

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

Date of Meeting: 19 May 2017
Report of: Cheshire East – Chief Operating Officer
Cheshire West and Chester – Director of Corporate Services
Subject/Title: Shared Services Performance Outturn 2016-17

1.0 Report Summary

- 1.1 This report provides a summary of the outturn position for the Shared Service arrangements between Cheshire East Council (CE) and Cheshire West and Chester Council (CWaC). As such it includes indicative financial information and actual non-financial performance over the period 2016-17.
- 1.2 The report indicates that there has been a general improvement in terms of both financial and non-financial performance, with all Shared Services being rated as “Green” in terms of their overall performance. This represents an improvement to the position forecast at mid-year. For the fifth year running the aggregated Shared Services are reporting an underspend against budgets.
- 1.3 New medium term business plans for the remaining Shared Services were put in place in April 2016 and these are currently being reviewed to ensure that they continue to reflect activity going forward. An overview, including 2016-17 performance, is included in Appendix 1.
- 1.4 An indicative financial outturn position for the ICT and Transactional Shared Services is also included.

2.0 Decision Requested

- 2.1 Recommended that
 - i) The Shared Services outturn performance for 2016-17 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.

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- 3.2 The Shared Services Performance Management Framework (PMF) has been developed on the basis of Business Plans 2016-20. As it currently stands it provides a good degree of rigour to regular business planning and performance monitoring with detailed reports being produced at mid year and outturn.

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 timing of this report is such that it precedes formal financial outturn reporting in either Council and therefore all figures are to be treated as indicative at this point. In the event that there are any significant changes in financial performance these will be reported to the next scheduled Joint Committee meeting in July 2017.
- 7.2 Medium term business plans were produced for the remaining shared services to cover the period 2016 to 2020 and these were endorsed by the Joint Committee in May 2016. These are subject to annual review to ensure that they remain relevant and continue to meet the changing needs of each client.
- 7.3 At the 2016-17 outturn Shared Services are reporting an indicative aggregated underspend of £211k. High level details of this position are provided below with a full breakdown of the financial position reported in paragraphs 12 to 15 and further details contained in Appendices 1 and 2. This is a change from the 2016-17 mid year point when an aggregated underspend of £71k was forecast.

2016-17	Outturn £000	Budget £000	Variance -Under / Over £000
East cost	913	940	-27
West cost	784	969	-184
Total Cost	1,698	1,909	-211

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- 7.4 **Cheshire East** - Within CE outturn, there is a total underspend of £27k which relates to the outsourcing of the OHU Shared Service in September 2016 (-£6k), Farms management costs (-£22k) and Archives (-£4k). These underspends are offset by an overspend in Emergency Planning (+£5k) as a result of unfunded accommodation costs for the Emergency Planning Shared Service.
- 7.5 **Cheshire West and Chester** - The overall outturn is £184k under which relates to the outsourcing of the OHU Shared Service in September 2016 (-£4k), Farms management costs (-£25k), Archives (-£8k), Libraries (-£112k), Emergency Planning, (-£7k) and Archaeology Planning (-£28k).
- 7.6 Due to the reduced number of shared services and the level of budgets for these services, the Joint Committee agreed that finance updates are only reported twice yearly at Mid-Year and at Outturn, along with non financial performance. Therefore it is anticipated that the next finance update to the Joint Committee will be the Mid Year report around November 2017. This report will also include the mid year financial position for ICT and Transactional shared services. In the event of any financial issues arising in the interim these will be reported at the earliest opportunity.

8.0 Legal Implications

- 8.1 The Shared Services Administrative Agreement sets out the overall arrangements in relation to the manner in which the sharing Authorities will work together. This Agreement was refreshed April 2016 in light of new sharing arrangements being introduced for ICT and Transactional services.
- 8.2 Individual Shared Service Agreements require that Business Plans are regularly refreshed to ensure that they continue to meet the needs of both authorities going forward and that performance is reported on a regular basis. Business Plans are currently reviewed annually with performance being reported at the mid-year and outturn points.

9.0 Risk Management

- 9.1 The Shared Service Business Planning process requires that all Managers undertake a risk assessment in developing business plans. The Risk Register that this produces is reviewed at mid year and outturn to ensure that it remains relevant to ongoing service delivery. Any high level risks arising from this process will be considered by the Joint Officer Board to assess if they need to be recorded on the Shared Service Strategic Risk Register.
- 9.2 Fundamentally there is a risk that the plans for each service do not deliver the required outcome for each Council with regard to meeting the operational and financial expectations of both authorities. This will be monitored by the Joint Officer Board and escalated to the Joint Committee if appropriate.

10.0 Background and Options

- 10.1 All Shared Services arrangements are underpinned by formal legal agreements 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 2016-20 set out the measures by which the Shared Services' performance is currently assessed.
- 10.2 The planning timeframe covers April 2016 to March 2020 to align with the Councils' Medium Term Financial Strategies however the plans are subject to annual review to ensure that they remain current and respond to requirements of clients. Any changes are reported as part of the annual Outturn Performance Report.
- 10.3 Business Plans and performance management frameworks for the new ICT and Transactional Shared Service arrangements have been developed for implementation from 1 April 2017 and these will be integrated into Shared Service performance reporting going forward.
- 10.4 This report provides a summary of the Shared Services outturn performance for 2016-17. Appendix 1 provides a more detailed overview of performance and business activity.

11.0 Performance Outturn 2016-17

- 11.1 This report summarises the outturn position for 2016-17 for the current formal Shared Services arrangements between CE and CWaC Councils.
- 11.2 Currently there are six remaining Shared Services (five CWAC-hosted, one CE-hosted). Three are shared services where total costs are split against an agreed % cost share agreement as set out in formative Legal Agreements:

- Farms Estate (Management)
- Archives and Local Studies
- Civil Protection – Emergency Planning

The remaining three of the services are subject to revised joint arrangement services where CE pay a fixed contribution to CWAC:

- Rural Touring Network (Grant funded)
- Archaeological Planning and Advisory Services (Transfer Agreement)
- Libraries (Transfer Agreement)

- 11.3 The table below provides headline indicator for overall performance for each of the above. This is based on progress against service objectives, performance against budget, and national and local indicators as set out in Shared Service Business Plans. Current performance is set against historic

performance to provide an indication of direction of travel for each shared service.

- 11.4 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 all of the remaining shared services are performing well (Green). This is an improvement on the mid-year point when a slightly less favourable position was reported, as outlined below:

Table 1

SERVICE		Overall Rating 2013-14	Overall Rating 2014-15	Overall Rating 2015-16	Mid-year Rating 2016-17	Overall Rating 2016-17
A03	Farms Estate	A	G	G	G	G
A04	Emergency Planning	G	G	G	G	G
A06	Archives and Local Studies	G	G	G	G	G
A08	Libraries Specialist Support	G	G	G	A	G
A14	Rural Touring Arts	G	G	G	G	G
B14	Archaeology Planning Advisory Service	G	G	G	G	G

- 11.5 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.
- 11.6 It is acknowledged that the performance management framework (PMF) surrounding Shared Services could be more sophisticated than it currently is however any effort and resource to do this needs to be balanced against the potential benefits that this might deliver particularly given the overall reduction in Shared Service arrangements.
- 11.7 It is considered that as it stands the PMF is sufficiently robust for the current shared operation in that it provides for a regular assurance that services are being delivered to plan and performance targets are being met. In future reporting this will also include ICT and Transactional Shared Service activity to ensure that this is also adequately monitored.
- 11.8 A detailed summary of current performance for each of the above services is contained in Appendix 1 and Appendix 2 with a brief summary of each shared service provided below.

12.0 Farms Estate

Outturn Position: £47k underspend

- 12.1 The Service forecast is an overall position for East and West for management costs only. The underspend reflects a post being held vacant, pending a predicted increase in activity on the capital programme. This is currently being used to fund consultancy costs as and when required. Performance in general is in line with the Estates strategies of each Council.

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13.0 Emergency Planning Outturn Position: £2k underspend

- 13.1 The Service has performed well throughout 2016-17, co-ordinating the response to 19 incidents including 2 Major Incidents and 8 Major Incident Standbys. Although the high number of incidents and large scale events has had an impact on full delivery of the Service's Business Plan, the team has continued to perform strongly in delivering increased preparedness and resilience levels across both Authorities, whilst also ensuring that statutory obligations and income targets have been met.
- 13.2 The overall financial position, based on the 50:50 split of costs for East and West, is an underspend of £12k. However the Cheshire East accommodation costs of £10k have been charged directly to the service resulting in the CE forecast outturn of £5k overspend, and overall underspend of £2k.

14.0 Archives and Local Studies Outturn Position: £12k underspend

- 14.1 The service has continued to attract new users and continues to develop its online services. Access to the collections has been improved through a major rationalisation of storage. Maintaining accredited status for the Archives in November 2017 remains a focus and it is anticipated that the progress now being made on the Archives Relocation will go some way to ensuring that this objective is achieved although there are still considerable risks associated with this project. As a consequence the risk of not achieving new premises for the Archive now features on the Shared Services Strategic Risk register to ensure that it is regularly monitored by the Joint Officer Board.
- 14.2 The overall financial position is underspent due to vacancy management.

15.0 Joint Arrangement services

- 15.1 The Libraries Shared Service is underspent by £112k due to increased buyback from schools for the Education Library Service and vacancy management.
- 15.2 Performance has improved from mid year been positive at year end with activity to maintain income generated by the Education Library Services being successful.
- 15.3 The Rural Touring Arts Network is reporting a balanced position, and performance has been on target.
- 15.3 The Archaeology Planning Advisory Service is underspent by £28k due to a vacancy within the service. At year end, all Performance Indicators were on target.

16.0 Occupational Health Unit Outsource

- 16.1 As previously reported, outsourcing of the Occupational Health Shared Service was completed at the end of August. The final outturn position to end of August was an underspend of £11k due to vacancy management and a reduction in costs prior to the end of the shared service agreement.

17.0 New Sharing Arrangements: ICT and Transactional Shared Service

- 17.1 Up until March 2016 the provision of ICT and Transactional services to CE and CWaC were provided by the jointly owned company CoSocius Limited. However following this Committee's decision to dissolve CoSocius both of these services have been brought back in house. The revised sharing arrangements see the ICT Shared Service being hosted by CE whilst the Transactional Shared Service is hosted by CWaC.
- 17.2 Both services have regularly reported performance during the transitional phase. Joint Committee received reports from each of the services at its meeting on 24th March detailing financial and non financial performance against the respective transitional plans, in advance of the services moving to the transformational phase.
- 17.3 The indicative financial outturn position for ICT is £358k underspent. The main reason for this is due a one off Vodafone refund of £470k due to overcharging in previous financial years. A large proportion of this refund has been utilised to fund the dual running costs of PSN rather than making a request on reserves. The balance of underspend is made up of additional project hours being delivered (which has been to the detriment of core services) and a lower than anticipated cost of agency workers as a result of them terminating their contracts prior to year end due to IR35 regulations. The reduction of agency staff has also been a significant factor in the reduction of the funding gap.
- 17.4 The indicative financial outturn position for Transactional services is £3k underspent. The main reason for this, and the reduction of the funding gap, is proactive vacancy management in advance of the service review and management restructure, and by addressing some non-pay areas such as the roll out of e-payslips; file storage; and the reduction in the schools subsidy.

18 Conclusion

- 18.1 Performance ratings have been maintained across the remaining Shared Services in 2016-17 with all receiving a Green RAG rating. Budget performance has improved across the board from the mid year point and this is reflected in the overall position.
- 18.2 The overall approach to performance management is embedded and as it currently stands is sufficiently robust for the level of shared activity to date. However the return of the ICT and Transactional shared services will require more robust scrutiny going forward. Therefore the overall approach to the

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performance management of shared services will be reviewed to ensure that it continues to provide sufficient reassurance to the Joint Officer Board and Joint Committee about the efficiency and effectiveness of shared arrangements going forward.

19 Access to Information

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

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Documents are available for inspection at:

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