*** through sharing overheads, bringing on new partners, developing a more commercial business approach and streamlining governance arrangements.

***Improve quality & performance:*** by responding quickly to changing technology and customer requirements and developing a strong, customer orientated performance culture.

***Respond to change:*** by developing a cost effective and attractive back office offering for new providers.

***Create value:*** by capitalising on existing assets and intellectual property and trading goods and services to generate financial returns and scale economies.

- 11.2 The key tasks undertaken by the Programme Team will ensure there is a solid platform on which to create a sustainable and viable commercial trading company. It is recognised that in order to achieve commercial success a significant change in culture and behaviours is required by both CoSocius and the Councils. To ensure that continued improvement and change is delivered the Transition Improvement Plan in Appendix 7 will ensure that focus is placed in the areas that will deliver the optimum positive impact.
- 11.3 The consolidated Benefit Realisation Plan is detailed in Appendix 4. This will evolve further with input from the full Board of Directors and the Shareholder Board in order to allow all stakeholders to influence the direction of travel. The realisation plan currently incorporates the planned financial benefits over the next 5 years together with the key areas:
- Building Value (Financial Management & Growth)
  - Quality & Performance (Commercialisation & Culture)
  - Innovation & Competitive Advantage (Technology & Capability)

## 12 Transition Improvement Plan

- 12.1 The development of the CoSocius programme has introduced a more business minded approach to these ex-council services. However further work is still needed to allow the company to meet its future aspirations.
- 12.2 The Shareholder Agreement will include a schedule of Guiding Principles and a Transition Improvement Plan to shape the future direction of travel and ongoing development of the company and the contractual relationship between the Councils and CoSocius. It recognises that the contractual relationship must be managed in the spirit of shared success but that significant cultural and business process challenges need to be addressed.
- 12.3 The Transition plan sets out the key tasks that whilst not critical for “go-live”, are essential in order for CoSocius to remain viable and become a sustainable commercial trading company capable of generating new income streams and generating value and return on investment for its shareholders.
- 12.4 The Transition Improvement Plan seeks to deliver swift business improvements and shareholder benefits in the short to medium term. This is attached at Appendix 7 and covers key improvement themes of:
  - 12.4.1 **Governance:** Including appointments to the company Board and finalisation of Shareholder Board arrangements. There are also some legal formalities and supporting governance processes that need to be completed;
  - 12.4.2 **Operational Structure & Key Business Processes:** Some requirements within the plan to review and improve business processes with a more commercial mind-set. The structure will also need to be reviewed to ensure the optimum delivery vehicle for the company;
  - 12.4.3 **Contract Pricing / Commercialisation:** The current contract (based on full cost recovery) will need to evolve in order to become more sensitive to changing customer demands and to reflect a more commercial pricing approach;
  - 12.4.4 **Customer Focus:** Further focus needs to be given to developing improved customer understanding and more responsive and flexible engagement models; and
  - 12.4.5 **Business Plan:** Delivery of the financial business plan which will inevitably develop over the course of the contract life, subject to Shareholder Approval.
- 12.5 In order to emphasise the importance of the outcomes to be addressed by the Transition Improvement Plan and their significance in terms of wider benefits realisation, and to attach appropriate priority to their delivery, the Transition

Improvement Plan will be included in the Shareholder Agreement thereby, securing contractual obligation for delivery on all parties.

### **13 Review of Readiness for Go-Live**

The following section sets out the Programme Board review of Delivery outcomes, the independent verification of the readiness for go-live and the transition of inflight and outstanding programme deliverables into a Transition Improvement Plan as described in Section 12.

#### **13.1 *Programme Board Summary of Delivery***

The Programme Delivery Plan summary is attached in Appendix 5. It provides a Programme Board view of:

- progress against deliverables & outcomes
- a status of readiness for go live
- outstanding tasks – the interim position and the risks & controls in place to ensure that outstanding tasks are not critical to a go-live decision

- 13.1.2 At the time of writing this report there is one Amber status. This relates to current “inflight” activity relating to the preparation, negotiation and agreement of the legal contractual documentation which is currently with both Client side legal representatives and appointed CoSocius lawyers. It is therefore felt prudent to award an amber status until such time agreement has been reached. An update on the current position will be tabled on the day of the decision to ensure that members have up-to-date facts to enable an informed decision.

The Programme Board endorses a positive Go-Live decision.

#### **13.2 *Independent Governance & Review***

In order to provide a consistent, comprehensive controls framework that protects the client Council, or Councils; Cheshire West and Chester’s Internal Audit team developed an externalisation toolkit for use by the project team.

As part of the assurance process the Audit team were asked to provide an independent review of the completed toolkit as at week ending 21 February. The review assessed the information provided within the toolkit together with the available evidence that had been provided by the project team.

The review did not identify any major issues, risks or omissions from the toolkit and the Audit Team were able to provide a degree of assurance that risks associated with the overall process had been identified and managed.

That said, the review did identify a number of issues that have either been addressed in full or incorporated into the Transition Improvement Plan, which forms part of the Shareholder Agreement. There is no evidence to suggest that any of these items will have an impact on a positive go live decision.

On the basis of the completed toolkit, its subsequent review by Audit in CWaC and CEC, the completion and monitoring of the transition plan and ultimately the right of each Section 151 Officer to, collectively or independently, instruct internal audit involvement in future areas of concern, Internal Audit supports a 'Go Live' recommendation.

#### **14.0 Wards Affected**

- 14.1 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.

#### **15.0 Local Ward Members**

- 15.1 Not applicable.

#### **16.0 Policy Implications including - Climate change - Health**

- 16.1 None.

#### **17.0 Other Options**

- 17.1 Should the Shared Services Joint Committee decide not to approve CoSocius' transition to the next stage, the Committee should consider alternative delivery models as documented in the Options Appraisal & High Level Business Case – December 2012.<sup>4</sup>

#### **18.0 Conclusion**

- 18.1 On the basis of the assessment set out above, the overall conclusion of the Programme Board, is that all the essential pre-requisites for go-live are in place and that this can be effected from 1<sup>st</sup> April 2014, in line with the original business case target.

- 18.2 To summarise:

- CoSocius is financially viable from Day 1 with a 2014/15 budget that has been approved by the Councils. This includes the full and complete operating costs for a standalone company taking account of all of the associated corporate overheads and financial obligations.
- The financial case for CoSocius projects an achievement of the original business case by 2016/17 without a third partner and with an expectation to outperform the original savings.
- A robust framework is in place to manage contract and performance complimented by a detailed transition improvement plan that will deliver improvements in customer centric and commercial delivery.

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<sup>4</sup> Report to CWaC Executive 9<sup>th</sup> January 2013 and report to CEC Cabinet 2<sup>nd</sup> April 2013 – Options Appraisal & High Level Business Case.

- Expert legal & financial advice has been sought to support decision making and contractual terms. The programme of delivery to prepare CoSocius for the transition has sought independent assurance of the readiness for go-live.

18.3 The Programme Board supports the recommendations in this paper.

## 19.0 Access to Information

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

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Julie Gill, Director of Resources – Cheshire West & Chester Council  
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[julie.gill@cheshirewestandchester.gov.uk](mailto:julie.gill@cheshirewestandchester.gov.uk)*

### **Background Documents:**

*Cheshire East Cabinet Report – Shared Services – 7<sup>th</sup> 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 – 15<sup>th</sup> October 2009  
Cheshire East Cabinet Report – Shared Services – 3<sup>rd</sup> March 2009  
Cheshire West and Chester Executive Report – Shared Services – 18<sup>th</sup> March 2009  
Cheshire East Cabinet Report – Shared Services – 23<sup>rd</sup> March 2009  
Cheshire Shared Services Joint Committee Report – 10<sup>th</sup> June 2009  
Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> July 2009  
Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> September 2009  
Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2009  
Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> October 2009  
Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> November 2009  
Cheshire Shared Services Joint Committee Report – 3<sup>rd</sup> February 2010  
Cheshire Shared Services Joint Committee Report – 12<sup>th</sup> March 2010  
Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> March 2010  
Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> May 2010  
Cheshire Shared Services Joint Committee Report – 16<sup>th</sup> 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 – 26<sup>th</sup> November 2010  
Cheshire Shared Services Joint Committee Report – 7<sup>th</sup> January 2011  
Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> February 2011  
Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> March 2011  
Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> July 2011  
Cheshire Shared Services Joint Committee Report – 30<sup>th</sup> September 2011  
Cheshire Shared Services Joint Committee Report – 25<sup>th</sup> November 2011  
Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> January 2012  
Cheshire Shared Services Joint Committee Report – 24 February 2012  
Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> April 2012*

*Cheshire Shared Services Joint Committee Report – 18<sup>th</sup> May 2012*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> June 2012*  
*Cheshire Shared Services Joint Committee Report – 27<sup>th</sup> July 2012*  
*Cheshire Shared Services Joint Committee Report – 31<sup>st</sup> August 2012*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> September 2012*  
*Cheshire Shared Services Joint Committee Report – 11<sup>th</sup> November 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> February 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 22<sup>nd</sup> March 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> April 2013*  
*Cheshire Shared Services Joint Committee Report – 28<sup>th</sup> June 2013*  
*Cheshire Shared Services Joint Committee Report – 26<sup>th</sup> July 2013*  
*Cheshire Shared Services Joint Committee Report – 13<sup>th</sup> September 2013*  
*Cheshire Shared Services Joint Committee Report – 29<sup>th</sup> November 2013*  
*Cheshire Shared Services Joint Committee Report – 10<sup>th</sup> January 2014*

*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,*

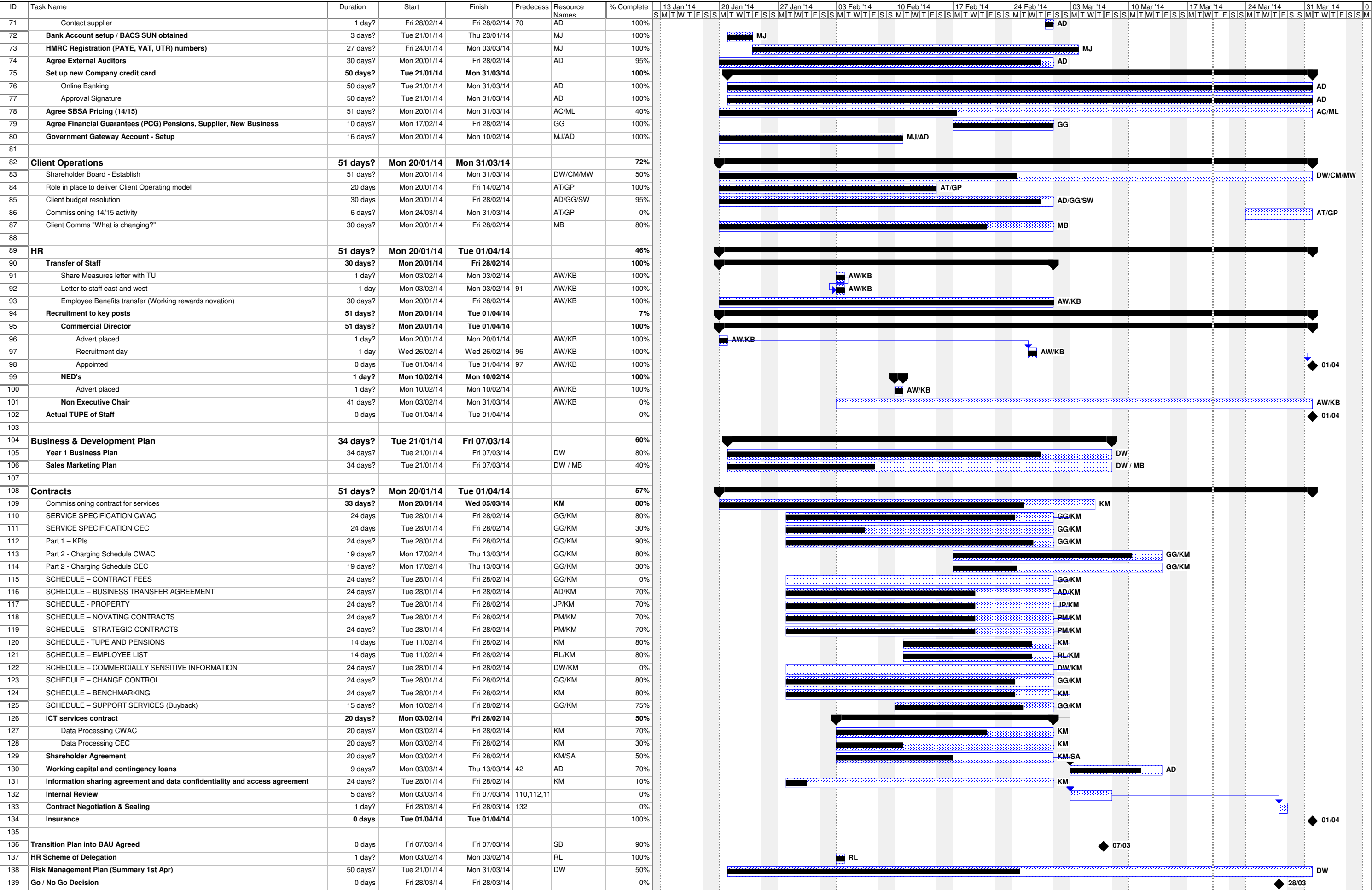
*CH1 2NP*

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## APPENDIX 1 - Phase 2 Programme Delivery Plan




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APPENDIX 1 - Phase 2 Programme Delivery Plan



## Appendix 5 – Summary of Programme Delivery

Deliverable/s	Outcome/s	Progress	RAG Status for Go-Live Risks / Controls to deliverability	Outstanding Tasks (which are included in Transition Improvement Plan)
<b>Governance:</b> <ul style="list-style-type: none"> <li>Shareholder Board</li> <li>Company Board of Directors</li> <li>Shareholder Agreement</li> <li>Reserved Matters</li> <li>Governance Manual</li> <li>Contract For Services &amp; Supporting Schedules</li> </ul>	Fit for purpose governance frameworks (Company & Shareholder) with appropriate level of shareholder control to reflect that the company is in its infancy whilst aspiring to be a commercial trading company.	<p>Agreed Governance &amp; Board Structure (Nov 2013)</p> <p>Agreed Heads of Terms &amp; Matters reserved</p> <p>Agreed critical governance procedures &amp; Frameworks (Financial &amp; Contract Procedure Rules, Financial Scheme of Delegation, HR Scheme of Delegation, Health &amp; Safety Policy)</p> <p>Agreed Principles of Operating (Incubation Period)</p>	 <p>Shareholder board will be set up post go-live. The existing Shared Services Joint Committee will take Shareholder Decisions in the interim period.</p>	<ul style="list-style-type: none"> <li>Set up Shareholder Board</li> <li>Finalise recruitment to full Board of Directors (e.g. Non Exec Directors)</li> <li>Finalise the non-critical legal documents – eg full governance manual.</li> </ul>
<b>Financial:</b> <ul style="list-style-type: none"> <li>Total True Cost Base</li> <li>Pricing Model for Contract for Services</li> <li>Cashflow Forecast</li> <li>Working Capital Loan Requirements</li> <li>3<sup>rd</sup> Party Contracts</li> <li>HMRC registration</li> <li>Banking Arrangements</li> <li>Financial Guarantees</li> <li>Pensions</li> <li>Agree Buy Back arrangements</li> <li>Oracle Build</li> </ul>	<p>An established true total cost base for CoSocius, demonstrating the ratio of Fixed and Variable costs, which will inform the future shift from Cost Recovery to Commercial Pricing.</p> <p>Clear understanding of the Shareholders future financial liabilities and commitments.</p>	<p>Recalibrated cost base reflecting total cost of company</p> <p>Agreed Service Specification &amp; costs (based on an interim cost recovery model)</p> <p>Cashflow forecast and working capital facility undertaken</p> <p>All third party contracts have been reviewed, vendors contacted to establish novation / agent status.</p> <p>Pensions actuarial advice sought &amp; PIM undertaken. No increase in Pensions risk is required for CoSocius.</p>	 <p>PCG's may be required for 3<sup>rd</sup> party vendors.</p> <p>A PCG equivalent may be required for Pensions Bond</p> <p>A review of pricing model and client requirements is required in the short term – this is a key priority in the Transition Improvement Plan.</p>	<ul style="list-style-type: none"> <li>A set of Key Performance Indicators agreed for Day 1 – full suite of KPI's to be agreed post go-live</li> <li>Volumetrics used to inform Day1 unit price to be reviewed</li> <li>Profit &amp; Loss statement to be completed post go-live and Council close down position.</li> </ul>

<b>Contracts:</b> <ul style="list-style-type: none"> <li>Commissioning Contract for Services – key supporting schedules</li> <li>ICT Services Contract</li> <li>Shareholder Agreement</li> <li>Data Processing Agreement</li> </ul>	Robust, not overly complex, contractual arrangements in place agreed by Clients and CoSocius legal representatives.	<p>Contracts prepared and are circulated for agreement and signature.</p> <p>Independent lawyers appointed by CoSocius</p> <p>Treatment of Assets agreed</p> <p>Trademark / Intellectual Property Rights</p>	 <p>Contract negotiations are currently inflight at the time of writing report. Prudent rating of amber. An update will be tabled on the day of the meeting.</p>	<ul style="list-style-type: none"> <li>Monitoring of Incubation parameters.</li> <li>Completion of non-critical supporting contract schedules.</li> <li>Completion of Trademark registration</li> </ul>
<b>Operational:</b> <ul style="list-style-type: none"> <li>Target Operating Models (for CoSocius &amp; Clients)</li> <li>Recruitment to key posts</li> <li>Communications with Key Stakeholders</li> <li>Branding</li> <li>Company Vision &amp; Values</li> <li>Day 1 cutover – operational and key business processes</li> <li>TUPE transfer</li> <li>Relocation to Goldsmith House</li> <li>Reporting Requirements</li> </ul>	<p>Fit for purpose Operating Model in place to undertake contract management and development of the business relationship.</p> <p>A commercial company structure to realise the commercialisation opportunities outlined in the Company Business Plan</p> <p>To ensure that the company has a solid foundation in order to deliver the cultural shift required to become a sustainable and viable commercial trading company.</p>	<p>Contract management functions in place East &amp; West. Business Relationship Management function will operate from Go-Live.</p> <p>Commercial Director recruited</p> <p>Regular key communications executed, including Staff Floor Walks, Face to face conference/regular floor walks and newsletters. Regular fortnightly meetings with Unions. Key customer forums underway e.g. schools.</p> <p>Relocation &amp; rebranding complete</p> <p>Pre-TUPE transfer letters &amp; consultation completed</p> <p>HR policies &amp; business processes agreed</p> <p>CoSocius internet &amp; intranet ready.</p>	 <p>Non-Executive Directors (NED's), including Chair underway. Key roles including Chief Financial Officer will be "bought back" in the interim</p>	<ul style="list-style-type: none"> <li>Completion of recruitment of NED's</li> <li>Monitoring of cut-over activity into business as usual – for 1 month post go-live.</li> <li>Financial Branding</li> <li>Completion of the TUPE Transfer</li> <li>Recruitment to Key Posts</li> </ul>
<b>CoSocius Business Plan:</b> <ul style="list-style-type: none"> <li>5 year financial business plan</li> <li>Sales &amp; Marketing Plan</li> <li>Risk Management strategy</li> </ul>	<p>To establish a commercial business plan with retention and growth targets</p> <p>A developing sales and marketing strategy and associated tools to attract new target customers and partners.</p>	<p>Year 1 business strategy and 5 year financial business projection complete</p> <p>Interim Sales &amp; Marketing literature complete</p>	 <p>Commercial &amp; Business Director recruited wef end April – commercial strategy key priority</p>	<ul style="list-style-type: none"> <li>Risk Management Strategy in production to include Business Continuity and Disaster Recovery procedures</li> </ul>

Appendix 6 – Programme Delivery - Top 12 Risks

CoSocius PROGRAMME TOP 12 RISKS

Date of Review: 18/03/2014

Objective	Where is the risk - PROJECT / SLE	Risk No (main register)	Risk / Opportunity	Gross Score			Risk treatment and control measures	Net / Current			Risk Owner	Further action to be taken to mitigate the risk	Timescale	Forecast /			Risk Update
				Likelihood	Impact	Total		Likelihood	Impact	Total				Likelihood	Impact	Total	
				L	I	LxI		L	I	LxI				L	I	LxI	
Establish a robust approach to programme / project management to ensure that there are sufficient resources to deliver the required objectives to time and budget	PROJECT RISK	2F	<b>Programme Resource</b> Insufficient dedicated resource assigned to the CoSocius programme by the Councils. May result in delays, the need for external support and incurred additional costs	3	3	9	<ul style="list-style-type: none"><li>Regular Programme Board meetings</li><li>Business case required for any request with financial implications</li><li>SRO approval templates to highlight request for pre-agreed resource/expenditure within the financial envelope.</li><li>Commissioning of specialist support e.g. Bevan Brittan</li></ul>	3	3	9		<ul style="list-style-type: none"><li>Identification of resource requirements from key areas (HR, Legal, Finance etc)</li><li>Requests to HoS for additional support</li></ul>		3	3	9	<ul style="list-style-type: none"><li>Critical Plan formulated to focus resources on critical tasks required for 1 April delivery.</li><li>Officer view supported by Audit independent view ready to go-live</li><li>Non critical tasks to be transferred into transition plan</li></ul>
Establish a robust Oracle platform from which the Company operates which is ready for agreed go-live date and delivered within budget.	PROJECT RISK	27F	<b>Oracle Build</b> The Oracle Build programme remains at very high risk with little contingency built into the build schedule. Failure for the Oracle build to be ready for the agreed go-live date potentially prevents the go-live of the Company as the impact on treatment for VAT reporting is severe.	4	4	16	<ul style="list-style-type: none"><li>Comprehensive iterative build programme in place</li><li>HEAT map established highlighting information required for build and risk against delay</li></ul>	4	4	16		<ul style="list-style-type: none"><li>Continuation of reporting of build progress</li><li>Identification and development of contingency arrangements.</li><li>Daily situational reports from Oracle Build team</li><li>Clear escalation points to Programme Board</li></ul>		2	4	8	<ul style="list-style-type: none"><li>All information requirements</li><li>Successful test and build</li><li>Practical implementation date determined inline with decision making process</li></ul>
Manage the impact of potential new delivery models being considered by both Councils to ensure there is no negative impact on agreed CoSocius Business during the transitional period and beyond.	PROJECT RISK	4F	<b>Inconsistent Approach</b> Failure for both councils to agree and the programme to secure a consistent approach for buyback (including the challenge of outsourcing, other SLEs etc.) leads to shrinking client demand results in difficulties/viability issues for CoSocius.	4	4	16	<ul style="list-style-type: none"><li>Incubation period agreed.</li><li>Pensions principles agreed</li><li>Officers &amp; Member workshop took place to review and discuss Key documents inc Incubation principles. Company Governance and Buyback principles all subsequently ratified at Joint Committee on 29/11</li><li>Delivery plan sets out programme deliverables</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Councils to outline 3/5 yr plan for transition to commissioning authorities allowing CoSocius to have own long term planning</li></ul>		2	3	6	<ul style="list-style-type: none"><li>Included in the transition and improvement plan which will be incorporated in the Shareholders Agreement which does provide contract obligation.</li></ul>
To establish the most appropriate company & operating structure which delivers the most advantageous returns and protection of the current East/West assets	SLE RISK	8F	<b>Shareholder Agreement sign off</b> Failure to secure wider council sign-off for shareholder agreement leads to delays to the programme, uncertainties and additional costs	2	4	8	<ul style="list-style-type: none"><li>Delivery Plan - highlights decisions due against deliverables</li><li>Commission specialist support (BB) - delivery of workshops to engage with the right people</li><li>Officer &amp; Members Workshops taking place before planned ratification dates</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Signing of Shareholder Agreement on 28 March</li></ul>		1	4	4	
Establish new Company and Client Operating models to provide a robust and fully understood commercial relationship between the supplier and the customer underpinned by agreed contractual obligations on both sides	SLE RISK	11F	<b>Consistent Approach by Councils</b> Inability to agree common contract terms to provide a consistent approach by existing clients to commercial operation of CoSocius leading to inconsistency and confusion in delivery	4	4	16	<ul style="list-style-type: none"><li>Officers &amp; Member workshop has taken place to review and discuss Key documents inc, Heads of Terms, Matters Reserved for Shareholders, Company / Shareholder Board structure, Incubation all subsequently ratified on 29 Nov 13.</li><li>Costing exercise has taken place.</li><li>Identified client management roles to act as single point of contact</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Revised TOM models in both organisations (clients and CoSocius) to include governance and contract management and Commercial management skills.</li><li>Develop Performance management framework - including quality and costs measures</li><li>Client focus on contract management skills and roles</li></ul>		1	4	4	<ul style="list-style-type: none"><li>Contract negotiations currently in flight at time of updating Risk register.</li><li>All parties approaching contract management in spirit of shared success</li><li>Negotiations are positive and pragmatic</li><li>CoSocius appointed own lawyers for independent review and to act as critical friend.</li><li>The Councils have taken specialist legal advice in relation to state aid and taken necessary steps to mitigate the risk of a state aid challenge by ensuring the company is charged commercial rates for the leases of Kelly House and Goldsmith House, market rates of interest in relation to working capital requirements and the inclusion of leasing charges for access to IT systems.</li></ul>
	SLE RISK	13F	<b>Full Cost Recovery</b> Failure to ensure full cost recovery (inc capital financing) for Unit Costs of products & services resulting in commercial unavailability, ultimately failure	4	4	16	<ul style="list-style-type: none"><li>A costing exercise is currently underway to identify the full cost of services delivered by CoSocius</li><li>Client Specification of Services agreed</li><li>As is costs have been identified</li><li>3rd party spend by ICT has been updated</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Pricing model to be agreed</li><li>Produce Service catalogue</li><li>Commercial Manager appointed, to start date 28 April</li></ul>		1	4	4	<ul style="list-style-type: none"><li>Over past 18 months a significant amount of work has been undertaken to establish the full cost of operation of an arms length Company</li><li>Both Clients have specified their Service requirement and CoSocius have responded with a price offer.</li><li>The basis of the contract price for both partnership Authorities is full cost recovery including costs of overheads but no profit margin</li></ul>
Ensure that CoSocius has an appropriate level of corporate support to enable it to operate as intended in the agreed business case.	SLE RISK	15F	<b>Detailed Buy Back Proposals</b> Failure to develop thorough/detailed Buy-back proposals results in confusion/issues and costs. Lack of key corporate support/specialist advice such as HR, Legal, Finance & Procurement leading to poor management decisions & unnecessary exposure to operational performance risk. Also agreeing between CE & CWAC	3	4	12	<ul style="list-style-type: none"><li>Level of existing CoSocius Support agreed</li><li>Client Specification of Services agreed</li><li>Buy back principles discussed at members workshop and subsequently agreed at Joint Committee on 29/11.</li><li>Detailed costings agreed</li><li>Buyback captured and detailed on programme Delivery plan</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Incubation period for ASDV's/SLE's to provide stability in short to medium term.</li><li>Buyback arrangements have been agreed and included in revised cost base</li></ul>		1	4	4	<ul style="list-style-type: none"><li>To be managed as part of the Contract management arrangements.</li></ul>
Ensure that business continuity is maintained to all existing clients through the transitional period and that the new model of operation minimises risk of service failure in the future.	SLE RISK	17F	<b>Management of Relationship with Schools/Academies</b> Lack of clarity on the client management and offer to Schools leading to unattractive offer, relationship issues and potential loss of business	3	3	9	<ul style="list-style-type: none"><li>Stakeholder mapping and engagement plan completed and circulated within Programme</li><li>Included in updated comms plan</li></ul>	3	3	9		<ul style="list-style-type: none"><li>Agreement within Councils on strategic direction on Schools Support</li><li>CoSocius to appoint a Business Relationship Manager for Education Services</li></ul>		2	3	6	<ul style="list-style-type: none"><li>Affected by - Central govt policy changes re: academies/free schools</li><li>Public Service Network &amp; Superfast broadband</li><li>Strategic Shareholder decision on future of subsidisation of schools and any legacy arrangements will need to be mitigated on the revised pricing model</li><li>Promotion activity at targeted schools forum has taken place.</li></ul>
To develop CoSocius' service offerings to attract new business making it the supplier of choice for public sector organisations within current restrictions and exploiting broader trading opportunities as the company matures.	SLE RISK	22F	<b>Right level of Commercialism</b> Commercial direction of travel does not meet the expectations of new and/or existing clients (too ambitious/insufficiently ambitious) resulting in lost opportunities to grow business	3	3	9	<ul style="list-style-type: none"><li>Business planning workshops undertaken to help identify and agree the direction of travel</li><li>Company Board structure agreed at Joint Committee 29/11</li><li>Research undertaken in Board Structure and roles</li><li>Work on Company vision, strategy and objectives well underway</li></ul>	3	3	9		<ul style="list-style-type: none"><li>Business Strategy and Plan which outlines the direction of travel to be agree and approved by major stakeholders</li></ul>		3	3	9	<ul style="list-style-type: none"><li>5 year Financial plan which identifies clear targets for growth.</li><li>Developing the strategy and plan is a key priority for the Company Board of Directors (when fully established) in consultation with the whole shareholder board (when established)</li></ul>
	SLE RISK	23F	<b>Commercial Leadership/Experience</b> Lack of experienced personnel with commercial experience in house leads to inability to develop CoSocius as a commercially viable company	3	3	9	<ul style="list-style-type: none"><li>Company Board Structure ratified at Joint Committee on 29/11/13</li><li>Research undertaken in Board Structure and roles</li><li>Work on Company vision, strategy and objectives well underway</li><li>Recruitment activity captured and detailed in delivery plan inline with current timescales</li><li>Non Executive Directors currently being recruited</li></ul>	3	3	9		<ul style="list-style-type: none"><li>Company Commercial and Business Development Director now appointed - start date 28 April 2014.</li></ul>		1	2	2	<ul style="list-style-type: none"><li>Interim Board of Directors for Go-live which will be populated by Board of Directors post go-live</li><li>Commercial &amp; Development structure will include Business Relationship Manager who will be point of contact for day to day relations of contract management</li></ul>
	SLE RISK	24F	<b>Company Reputation</b> Reduction in the performance of existing shared services or poor delivery of the CoSocius programme creates reputational damage to CoSocius before it starts up or into its early period of operating. Potentially creating serious damage to viability either persuading existing shareholders to pull out or preventing new partners on boarding or damaging future business.	2	4	8	<ul style="list-style-type: none"><li>Existing management control considers issues that may have disproportionate impact and prioritises responses accordingly.</li><li>Consider any quick wins that may bolster confidence in service delivery if required.</li><li>Strong programme management maintains delivery to time and cost. Links with Risk 2F (over-stretch)</li><li>Communications Officer in post</li><li>Attending external events with Stakeholders</li><li>New MD to manage relationships</li></ul>	2	4	8		<ul style="list-style-type: none"><li>Consider any quick wins that may bolster confidence in service delivery if required.</li><li>Maintain efforts to continue building relationships with client.</li><li>Maintain strong communications plan to keep all stakeholders informed of progress</li><li>Leading and driving cultural change which will be driven by transition plan</li></ul>		2	4	8	
	SLE RISK	25F	<b>Company Business Strategy and Business Plan</b> Delays to creation of the Company Vision, Objectives and Business strategy impact upon the timely delivery of the Company Business Plan . This, in turn, may create problems for a range of corporate areas such as structural design, business development planning and financial planning.	2	4	8	<ul style="list-style-type: none"><li>Work underway on Year 1 Business Plan as identified as priority to form part of the Commissioning contract for Services</li><li>Strong programme management maintains delivery to time and cost. Links with Risk 2F (over-stretch)</li></ul>	1	4	4				1	4	4	<ul style="list-style-type: none"><li>Some stakeholder engagement on Commercial vision &amp; values has been undertaken this will need full Board of Director and Shareholder buy-in and be captured in the Transition plan</li></ul>

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