

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

Date of Meeting:	29 July 2011
Report of:	Cheshire East – Borough Treasurer & Head Of Assets Cheshire West & Chester – Director of Resources
Subject/Title:	Shared Services Performance Outturn 2010-11 and Business Plan Review 2011-12

1 Report Summary

1.1 This report provides a summary of the outturn position shared services, including:

- An overview of performance for the long term shared services.
- Detailed financial performance for shared services including those in transition

It also includes a forward looking summary of the challenges facing the long term shared services during the current year based on the three year Service Plans (2010 to 2013) approved by the Joint Committee in October 2010.

1.2 In terms of overall performance, this report indicates that the majority of the long term shared services appear to be delivering to plan under the sharing arrangements between Cheshire East Council (CE) and Cheshire West and Chester Council (CWAC). Only the ICT, Libraries and Youth Offending Shared Services have been rated as “amber” i.e. demonstrating mixed performance. An overview of performance is contained in Appendix 1.

1.3 In terms of financial performance, the report indicates that, while a number of services have reported an underspend, the overall position shows an overspend for shared services, which both Councils have had to accommodate in their overall position. Detailed financial performance is contained in Appendix 2.

1.4 In preparing budgets for the current year all long term shared services have been subjected to a budget challenge process aimed at generating significant efficiencies over the next three years. As a result, shared service managers have revisited their Service Plans to review the impact on service delivery for 2011-12. This is summarised in Appendix 3.

2 Decision Requested

2.1 That the Shared Services outturn performance for 2010 -11 and the impact of planned efficiency savings on delivery for 2011-12 be noted.

3 Reasons for Recommendations

- 2.2 The Shared Services Administrative Agreement makes provision for the Joint Committee to receive outturn reports based on the information and measures contained in Shared Service Business Plans and Service Delivery Statements which have since been amalgamated into three-year business plans as agreed by the Committee on 29 October 2010.

3 Wards Affected

- 3.1 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.

4 Local Ward Members

- 4.1 Not applicable.

5 Policy Implications including - Climate change - Health

- 5.1 None.

6 Financial Implications

- 6.1 While the financial outturn for 2010-11 shows an overspend, significant activity has been undertaken to reduce ongoing costs in 2011-12 and beyond. Business Plans have been revised for each of the long term shared services in line with budget proposals and these are set to achieve approximately £1.5m of efficiency savings in the current year.

7 Legal Implications

- 7.1 None.

8 Risk Management

- 9.1 As part of the review of Business Plans, all long term shared service Risk Logs have been revisited and assurance has been provided on the current status of business continuity planning. The increased risk of not achieving the anticipated level of efficiency savings has been highlighted by several shared service managers. As a result this concern has been escalated to the Joint Officer Board risk log (Appendix 4).and will be subject to a discussion with shared service managers in the near future.

9 Background and Options

- 9.1 Legal arrangements, business plans and service delivery statements were developed for all shared services and presented to the Joint Officer Board and the Joint Committee in 2009. In 2010 the Shared Service Joint Committee agreed that

these be amalgamated into three year business plans for the longer term shared services.

- 9.2 The Business Plan provides details of the Shared Service operation, plans and investment for the next three years. However, the requirements are subject to change as each Council further develops their needs and objectives. As such, the Business Plan is subject to annual review and amendment as appropriate. The Business Plans for 2010-13 also set out the measures by which the shared services' performance will be assessed, including performance indicators and benchmarks.
- 9.3 This report provides an overview of shared services performance and finances for 2010-11, the second year of operation and looks forward to the next 12 months of service delivery to CE and CWAC.

11 Performance Outturn 2010-11

- 11.8 This performance report relates to the remaining long term shared services currently in place between Cheshire East and Cheshire West and Chester Councils. This includes:
- HR and Finance
 - ICT
 - Farms Estate
 - Emergency Planning
 - Occupational Health
 - Archives
 - Libraries Specialist Support
 - Rural Touring network
 - Youth Offending Service
- 11.9 Performance data relating to transitional services has not been included as in many cases the shared arrangements ceased before the year end thereby making collection difficult and irrelevant to ongoing sharing arrangements. On balance it was considered that the benefits of reporting this data were outweighed by the effort required to collect it.
- 11.10 A summary of performance is contained in Appendix 1. This is based on key achievements for the year and performance against budget and national and local indicators as set out in shared service Business Plans for the period. An assessment of improvement against baseline performance (where available) and targets, has been made to provide an indication of the direction of travel for each indicator. A RAG rating (Red / Amber / Green) has been applied to provide a judgement of overall performance based on these two elements. This suggests that:
- Five services are rated as Green (performing well)
 - Three services are rated as Amber (mixed performance)

- 11.11 In one case, the Occupational Health Shared Service, no performance information is available and therefore a judgement cannot be made. This is due to delays in implementing an electronic records system designed to generate relevant performance data in this area of operation. However financial performance and anecdotal evidence from client managers suggests performance is satisfactory.
- 11.12 As far as possible each service has provided comparative performance against annual targets and the previous year's performance together with improvement targets for the next two years. However in some cases the indicators have changed from the previous year in an effort to provide a more meaningful measures and therefore the ability to monitor year on year performance has been reduced in some areas e.g. ICT.
- 11.13 It is acknowledged that the performance management framework surrounding shared services still needs to develop to provide more regular, relevant and accurate data that reassures all stakeholders, particularly clients that the shared services are delivering to plan. Work with shared service Managers will continue to achieve this aim as the shared services mature. Plans are already in place to improve customer satisfaction monitoring and more general benchmarking in such areas as ICT and HR and Finance.

12 Financial Outturn

- 12.1 2010-11 was the second full operating year for many of the Shared Services. The year has seen the introduction of regular quarterly monitoring and reporting on the services activities.
- 12.2 This report summarises the final outturn position for Shared Services for 2010-11
- 12.3 During the course of 2010-11, 3 Shared Services terminated and transition logs were produced for these. There were no outstanding financial issues arising from these. At the end of 2010-11 there were approximately 21 remaining Shared Services (19 CWAC-hosted, 2 CE-hosted).
- 12.4 There is a significant reduction in the number of shared services going forward for 2011-12 with a further 7 services terminating in April 2011, and an additional service is planned to close in September 2011.
- 12.5 As part of producing and reporting on the 2010-11 outturn, separate subjective sheets for each Shared Service have been produced which show the break down of actual cost including recharges and the respective cost sharing arrangement for each. This has then been compared to the 2010-11 budget for each Authority to produce a budgetary variance and final outturn position.
- 12.6 Full details of the outturn projection for shared services are shown in Appendix 2. The table below provides details of the Shared Services collective position as at the final outturn.

2010-11	Outturn £000	Budget £000	Variance -under / over £000
Total Cost	50,111	46,918	3,193
East cost share	24,275	21,652	2,623
West cost share	25,836	25,266	570

Summary of the Key Issues

12.7 Those Shared Services with significant budgetary variances (i.e. those with total budget variances in excess of £100k) are summarised in the Table below and explained further in the following section:

2010-11		Cheshire East				Cheshire West		
	Total Variance -under / over £000	Outturn £000	Budget £000	Variance -under / over £000		Outturn £000	Budget £000	Variance -under / over £000
ICT	2,263	4,922	3,592	1,330		5,433	4,500	933
Farms Estate	-280	-299	-73	-226		-281	-227	-54
Occupational Health	-115	46	98	-52		45	108	-63
International Unit	-130	16	81	-65		16	81	-65
Integrated Transport Services (ITS) Core	265	3,098	2,747	351		5,706	5,792	-86
ITS Home to School	37	9,570	8,985	585		7,526	8,074	-548
ITS Adults and Older	392	1,573	1,470	103		2,063	1,774	289
ITS Looked After Children	605	937	598	339		827	561	266
Student Finance	-184	77	185	-108		77	153	-76
CBS Supplies	654	256	-65	321		256	-77	333
Youth Offending Team (YOT)	-166	510	567	-57		576	685	-109

ICT

Cheshire East

The underlying ICT shared service overspend, prior to any remedial action was £1.8m. This was caused by a significant under delivery of development hours against capital schemes and the over use of external contractors. Remedial action, centred primarily on maximising capitalisation of staff and increasing the chargeable hourly rate for capital development meant the final overspend was reduced to £1.3m.

Cheshire West and Chester

ICT is reporting an overspend of £933k due to a significant under recovery of revenue costs against capital projects due to a lower level of delivery than forecast which has worsened by an overspend against contractor costs.

Farms Estate

Cheshire East and Cheshire West and Chester

Farms Estates is reporting a year end underspend of £280k which is due to higher than anticipated income levels and reduced expenditure during 2010-11.

Occupational Health

Cheshire East and Cheshire West and Chester

The underspend of £115k is due to a number of factors – including higher than budgeted external income, the re-profiling of the implementation of a new record management system (e-OPAS) which will now slip to 2011-12 and lower than budgeted staffing costs due to vacant posts during the year.

International Unit

Cheshire East and Cheshire West and Chester

This shared service is closing down and only minor residual costs for accommodation and staffing have been incurred resulting in the favourable £130k position.

Integrated Transport Service (this is made up of a number of specific transport contracts as detailed below)

Cheshire East

The ITS core budget overspend of £351k is due to the fact that not all MTS savings on local bus services have been realised. A decision has been made not to make the necessary bus cuts in 2010/11 to achieve the savings but to delay these until 2011/12.

The ITS Home to School overspend of £585k is due to increased activity mainly on Special Educational Needs (SEN). Efficiency savings have been made in 2010-11 but there is still an overspend due to budget disaggregation.

Although ITS Adults and Older efficiency savings have been made in 2010-11, an overspend of £103k has occurred due to MTS savings being allocated to this budget and not being achieved.

The ITS Looked after children budget has an overspend of £339k in relation to additional requests for transport in 2010-11.

Cheshire West and Chester

The ITS core budget is reporting an underspend of £86k mainly as a result of savings made within Local Bus, due to the Route and Branch review and reduced bus shelter cleaning and maintenance costs.

The ITS Home to School underspend of £548k is mainly due to a reduction in service provision through falling pupil numbers and efficiency savings.

The ITS Adults and Older service is reporting an overspend of £289k as although some efficiency savings have been made in 2010-11, there has been an increase in demand and still remains an underlying historic overspend.

ITS Looked After Children, again, although efficiency savings have been made in 2010-11 an overspend of £266k has occurred due to an increase in demand and an underlying historic overspend.

Student Finance

Cheshire East and Cheshire West and Chester

Staffing for the student finance function has reduced during the year, with the Service finally migrating to the Student Loans Council (SLC) in January 2011. This reduction in activity has resulted in the year end underspend of £184k against the budget.

CBS Supplies

Cheshire East and Cheshire West and Chester

The £654k overspend is principally attributed to minimal trading activity in Quarter 4 of 2010-11 and redundancy costs resulting from the closure of the service on 31st March 2011.

Youth Offending Team

Cheshire East and Cheshire West and Chester

The Youth Offending Team is reporting a year end underspend of £166k. There was an agreed savings target of £60k agreed for both Cheshire East and the West. The underspend was achieved as a result of staff vacancies not being filled and utilisation of grant funding for staff costs.

- 12.8 In conclusion: Within Cheshire East, the 2010-11 Shared Services outturn reveals an overspend of £2.6m. The overspend was concentrated in the two main areas of Integrated Transport and ICT. Within Transport the overspend of £1.4m was caused by rising demand, the non-delivery of planned savings and the legacy impact of the budget disaggregation split. The final ICT Shared Service overspend of £1.3m relates to a significant under delivery of development hours meaning that costs were not recharged to capital schemes on the scale that was planned.

- 12.9 The overall Shared Service outturn for Cheshire West and Chester of £569k overspend, relates primarily to the ICT position which is partially offset by a number of underspends within other Shared Services.

13 Moving Forward

- 13.1 All long term Shared Service Business Plans have recently been reviewed by Service Managers to ensure that they continue to meet the needs of the Cheshire East and Cheshire West and Chester Councils. This has been particularly important in terms of responding to the requirements of the latest Comprehensive Spending Review and considering the impact on service delivery to clients.

- 13.2 Appendix 3 provides a summary of the revised Shared Service business activity for 2011-12 including:

- Area of focus
- Budget and efficiency targets
- High level risks and business continuity
- Impact of reviewed service delivery in other areas

Full copies of the review documentation will be made available at the meeting but points worth highlighting are:

- Requirement to re-contract CE and CWAC staff to new terms and conditions (HR and Finance)
- Continued roll out of Oracle capability (HR and Finance and ICT)
- Development of a more commercial approach and additional partners (HR and Finance, ICT and Occupational Health)
- Improved business processes and financial management and promoting Service Excellence (ICT)
- Reducing complexity in ICT infrastructure (ICT)
- Delivering strategic objectives arising from policy reviews of the Farms Estate
- Improving management response to emergency situations (Emergency Planning)
- Service reviews (Archives and Local Studies, Libraries Support)
- Co-location of Libraries Support Shared Service
- Developing a partnership agreement for Rural Touring Network
- Reducing youth offending and reoffending in the context of reduced resources.

- 13.3 Overall Shared Service efficiencies are set to deliver in excess of £1.5m in 2011-12 based on the budget challenge exercise undertaken late in 2010. However many managers have included a risk that these efficiencies may not be achieved due to several factors including: lack of compliance and engagement of clients, delays in review activity and failure to retain current customer bases where these exist. This situation will be the subject of a round-table discussion between Shared Service

Managers and JOB and monitored through regular financial reports throughout the year.

- 13.4 All long terms shared services have confirmed that business continuity plans are in place or will be before the end of 2011.

14 Access to Information

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

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Background Documents:

Documents are available for inspection at:

Cheshire East Cabinet Report – Shared Services – 7th October 2008

Cheshire West and Chester Executive Report – Joint Liaison Committee Recommendations: Caretaker and Nominated Councils; Shared Services: Service Delivery Option; Shared Back Office Services – 15th October 2009

Cheshire East Cabinet Report – Shared Services – 3rd March 2009

Cheshire West and Chester Executive Report – Shared Services – 18th March 2009

Cheshire East Cabinet Report – Shared Services – 23rd March 2009

Cheshire Shared Services Joint Committee Report – 10th June 2009

Cheshire Shared Services Joint Committee Report – 13th July 2009

Cheshire Shared Services Joint Committee Report – 3rd September 2009

Cheshire Shared Services Joint Committee Report – 30th September 2009

Cheshire Shared Services Joint Committee Report – 26th October 2009

Cheshire Shared Services Joint Committee Report – 26th November 2009

Cheshire Shared Services Joint Committee Report – 3rd February 2010

Cheshire Shared Services Joint Committee Report – 12th March 2010

Cheshire Shared Services Joint Committee Report – 31st March 2010

Cheshire Shared Services Joint Committee Report – 28th May 2010

Cheshire Shared Services Joint Committee Report – 16th July 2010

Cheshire Shared Services Joint Committee Report – 17th September 2010

Cheshire Shared Services Joint Committee Report – 29 October 2010

Cheshire Shared Services Joint Committee Report – 26 November 2010

Cheshire Shared Services Joint Committee Report – 25th February 2011

Cheshire Shared Services Joint Committee Report- 18th March 2011

Documents are available for inspection at:

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