

| REPORT TO | DATE OF MEETING |
|---------------------------------|------------------------|
| Shared Services Joint Committee | 13/06/13 |

Report template revised June 2008



| SUBJECT | PORTFOLIO | AUTHOR | ITEM |
|----------------------|------------------|------------------------|-------------|
| Exit Management Plan | N/A | G Barclay & S Guinness | |

SUMMARY AND LINK TO CORPORATE PRIORITIES

Schedule 5 of the Partnership Administrative Collaborative Agreement requires the Head of Shared Financial Services and the Head of Shared Assurance Services to develop an Exit Management Plan (EMP) and to review it and represent it to the Joint Committee every 2 years.

The original EMP was approved by members in 2010 and therefore the review is overdue. This report summarises and explains the content of the attached, revised EMP for members' consideration.

The Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation”.

“**South Ribble** is an efficient, effective and exceptional council”

RECOMMENDATIONS

That the Committee notes the attached revised EMP.

DETAILS AND REASONING

The Partnership is now fully embedded and has simultaneously delivered extensive efficiency savings and service improvements since its inception in January 2009.

It is nevertheless prudent to consider the potential scenario where the Partnership fails to meet its ongoing objectives in the longer term and to have an EMP already in place to facilitate a smooth transfer to an alternative service delivery model should it become necessary.

The guiding principle within the attached Plan is that there will be fair and equal treatment so that both Councils are restored to a position of parity should the Partnership be dissolved.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the following implications:-

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| FINANCIAL | A fundamental objective of the Shared Services arrangement is to deliver quality, cost-effective financial and assurance services to both Councils on an ongoing and sustainable basis. Any failure to do so may lead to a reconsideration of the options for the provision of these services. The restoration of a non-shared financial and assurance service at both Councils may have budget implications for both Councils, however these cannot be quantified at this stage. |
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| LEGAL | The Shared Services Joint Committee, established under Section 101 of the Local Government Act 1972, provides the overall governance for this with its terms being set out in an Administrative Collaborative Agreement which has been signed by both Councils. In the event that the Partnership is wound up, this Agreement would need to be dissolved and replaced by an alternative. |
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| RISK | The consideration of potential exit options is a core business discipline, which enables any change of status from the current arrangements to be handled in a co-ordinated and timely manner. |
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| OTHER (see below) | |
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| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |



FINANCIAL & ASSURANCE SHARED SERVICES PARTNERSHIP

EXIT MANAGEMENT PLAN

June 2013

BACKGROUND

In addition to Schedule 5, the following sections of the Collaborative Agreement itself contain provisions aimed at preventing a breakdown of the Agreement and dealing with such a breakdown if it occurs:

- S16 Withdrawal
- S17 Termination
- S18 Dispute Resolution Procedure
- S19 Arbitration

The 2 key provisions relevant to the EMP are:

S16.1 “Either Council may withdraw from the Agreement at any time after the Initial Period” (4 years from the commencement date – i.e. January 2013).

S16.2 “Where a Council wishes to withdraw from the Agreement it shall give not less than 12 calendar months notice to the other Council of its intention to withdraw”.

OPTIONS

If it is agreed that the Partnership should be terminated the precise steps that are taken depend upon the circumstances causing the termination and what type of arrangement will replace it. The 3 most likely scenarios are:

Return to the Original Position

This is where each Council would again become individually responsible for the full range of services. In practice this would mean reversing all the steps that have been taken to establish the Partnership including the transfer of staff between the two Councils under TUPE.

Offer the “Hosted” Service to the Other Council on a Contractual Basis

This would be far less disruptive than the above option and has the key benefit of retaining a critical mass of staff, skills and experience in both Financial and Assurance Services. It would also retain a collaborative working relationship between the two Councils.

Become Part of a Larger Organisation

This could be for example by being subsumed within a larger collaborative arrangement or by being taken over by a larger provider. Clearly the intention is to avoid this by looking for options to grow the Partnership and to retain control but a situation could arise where this is imposed, for example, by central government.

TRANSFER PROCESS

The following process is based on the scenario whereby both Councils are returned to their original, separate positions. If an alternative service delivery model is chosen the process below should be adapted accordingly:

1 Set up a Formal Project

The same project disciplines that were set up to establish the Partnership would need to be put in place to oversee the dissolution. This would include a project team, project plan and timetable with appropriate representation from officers at both Councils.

The Joint Committee would receive regular reports from the Project Team advising of progress. Consideration may also be given to the appointment of an independent chair to oversee the dissolution of the Partnership.

2 Engage an Independent Adviser

It is possible that the strong relationships that currently exist may be less harmonious and it may be helpful to have a project manager who is completely independent to offer objective advice and input to resolve potential disputes and ensure the safe delivery of the project.

3 Consider Timing Issues

It is unlikely that the decision to break up the Partnership will be taken quickly and there should therefore be ample opportunity to arrange an orderly dissolution with adequate lead in time. An agreed wind-up date should be set which doesn't clash with other priorities (for example financial year-end or budget setting) and should provide for sufficient officer input.

4 Identify the Key Issues

It is essential to quickly identify what may be the critical success factors or problems which need to be overcome. The Project Plan should allow for the legal, human resources, ICT and other issues to be resolved but it may also be prudent to set up a dedicated Risk Register for the wind-up of the Partnership.

5 Obtain Member Approval

The Chief Finance Officers would need to compile a report to the Joint Committee setting out the background and circumstances leading to any proposed wind-up of the Partnership. The report should also include the options that have been considered and a recommendation as to the preferred option and process to be followed.

After consideration by the Joint Committee a further recommendation would be need to be made to each Council for formal approval.

6 Finalise the Handover

There will be a range of practical issues which need to be resolved at the point of handover. These could include:

- staff relocations
- record retention & transfer (paper & electronic)
- ongoing information & data access
- settlement of accounting transactions
- payment of accounts

COMMUNICATIONS PLAN

In addition to affected staff, a wide internal and external audience would need to be informed. Appropriate notices and announcements would need to be arranged at each stage of the wind-up process.

TRANSFER OF STAFF

If it is decided to return the two Councils to their original position then separate staffing structures would need to be created and re-populated. In addition to the physical transfer of staff where required, relevant staff would also need to transfer their employment under TUPE regulations.

It may not be possible or desirable to re-distribute staff between the two Councils on an equal basis, for example where posts are now shared. In this situation the parity principle will apply so that for instance there may be an even distribution of the number of senior, intermediate and junior officers.

SEPARATION OF BUDGETS & ASSETS

The Shared Services operating budget will be disaggregated and additional funds established to deal with any one-off costs incurred during the Partnership dissolution. An inventory of equipment will also be undertaken to determine total asset valuations. In practice this may involve a cash adjustment so that both Councils are in the same financial position rather than the assets actually being divided between the two Councils.

SHARING OF JOINT COMMITTEE DATA

All archived copies of Joint Committee agendas, minutes and reports will be made available electronically to both Councils.

RETURN OF COUNCIL DATA

All financial and other records and reports relevant to each Council shall be made available, in electronic format wherever possible.

SEGREGATION OF SHARED NETWORKS, FINANCIAL MANAGEMENT INFORMATION SYSTEM (FMIS) & OTHER IT RESOURCES

As part of the ICT element of the Project Plan, arrangements will be made to provide independent ICT resources on behalf of both Councils.

As the Council's financial systems and disaster recovery is now provided on a shared platform it will be necessary to introduce an on-going arrangement/agreement for this to continue beyond the agreed date for dissolving the Partnership.

PROVISION OF CONTINGENT SUPPORT

Both Councils will provide ongoing support to the other beyond the termination date to ensure that on-going access to, and transfer of, essential information continues for audit purposes and the continuation of essential Financial Management Information Services.