

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

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

1.0 Report Summary

- 1.1 This report provides a summary of the outturn position for the remaining shared services, including both financial and non-financial performance. In each case it also provides a forward looking summary of the challenges facing the Shared Services over the next three years.
- 1.2 In terms of overall performance, this report indicates that the majority of Shared Services appear to be delivering to plan under the sharing arrangements between Cheshire East Council (CE) and Cheshire West and Chester Council (CWAC). However the number of shared Services rated as “Green” has reduced demonstrating a move to more mixed performance overall i.e. amber. An overview of performance together with key objectives and risks for the period 2013/16 is contained in Appendix 1.
- 1.3 In terms of financial performance, the report indicates that, for the second year running the aggregated Shared Services have reported an underspend.

2.0 Decision Requested

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

3.0 Reasons for Recommendations

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

4.0 Wards Affected

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

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including

6.1 None.

7.0 Financial Implications

7.1 The Shared Services financial outturn 2012-13 reports an aggregated underspend of £933K. This is a much improved position on the $\frac{3}{4}$ year review when it £656k overspend was anticipated. This can primarily be put down to a significant improvement in the ICT Shared Service who have delivered an underspend for the first time in 4 years.

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

8.0 Legal Implications

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

9.0 Risk Management

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

10.0 Background and Options

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

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

11.0 Performance Outturn 2012-13

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

- HR and Finance

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

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

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

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

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

12.0 Financial Outturn

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

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

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

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

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

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

HR & Finance

- 12.5 CE - An overspend of £165k was formally reported at Third Review. Since Third Review the Joint Committee has agreed a revised percentage split for the Shared Service and the outturn is now calculated on the basis of 49:51 as compared to the original split of 50:50.
- 12.6 Since Third Review, the overspend has reduced from £165k to an overspend of £51k. Additional redundancy costs have resulted in an overall overspend against budget. The position has improved throughout the year reflecting efficiencies being made following the implementation of the Oracle R12 financial system upgrade, additional income from the buy back from schools and a number of change developments that have generated additional recharges to the ICT Capital programme.

- 12.7 CWAC - An underspend of £98k was formally reported at Third Review. Since Third Review the Joint Committee has agreed a revised percentage split for the Shared Service and the outturn is now calculated on the basis of 49:51 as compared to the original split of 50:50
- 12.8 At outturn, the HR and Finance Shared Service is reporting an underspend of £128k. This is an improvement of £30k on the £98k underspend forecast at Third Review. In addition there has been an underspend due to additional staff savings arising from vacancy management and an overachievement against school buyback income targets and charges to internal trading accounts. The service has also absorbed redundancy costs of £45k.

ICT

- 12.9 The ICT Shared Services is reporting an underspend of £607k at outturn compared to Third Review where an overspend of £439k was forecast. This represents a significant improvement of £1.046m.
- 12.10 CE - Of the total underspend of £607k CE's share of this is £126k. The outturn position has improved since Third Review due to the overachievement of capital project and telephony income, slightly offset by an underachievement of general and school income. This has resulted in an over achievement of income at year end of £673k when compared with budget. However this overachievement of income has been reduced by overspend in pay (£158k) and non pay (£390k).
- 12.11 CWAC - The CWAC share of the overall ICT Shared Service underspend is £482k. This is an improvement of £588k on the £106k overspend forecast at Third Review.
- 12.13 The outturn position has improved following implementation of mitigating measures at the end of the Third Review to alleviate the forecast overspend. The temporary delay in final recruitment to the TOM, additional vacancy management and management of overtime has resulted in savings of £353k when compared with the Third Review forecast.
- 12.14 The ICT Shared Service has also overachieved on capital project and telephony income, slightly offset by an underachievement of general and school income which has resulted in an overachievement of income at year end when compared with budget. This overachievement in income has improved by £236k since Third Review.
- 12.15 Redundancy costs are excluded from the outturn shown above. The final figures for redundancy are £301k, resulting in an under spend of £42k against the provision of £343k. The final recruitment to the TOM is now being undertaken, this will result in staffing budgets being more balanced during 2013-14.

Civil Protection

- 12.16 CE - The outturn overspend of £24k has improved marginally from the projected overspend of £28k at Third Review. The budget shortfall in this area has been addressed in Business Planning for 2013-14.
- 12.17 CWAC - The outturn underspend of £3k is an improvement from the projected overspend of £1k at Third Review. The small underspend is due to a post remaining vacant for part of the year.

Occupational Health

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

Archives

- 12.19 CE - The outturn overspend of £7k mainly relates to premises costs due to short/medium term storage measures – this was agreed by Joint Committee 27th July 2012. This position has improved by £1k since Third Review.
- 12.20 CWAC - The outturn underspend of £5k is in relation to reduced staffing costs vacancy management. This reflects a £1k improvement on the third review position.

Libraries

- 12.21 CE - The overspend of £155k has reduced to £134k since Third Review. The variance is made up of an underspend in salary costs which is offset against the underachievement of income relating to Warrington BC's pricing structure. The pricing structure was realigned to match Cheshire Schools. In addition costs relating to the relocation at Hartford Way and has resulted in unbudgeted expenditure, which includes rental and travel expenses.
- 12.22 CWAC - The underspend of £37k compares favourably to the overspend of £102k reported at Third Review. The improvement is mainly due to a call on contingencies to offset the underachievement of income relating the Warrington BC's pricing structure and also includes an underspend in salary costs.

Rural Touring Network

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

Youth Offending Team

- 12.24 The Youth Offending Team ceased as a shared service on the 30th September 2012.
- 12.25 The outturn underspends of £19k and £22k respectively compare favourably to the balanced position forecast at Third Review. The underspend has been achieved as a result of receiving additional income contributions during the year and drawing down the Shared CTG (Collaborative Training Group) fund held by Halton and Warrington.

Archaeological Services

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

Farms

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

Overall Financial Position

- 12.28 Cheshire East - Within Cheshire East, the 2012-13 Shared Services outturn is an overall underspend of £156k. The majority of this underspend relates to ICT (£126k) and Farms (£226k) offset by an overspend of £134k in the Libraries Shared Service and a small overspend of £51k in the HR & Finance Shared Service.
- 12.29 Cheshire West & Chester - The overall Shared Service reported outturn for Cheshire West and Chester is an underspend of £777k which relates primarily to the underspend of £482k on ICT, £128k in the HR & Finance Shared Service and £97k on the Farms Estate.

13 Moving Forward

- 13.1 New Business Plans have been provided for the period 2013-16 for the remaining shared services. However these will need to be kept under review to ensure that they continue to meet the needs of the Cheshire East and Cheshire West and Chester Councils. This will be particularly important in terms of responding to the requirements of any future austerity measures and considering the impact on service delivery to clients.
- 13.2 Appendix 1 provides a summary of the revised business activity for 2013-16 and full copies can be made available on request. However points worth highlighting are:

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

14 Conclusion

- 14.1 The overall approach to annual performance management is improving. This is largely down to the ability to focus on just nine shared services which are set to remain for the longer term. Financial reporting is embedded and provides a means of monitoring in year. The next step will be to introduce a similar mechanism for non financial performance reporting to provide a more holistic view of performance on a more regular basis than annual. It will be particularly important for those Shared Services moving into the SLE to build on this discipline as they will be required to provide regular performance reports to clients and shareholders in the future.
- 14.2 In many areas the measures used to monitor performance have stabilised but in others there appears to be some difficulty in developing a suite of PIs that provide an ongoing overview of performance. This issue needs to be addressed so that the indicators used provide an accurate view of the services delivered and enable the services and clients to compare year on year performance.
- 14.2 This year the number receiving a Green RAG rating has dropped from six to three. In some case improved budget performance has been offset by deterioration in non financial performance and this is reflected in the overall judgement. In others the overall performance is related to capacity issues and an adverse impact on service delivery. Moving forward it will be important for annual targets to be realistic in terms of what can be delivered with the resources available.

15 Access to Information

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

Officer: Rachel Musson– Cheshire East Council

Julie Gill, Director of Resources – Cheshire West & Chester Council

Tel No: 01270 686628 / 01244 977830

Email: Rachel.musson@cheshireeast.gov.uk /

Julie.gill@cheshirewestandchester.gov.uk