

## **Annex C**

# **Options Appraisal for the future Shared Health & Safety Service for North Yorkshire County Council and City of York Council**

### **Background**

Since December 2014, City of York Council (CYC) and North Yorkshire County Council (NYCC) have been sharing a Head of Health and Safety. This arrangement has worked well for both organisations. In June 2017 a formally constituted Shared Service was created with the members of CYC Health and Safety Team formerly transferring to NYCC through a TUPE transfer.

This arrangement has delivered a number of significant benefits for both councils including: greater resilience and capacity, increased flexibility to respond to changing priorities, improved efficiency and economies of scale, reduced reliance on key members of staff for service continuity and provided a greater opportunity to develop in-house specialist skills.

The Shared Service has been successfully operating for over 2.5 years and has continued to grow including additional work across CYC particularly on Construction, Design and Management and providing support during some quite critical times following some serious incidents and in some high potential impact situations such as the Shambles. In addition the trading element has substantially increased with the service acquiring two new councils; Ryedale and Richmondshire, training contracts and some one off projects such as the States of Jersey and University of Sheffield.

This demonstrates that the Shared Service arrangements have had positive benefits which justifies the need for continued collaboration. However the resources required, to provide the financial information necessary for both councils, in order to undertake their statutory due diligence has become increasingly unsustainable. This is due to the complexities in recognising each council's original client base and the new business being generated and the long term growth strategy for the constituent councils.

The Shared Service Project Board considered this and requested a short options paper for the future of the Shared Service.

The original business case covered a wide variety of options and consequently it was not considered necessary to undertake this work again but focus on 2 key options.

### **Option 1 Revise the agreement:**

To revise the collaboration agreement and associated financial split so that any trading income is earned and grown by the host organisation i.e. NYCC. NYCC would then host the risks and rewards of trading, report on trading performance and enter and fulfil contracts outside of the agreement.

This simplifies the financial reporting arrangements. CYC can focus on delivery of its specific statutory requirements whilst having the benefits of a shared service for capacity and technical support. This would fund a core team of people with the ability to purchase additional resource if required all within a specific agreement.

The financial costs and service provided can be much more easily reported. CYC can then request reallocation of resources committed to growth and delivery to commercial clients to deliver services specifically required by CYC. The original customer base of CYC is already more complex (e.g. as schools in York are joining Academy Trusts operating over large geographical areas) so simply allocating customer base on geographic location is problematic.

### **Positives:**

- Provides clear accountability.
- Simplifies financial and operational arrangements which would start to attract additional costs over time.
- Risks are hosted by those generating the risks ie NYCC.
- Allows service to continue to grow business so can maintain excellence and sustainability.
- This option also provides an opportunity to address other issues of confusion/complexity within the agreement eg insurance.

### **Negative:**

- CYC lose the opportunity for growth but this is offset by mitigation of risk.

## **Option 2 Remain As Is:**

The Shared Service has been successfully operating for 2.5 years and has continued to grow with additional work. This has offset some costs but it increasingly difficult to apportion costs and income in an appropriate manner within the staffing base and geographical boundaries not least with the creation of cross boundary multi-academy trusts. The complexity of accounting both in NYCC's trading 'arm' and in its accountancy team will attract fees in future for the services - £7k CYC - which will reduce the surplus.

### **Positives**

- The service has successfully operated for 2.5 years and the funding has created a reserve from which the H&S IT system, pay awards and other CYC 'corporate H&S costs have been funded.
- The trading secures the sustainability of the service for the future, but this would be the same for both options.

### **Negatives**

- Difficult (but not impossible) to monitor financially due to the organisations separate financial reporting mechanisms. This is currently absorbed by NYCC but will be at a cost in future
- This carries a risk – if income reduces the surplus reduces and potentially the resource base becomes unsustainable as the sharing applies to losses as well as any surplus.
- Collaboration agreement needs to be updated around complex insurance arrangements.

### **Recommended Option**

**Option 1** is considered to be the preferred option as it carries the least risk. It provides opportunities to deliver efficiencies through the maintenance of a coherent structure. This option also addresses the financial accounting arrangements as it relates in particular to trading. It allows for NYCC to continue to search for opportunities for growth by increasing funding sources through the provision of services to others on a commercial basis. The organisation creating the risk would host the risk. This approach is considered the most likely to deliver the significant benefits of collaboration.

In summary it offers the required long-term resilience and is most likely achieve the expected efficiencies and economies of scale as set out in the original business case.