

# CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

## SHARED SERVICES JOINT COMMITTEE

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<b>Date of Meeting:</b>	13 September 2013
<b>Report of:</b>	Cheshire East – Head of Commercial Strategy, Innovation and Performance Cheshire West & Chester – Director of Resources
<b>Subject/Title:</b>	Shared Service First Quarter Financial Review 2013-14

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### **1.0 Report Summary**

- 1.1 This report provides a summary of the financial position at First Quarter Review 2013-14 for the remaining Shared Services. Full details of the first quarter position for individual services are shown in the Appendix.

### **2.0 Recommendations.**

- 2.1 That the overall first quarter review financial position relating to the shared service arrangements be noted

### **3.0 Reasons for Recommendations**

- 3.1 The report aims to ensure that the Joint Committee are aware of the latest financial position regarding the remaining shared service arrangements.

### **4.0 Wards Affected**

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

### **5.0 Local Ward Members**

- 5.1 Not applicable.

### **6.0 Policy Implications**

- 6.1 None.

### **7.0 Financial Implications - Summary Outturn Forecast 2013-14**

- 7.1 This report summarises the current forecast outturn position at first review for Shared Services for 2013-14.
- 7.2 At the end of 2012-13 there were 10 remaining Shared Services (8 CWAC-hosted, 2 CE-hosted). There has been a further reduction in the number of Shared Services going forward for 2013-14 as one of the CE-hosted services disaggregated in September 2012.

## Summary Outturn Forecast 2013-14

- 7.3 In producing the 2013-14 first review and forecast outturn, each Shared Service has been reviewed and an agreed summary of actual costs to date and forecast outturn positions have been identified for each service. This forecast outturn is then split according to the respective cost sharing arrangement for each service. This has then been compared to the 2013-14 budgets for each Authority to produce a budgetary variance and forecast outturn position.
- 7.4 The difference in the overall out-turn positions for Cheshire East and Cheshire West and Chester is partly attributable to differences in accounting and budgetary practice between the two.
- 7.5 Full details of the outturn projection for individual shared services are shown in Appendix 1. Table 1 below provides details of the individual Shared Services collective position as at the projected outturn position.

*Table 1*

<b>2013-14</b>	<b>First review Projected Outturn £000</b>	<b>Budget £000</b>	<b>Variance -under / over £000</b>	<b>Proposed remedial measures £000</b>	<b>Revised variance -under / over £000</b>
East cost share	6,032	5,863	169	-262	-93
West cost share	6,161	6,122	39	-262	-223
<b>Total Cost</b>	<b>12,193</b>	<b>11,985</b>	<b>208</b>	<b>-524</b>	<b>-316</b>

## **8 Summary of the Key Issues**

- 8.1 The ICT and Farms Shared Service are currently forecasting significant budgetary variances (i.e. in excess of £100k) and are summarised in Table 2 (ICT) and Table 3 (Farms) below and explained further in the following section.

### ICT Shared Services

- 8.2 The ICT Shared Service is reporting a total forecast overspend of £0.418m before remedial measures (£0.524m) which would reduce the forecast outturn to an overall underspend of £0.106m.

*Table 2 – ICT forecast variances as at First review (end of July)*

	<b>Forecast Outturn £000</b>	<b>Budget £000</b>	<b>Gross Variance -under / over £000</b>	<b>Proposed remedial measures £000</b>	<b>Revised variance -under / over £000</b>
Cheshire East	4,044	3,755	289	-262	27
Cheshire West and Chester	4,072	3,943	129	-262	-133
<b>Total</b>	<b>8,116</b>	<b>7,698</b>	<b>418</b>	<b>-524</b>	<b>-106</b>

- 8.3 The gross overspend is mainly due to the significant number of additional project hours (estimated 70,000 additional hours) that are expected to be commissioned by CE (71%) and CWaC (29%) above the 40,000 guaranteed amount and the capacity of the ICT Shared Services Target Operating Model (TOM).
- 8.4 To deliver the additional work our partner and external contractors need to be engaged. However, the hourly rate for external delivery is higher than the current income rate for project work which is resulting in a forecast overspend of £0.524m. The ICT Shared Service has prior approval, as part of its TOM to charge the market rate for additional project costs. However, discussions are currently ongoing between CE and CWaC as to how the supplementary costs for the additional project hours will be funded and charged. At this time, as the issue of overspend in relation to project delivery is not yet resolved the potential savings have been reflected as proposed remedial measures.
- 8.5 The remaining £0.106m underspend is a net result of:
- underspends (£0.552m) due to vacancy management (£0.448m), premises (£66k) and transport (£38k).
  - a forecast non-achievement of income (£0.124m) which relates to a predicted loss of income from schools. (Note that the income from schools has not yet been confirmed and therefore this forecast income may change).
  - overspend in third party contracts (£0.322m - CE £0.241m and CWaC £81k) due to delays in rationalising the contracts.

#### Farms Shared Service

- 8.6 The Farms Shared Service are currently forecasting a total underspend of £0.287m. This is due to lower than expected farm maintenance costs in both CE and CWaC.

*Table 3 - Farms Forecast Variances as at first review (End July)*

	Forecast Outturn £000	Budget £000	Gross Variance -under / over £000
Cheshire East	-418	-241	-177
Cheshire West and Chester	-383	-273	-110
<b>Total</b>	<b>-801</b>	<b>-514</b>	<b>-287</b>

#### 8.7 Other Shared Services

- HR and Finance** – The HR and Finance Service are currently projecting an overall overspend of £54k. This overspend is attributable to an increase in contractor work, required to complete project work commissioned by CE and CWaC. This is offset by an underspend on staff pay and an overachievement of income.
- Occupational Health** – This service is projecting an underspend of £39k at first review. This is due to vacancy management in order to meet a 2014-15 policy option.

- **Archives** – The service is projecting an overspend of £37k which is mainly due to the CE share of a feasibility study and a £12k variance on other budgets.
- **Libraries** – Libraries are currently forecasting an overspend of £23k which is mainly due to voluntary redundancy costs.
- **Emergency Planning** – The shared service is currently forecasting a small £2.4k overspend at first review.
- **Rural Touring Network and Archaeological Planning and Advisory Services** – both forecast to be balanced

## 9.0 Legal Implications

- 9.1 The Shared Services Administrative Agreement and Financial Memorandum set out the overall arrangements in relation to the manner in which the Authorities will work together. The Shared Service Agreement and Secondment Agreement set out the mechanisms for managing financial arrangements in individual shared services.

## 10.0 Risks

- 10.1 Key risks and assumptions relate to ICT Shared Service and include:

- Both Councils are currently discussing how the supplementary costs for the additional project hours will be funded and charged. It is anticipated that an agreed solution will mitigate the current projected overspend.
- Schools income has not been confirmed at this stage and is subject to change.

## 11.0 Conclusion

- 11.1 The first quarter financial position for the remaining shared services suggests a potential overspend at year end. However it is anticipated that this situation is already being addressed by remedial action and further work is to be undertaken to mitigate the situation in the ICT Shared Service via the SLE Project. An update on the success of these initiatives will be brought back to the Joint Committee in due course
- 11.2 As previously highlighted the difference in the overall out-turn positions for Cheshire East and Cheshire West and Chester is partly attributable to differences in accounting and budgetary practice between the two councils’.

### Cheshire East

- 11.2 Within CE, at first review there is a total projected overspend of £0.169m (before proposed remedial measures). The projected overspend relates largely to ICT (£0.289m) due to the cost of contractors on additional project hours. There are other overspends within HR and Finance (£31k), Archives (£37k) and Libraries (£10k). These overspends are reduced by the forecast underspends within Farms (£0.177m) due to lower maintenance costs and Occupational Health (£22k).

## **Cheshire West and Chester**

- 11.3 The overall shared service projected outturn at first review is £39k. As with Cheshire East, forecast overspends are within ICT shared service (£0.129m), HR and Finance (£23k) and Libraries shared service (£13k). These overspends are reduced by the forecast underspends within Farms (£0.109m) due to lower maintenance costs and Occupational Health (£18k).

## **Cheshire East and Cheshire West and Chester**

- 11.4 The on-going discussions currently between CE and CWaC as to how the ICT supplementary costs for the additional project hours will be funded and charged could potentially reduce the overall shared services forecast to an underspend of £0.316m but there will be a consequential impact on the capital programmes for both Councils'.

## **12.0 Access to Information**

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

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### **Background Documents:**

*Cheshire East Cabinet Report – Shared Services – 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*

*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*