Option A – Joint Working Arrangement
Description and Overview A continuation of the existing shared management arrangement but with a formal agreement between the two Councils. The agreement would set out the parameters for future collaboration in service delivery. Decision making would primarily be limited to operational issues. Staff would remain employed by their respective Councils and operate from their existing office bases. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.
Financial Implications NYCC would continue to pay CYC an amount equivalent to 50% of the cost of the Audit and Fraud Manager's post. Other work undertaken between the two Councils would be charged at agreed day rates. CYC would use the funding provided by NYCC to pay for additional management support and backfill. CYC would provide access to NYCC staff to enable them to use the existing IT application (Galileo.net). The initial set up / configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence. The cost of ongoing access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The additional costs of £1.3k pa would be met from existing budgets. There would be no additional tax liabilities or changes in VAT arrangements.
Staffing Implications Staff would be employed by their existing Councils, and remain on their current terms and conditions. There would be opportunities to lend or second staff between Councils to meet peaks in workload subject to agreement. Any such secondment would require the agreement of the member of staff concerned. The partnership could not employ staff in its own right for example, in the event that services were to be provided to new external customers. There are potential issues for the management and direction of NYCC staff by the CYC Audit and Fraud Manager. There would also be potential issues with cross boundary working.
Legal Implications There are no significant legal implications. Both Councils have the necessary powers under the Local Government Act 1970, Local Government Act 1972 and the Local Government Act 2000 to enter into such an agreement. The partnership would not be a legal entity in its own right. Each Council would need maintain its own contracts for the supply of goods and services. Similarly, any contracts to supply audit and fraud services to external customers would

Option A – Joint Working Arrangement	
need to be in the name of one or other Council.	
Governance Arrangements The agreement would be time limited and there would be break clauses to enable the agreement to be terminated early. The agreement could also be varied to enable the scope of services to be changed in the future. The existing client arrangements operated by the two Councils would continue.	
Service and Capacity Improvement This option is the least likely to deliver the necessary step change in service delivery. Whilst there would be opportunities to share expertise and best practice, this arrangement is considered unlikely to fully exploit all the potential service efficiencies and capacity improvements on offer. Any efficiency gains that did occur would also not be easily identifiable.	
Innovation and Service Transformation The agreement could be extended to include other local authorities. However, it would be unsuitable for other types of public sector body wishing to collaborate in the future.	
Financial and Business Opportunities There would be no ability for the 'partnership' to sell services to other public bodies and, or other voluntary or charitable bodies in its own right.	
Organisational Impact Although the service would be perceived as an equal partnership it would not have its own identity. Internal customers and stakeholders in both Council's are therefore unlikely to notice any significant changes in the service currently being provided. Staff within the services concerned are also less likely to recognise the fact that they are part of a partnership.	
Resilience and Sustainability This arrangement does not offer a sufficiently sound basis to develop the shared service in the future. There is a risk that the partnership would fail in the event that there was any dispute between the two Councils and / or certain key staff left.	
Key Advantages	**Key Disadvantages**
Set up costs low.	Service will not have its own identity. Customers and staff are therefore less

Option A – Joint Working Arrangement	
No significant change in ongoing operational costs, for either Council. Relatively straightforward to operate if the existing membership stays unchanged. Low risk – both Councils could easily revert to the arrangements operating prior to 1 October 2007. May achieve some of the expected economies of scale. Will be perceived as an equal partnership, with both Councils having the same degree of influence over how the service is developed.	likely to perceive any change. Management less likely to be able to address any cultural differences between the two staff groups. The partnership could not easily market services to potential customers in its own right. Any existing or future contracts would need to be with one or other Council. Arrangement lacks resilience and is more likely to be placed at risk as a result of disputes or changes in key personnel. Offers significantly less opportunity for service improvement and development. Would be unsuitable as a basis for extending partnership working to other local authorities and/or public sector bodies. May not be suitable for extending the scope of services to be delivered in the future. Is not sufficiently innovative and is therefore unlikely to inform either Council of the possible lessons from shared service working.

Option C – Joint Committee
Description and Overview The two Councils enter into a formal arrangement to establish a joint committee. The joint committee would comprise an agreed number of Members from each Council, and would be responsible for strategic decision making and policy setting. Operational decisions would be taken by the management of the shared service. One of the Councils would need to act as the nominal lead authority. Staff in the other Council would transfer to the lead authority under TUPE. The lead authority would be responsible for the provision of support services (HR,

Option C – Joint Committee

legal, finance and IT) as well as the procurement of goods and services. The lead authority would need to enter into service level agreements with the other Council to use premises and equipment. As the joint committee would not be a legal entity in its own right then any contracts to supply audit and fraud services to external customers would need to be in the name of the lead authority.

Financial Implications

Set up costs
There will be some legal costs arising from the need to obtain advice on the transfer of staff to the lead authority. There may also be some legal costs associated with setting up the joint committee and preparing a constitution and regulatory framework. It is expected that the majority of this work would be undertaken in-house. The cost of external legal fees is therefore estimated to be £4k.

All staff in the partnership would use the existing IT application hosted by CYC (Galileo.net). The initial set up and configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence.

No other significant set up costs would be incurred.

Ongoing costs
The lead authority would be responsible for the payment of salaries, and goods and services on behalf of the partnership. The lead authority would also be responsible for accounting for VAT and other taxes. There would be no additional tax liabilities although there would be a small increase in the employer pension contribution rate for CYC staff if NYCC was chosen as the lead authority. The lead authority would provide all support services unless there was a specific agreement with the other Council.

The partnership would need to recharge the two Councils for audit and fraud services provided. The charging mechanism would be set up in accordance with the financial principles set out in the OBC. The overall cost of the service provided would however be cost neutral to the two Councils.

The additional cost of IT access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The estimated net increase in IT related costs of £1.3k pa would be met from existing budgets.

The joint committee would be a separate public body and would therefore need to prepare its own accounts. The accounts would be subject to external audit by the Audit Commission. It would also need its own internal audit. Additional audit and accountancy fees of approximately £5k pa would be incurred as a result.

There may also be some additional costs incurred as a result of administering

Option C – Joint Committee
meetings of the joint committee. These costs are estimated to be approximately £1k pa.
Staffing Implications Staff would be employed by the lead authority. The staff in the other Council would be transferred to the lead authority under TUPE, and would remain on their current terms and conditions. The lead authority would be responsible for all disciplinary matters, training and staff development. Trainees could be seconded to the lead authority from the other Council. Any such secondment would require the agreement of the member of staff concerned. Staff would remain members of the NY Pension Fund. New employees would also be entitled to join the NY Pension Fund.
Legal Implications There are no significant legal implications. Both Councils have the necessary powers under the Local Government Act 1970, Local Government Act 1972 and the Local Government Act 2000 to enter into such an agreement. Although the joint committee would not be a legal entity, it would be a public body in its own right. As a result it would need to adopt its own constitution and standing orders. It would also need to prepare annual accounts and submit a "smaller bodies in England" annual return to the Audit Commission. The accounts would be subject to audit by external auditors appointed by the Audit Commission. The service would be provided to both Councils in accordance with a contract. The contract would be prepared in accordance with the principles set out in the OBC.
Governance Arrangements Strategic and policy decisions would be taken by a joint committee, which would probably meet at least quarterly. The formation and operation of the committee would follow existing local government rules.
Service and Capacity Improvement This option would provide both Councils with an audit and fraud service which benefited from greater resilience and capacity. The shared service could also deliver the expected efficiencies and economies of scale, achieved through sharing best practice, improved resource allocation and the integration of systems and processes.
Innovation and Service Transformation

Option C – Joint Committee	
Whilst this model could be extended in the future to include other local authorities, its membership could not be expanded to include other public sector bodies such as the NHS and housing associations. This option may also inhibit innovation and more radical change due to existing local government conventions.	
Financial and Business Opportunities The partnership could offer services to other public bodies. However, any contracts for the supply of services would be with the lead authority.	
Organisational Impact This would not be perceived as an equal partnership since one of the Councils would need to act as the lead authority. The partnership would also find it difficult to develop its own identity and image. Staff may associate themselves more with the lead authority than with the partnership.	
Resilience and Sustainability This option would offer sufficient long-term resilience.	
Key Advantages	**Key Disadvantages**
Set up costs relatively low. No significant change in ongoing operational costs, for either Council. Relatively straightforward to operate if the existing membership remains the same. Additional local authorities could join in the future. Will achieve the expected efficiencies and economies of scale. Offers long-term resilience. Likely to be more acceptable to staff and Unison	The service will not be perceived as an equal partnership between the two Councils. One of the two Councils will feel that it has relinquished control and influence over the future direction of the service. The risks and rewards are more difficult to share equally between the two Councils. Other potential public sector partners will be unable to join in the future. The service will find it difficult to develop its own identity. The lead authority would be responsible for any future contracts with external customers. May not be suitable for extending the scope of services to be delivered in the future.

Option C – Joint Committee	
	May not be sufficiently innovative and is therefore unlikely to inform either Council of the possible lessons from shared service working.

Option E – Company Limited by Shares or Guarantee
Description and Overview The two Councils enter into a formal arrangement to establish a company limited by shares or guarantee. The company would be wholly owned by the two Councils, with a board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by the company's management. The company would be able to own assets, enter into contracts and employ staff in its own right. Staff from both Councils would be subject to a TUPE transfer to the company. The two Councils, as shareholders would be able to receive any surplus profits in the form of dividends. The company could obtain support services (HR, legal, finance and IT) from one or other Council.
Financial Implications <u>Set up costs</u> There will be legal costs arising from the need to obtain advice on the transfer of staff to the company. There will also be legal costs associated with the company formation. It is expected that some of this work would be undertaken in-house. The cost of external legal fees is estimated to be £10k. All staff in the company would use the existing IT application hosted by CYC (Galileo.net). The initial set up and configuration costs of £10.4k are covered by a grant provided by the Regional Centre of Excellence. <u>Ongoing costs</u> The company would be responsible for the payment of all salaries, and for goods and services. The company would also be responsible for accounting for VAT and other payroll related taxes. In addition, the company would be subject to corporation tax. The company is likely to be granted admitted body status to the North Yorkshire Pension Fund . It is also considered unlikely to require a bond. The employer pension contribution rate payable by the company would be determined by an actuarial assessment, which would produce a single rate for all staff. This rate would represent the future service costs of the staff transferred from the two Councils. The deficit element of the existing contribution rates for these staff would continue to be paid by the two Councils. The total cost of employer's pension contributions is therefore unlikely to be significantly different as a result

Option E – Company Limited by Shares or Guarantee

of the TUPE transfer.

The company would need to recharge the two Councils for audit and fraud services provided. The charging mechanism would be set up in accordance with the financial principles set out in the OBC. The overall cost of the service provided would however be cost neutral to the two Councils.

The additional cost of IT access charges and licence fees would be mostly offset by savings achieved through NYCC ceasing to use its own IT application. The estimated net increase in IT related costs of £1.3k pa would be met from existing budgets.

To enable it to deliver its services, the company would be provided with serviced accommodation by each Council. The company would be able to receive support services from one or other Council. However, the company would need to arrange its own insurance cover. The cost of this would be partially offset by the savings each Council would make on their own policies. The net increase in insurance premiums would be met from existing budgets.

The company would be a separate legal entity and would therefore need to prepare its own accounts. As the company is likely to be classed as a 'small company' then it would only need to prepare abbreviated accounts. Similarly, the company could claim exemption from the requirement for an audit. However, it is recognised that both Councils would probably wish to elect for an audit to be undertaken. The company would appoint its own auditors. Additional audit and accountancy fees of approximately £5k pa would be incurred as a result.

There may also be some additional costs for company administration. These costs are estimated to be approximately £1k pa.

Staffing Implications

Staff would be employed by the company. The staff in both Councils would be transferred to the company under TUPE, and would remain on their current terms and conditions. The company would be responsible for all disciplinary matters, training and staff development. Trainees could be seconded to the company from either Council. Any such secondment would require the agreement of the member of staff concerned.

Staff would remain members of the NY Pension Scheme. New staff employed by the company would also be offered membership of the North Yorkshire Pension Scheme.

Legal Implications

Both Councils have the necessary powers under the Local Government Act to enter into a partnership agreement to share services. The company would be

Option E – Company Limited by Shares or Guarantee
set up in accordance with the Companies Act and would need to comply with the Local Government and Housing Act 1989. The company would be wholly owned by the two Councils, with each owning an equal share. The company would be a legal entity in its own right. It would need to appoint directors and to file annual returns with Companies House. The service would be provided to both Councils in accordance with a contract. The contract would be prepared in accordance with the principles set out in the OBC. The company could be wound up in the event that one or other Council wished to leave the partnership. Other public sector partners could in the future take a share in the company.
Governance Arrangements Strategic and policy decisions would be taken by a board of directors, which would probably meet at least quarterly. The formation and operation of the board would be undertaken in accordance with the Companies Act. The directors would be appointed by the shareholders (ie the two Councils).
Service and Capacity Improvement This option would provide both Councils with an audit and fraud service which benefited from greater resilience and capacity. The shared service could also deliver the expected efficiencies and economies of scale, achieved through sharing best practice, improved resource allocation and the integration of systems and processes.
Innovation and Service Transformation This option can be extended in the future to include other local authorities, and other public sector bodies such as the NHS and housing associations. This option also provides increased flexibility and freedom, which would encourage innovation.
Financial and Business Opportunities The company offers an appropriate model to provide services to other public sector bodies and third sector organisations.
Organisational Impact This would be perceived as an equal partnership since both Councils would own the company and be able to exercise the same degree of control and influence. The company would also be able to develop its own identity and image. Customers and staff would clearly associate the company with the service.

Option E – Company Limited by Shares or Guarantee	
Resilience and Sustainability This option would offer sufficient long-term resilience.	
Key Advantages	**Key Disadvantages**
A company would be quick and easy to set-up. Set up costs relatively low. There would be no significant change in ongoing operational costs, for either Council. Relatively straightforward to operate. Other local authorities and public sector bodies could join in the future. Will achieve the expected efficiencies and economies of scale. Offers long-term resilience. Profits can be retained and reinvested in the service. The service will be perceived as an equal partnership between the two Councils. Both Councils will be able to exercise control and influence over future direction of the service. The risks and rewards associated with the partnership would be shared equally between the two Councils. The service will be able to develop its own identity. Would allow easy expansion of the scope of services to be delivered in the future. Represents a more innovative solution and is therefore more likely to inform both Councils of the possible	Is not acceptable to Unison. May be less acceptable to staff than the other options being considered.

Option E – Company Limited by Shares or Guarantee	
lessons from shared service working.	