



Shared Audit & Fraud Service



OUTLINE BUSINESS CASE

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Outline Business Case

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Executive Summary

Background

Local authorities are being encouraged to challenge traditional methods of service delivery in order to reduce waste and improve outcomes. There is a recognition that to achieve such improvements, authorities need to work more closely together so as to optimise economies of scale and maximise service efficiencies.

The City of York Council and North Yorkshire County Council have expressed a common desire to explore the possibility of greater joint working, particularly in respect of back office finance and governance functions. Audit and fraud services were identified as suitable areas for early consideration.

In September 2007, Members of both Councils considered a strategic business case, setting out the potential benefits of collaboration. Members approved the development of a shared audit and fraud service between the two Councils, and agreed that a three phase strategic approach should be adopted as follows;

- Phase I – short term management arrangement and development of business options for the long term organisational structure of the service;
- Phase II – implementation of the agreed structure and benefits realisation;
- Phase III – review, evaluation and appraisal of other shared service opportunities.

Benefits of Joint Working

It was anticipated that the shared service would deliver 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 greater opportunity to develop in-house specialist skills. Development of the shared service would also allow both Councils to demonstrate a positive response to the Government's efficiency and service transformation agenda, and provide a relatively discrete and low risk service area to fully assess the benefits of joint working.

Options Analysis

This Outline Business Case sets out the aims and objectives of the project to develop the shared audit and fraud service. Four options for the project have been evaluated, as follows:

- Option 1 – abandon the process and revert back to the service arrangements which existed prior to 1 October 2007 (do nothing)
- Option 2 – abandon the current project but explore more limited collaboration between the two Councils (do the minimum);
- Option 3 – proceed with the project but change the scope and, or direction;
- Option 4 – proceed with the scope and direction of the project, as agreed by Members in September 2007.

Option 4 is recommended. This approach is considered the most likely to deliver the anticipated benefits. These benefits cannot easily be achieved by either Council continuing to operate in isolation. Option 1 can therefore be discounted. Whilst Option 2 can deliver some of the benefits of collaboration it will not achieve the necessary step change in service resilience or maximise the expected efficiencies. Option 2 can therefore also be discounted. At this stage there are considered to be no advantages in significantly changing the scope through the inclusion of additional services. Option 3 can therefore also be discounted.

Seven possible options (delivery vehicles) have been identified for the long term organisational structure of the shared service, as follows;

- Option A - Joint Working Arrangement
Formal agreement between the two Councils to collaborate in service delivery. Staff would remain employed by their respective Councils. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.
- Option B - Contract to Supply Services
Service provided by Council 'X' to the other under contract. Council 'Y' would need to undertake an EU compliant tender exercise to award the contract. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'.
- Option C – Joint Committee
Joint partnership agreement based on a Member Committee, which would be responsible for strategic decision making and policy setting. Operational decisions taken by service management. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X' (acting as nominal lead authority).

- Option D – Function Delegated by Council ‘Y’ to Council ‘X’
Function formally delegated by one Council to the other, with the service delivered in accordance with a service level agreement (SLA). Staff in Council ‘Y’ would be subject to a TUPE transfer to Council ‘X’.
- Option E – Company Limited by Shares or Guarantee
Joint service outsourced to a company limited by shares or guarantee. The company would be wholly owned by the two Councils. Staff from both Councils would be subject to a TUPE transfer to the company.
- Option F – Joint Venture Vehicle
Joint service outsourced to a company limited by shares (with ownership shared between the two Councils and a private sector partner). The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company.
- Option G – Fully Outsourced Service
Service provided by private sector company. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company.

One of the key determinants in the assessment process was the degree to which each Council would be able to exercise control and influence over the services in the future. Both Councils also want to retain sufficient and continuing access to the services concerned. It was also considered essential that the chosen option would represent a genuinely equal partnership between the Councils. Options B and D required one or other Council to assume overall responsibility for operational management and decision making. In such circumstances it was considered unlikely that the partnership would be perceived as being equal. Options B and D were therefore discounted. Options F and G were similarly discounted because any private sector involvement would necessarily diminish the degree of control and influence each Council would have over the future direction of the service. The set up costs for options F and G were also likely to be high given the need to undertake a full EU compliant tender exercise and to establish client structures in both Councils.

The three preferred options were therefore:

- Option A – Joint Working Arrangement
- Option C – Joint Committee
- Option E – Company Limited by Shares or Guarantee



Shared Audit & Fraud Service



These options were then subject to a more detailed assessment which showed that Option E would best serve the interests of the two Councils. This option offers the required long-term resilience and will achieve the expected efficiencies and economies of scale set out in the vision and objectives for the shared service. The company will be perceived as an equal partnership between the two Councils and will enable both Councils to exercise the same degree of control and influence over future direction and development of the service. It also offers an appropriate structure to enable other local authorities and public sector bodies in the region to join in the partnership in the future, if this is considered beneficial. Forming a company also represents a more innovative solution and is therefore most likely to inform the two Councils of the possible lessons from shared service working.

Outline Business Case

Purpose

- 1 The purpose of this Outline Business Case is to set out the aims and objectives of this transformation project. The document is also intended to provide a clear focus for determining the future shape and direction of the Shared Service, as well as the anticipated outputs and outcomes which this project is expected to deliver.

Background

- 2 The Government White Paper 'Strong and Prosperous Communities' encourages local authorities to challenge traditional methods of service delivery in order to reduce waste, identify efficiencies and improve outcomes for local people. A strong message in the White Paper was that one of the key means for local authorities to achieve such improvements would be through greater joint working to optimise economies of scale and maximise service efficiencies.
- 3 Officers from City of York Council (CYC) and North Yorkshire County Council (NYCC) commenced preliminary discussions in May 2007, to explore the potential benefits of collaboration and, in particular, the possibility of sharing certain back office finance and governance functions. These discussions showed that there was a mutual desire to identify suitable options for greater joint working and a clear commitment to deliver greater efficiencies across both authorities. Officers identified audit and fraud services as suitable areas for early consideration.
- 4 A strategic business case was prepared for the development of a shared service solution for the provision of audit and fraud services, setting out the main drivers for change and the potential benefits of collaboration. A number of models exist for shared service provision, ranging from informal partnership agreements through to fully outsourced service provision involving private sector partners. It was recognised that further work was required to understand the legal, financial and staffing implications of each model before any decisions could be made on the most appropriate way forward.
- 5 The strategic business case was presented to Members of both Councils in September 2007. Members of both Councils approved the development of a shared audit and fraud service and agreed that a three phase strategic approach should be adopted, as follows:

- (a) Phase I – short term management arrangement and development of business options for the long term organisational structure of the service;
 - (b) Phase II – implementation of the agreed service vehicle and benefits realisation;
 - (c) Phase III – review, evaluation and appraisal of other shared service opportunities.
- 6 Both Councils committed to the successful achievement of a long-term shared audit and fraud service, which would add value and deliver benefits to both organisations, on an equal basis. In developing the appropriate long term organisational structure, account would be taken of the respective values of both organisations.
- 7 The objective was to treat this as a pilot exercise so as to enable the benefits of such an approach to be properly assessed in a discrete, low risk service area for both authorities. This would provide the opportunity for both authorities to evaluate the benefits of sharing back office functions before considering more high profile transactional and/or public facing services. The experience gained would help inform future collaboration in other service areas.
- 8 Members approved the creation of a Project Board to coordinate the development and implementation stages of the project. The Project Board comprised the AD Resources (ARM) – CYC, the AD (Central Finance) – NYCC and the Audit and Fraud Manager – CYC.
- 9 The nature and scope of the shared management arrangements were agreed and set out in the Interim Management – Terms of Reference. These arrangements commenced on 1 October 2007, with the Audit and Fraud Manager - CYC assuming overall management responsibility for the combined team. This provided management economies of scale whilst at the same time providing clear leadership and focus through the period of change. The two teams continued to operate from their existing office locations and staff retained their existing terms and conditions. Staff could however be deployed to work for either Council as necessary, although it was recognised that any such changes would be limited in the short term.

Existing Service Arrangements

- 10 All local authorities have a statutory requirement to make provision for internal audit in accordance with proper standards of professional practice, as set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit is defined as an assurance function

that provides an independent and objective opinion to the organisation on the effectiveness of the control environment.

- 11 At CYC, the Internal Audit and Fraud teams are co-aligned within the Audit and Risk Management division. The combined teams have 16.5 full time equivalent staff. The teams are managed by the Audit and Fraud Manager. At NYCC, the Internal Audit Service forms part of the Central Finance Service Unit. The team has 21.12 full time equivalent staff. Copies of the structure charts for the two Council's audit and fraud services are given in **Annex 1**.
- 12 The principal functions of the audit and fraud services at both Councils are broadly similar, and include;
 - (a) providing assurance to Members, Chief Officers, other key stakeholders and the wider community on the effectiveness of the governance arrangements and internal controls at each Council;
 - (b) providing advice and making recommendations to improve controls and/or address the poor or inappropriate use of each Council's resources;
 - (c) examining and evaluating the probity, legality and value for money of each Council's activities;
 - (d) acting as a visible deterrent against all fraudulent activity, corruption and other wrong doing;
 - (e) responding to and investigating any instances of suspected fraud or corruption.
- 13 However, in addition to these core functions,
 - (a) the Internal Audit Team at CYC is responsible for delivering a programme of value for money reviews and the Fraud Team is responsible for investigating all benefit related fraud, together with undertaking any financial investigations that may arise as a consequence.
 - (b) the Internal Audit Service at NYCC has responsibility for all data management and information governance matters.

The development of a shared service therefore offers the opportunity to bring together related and complimentary professional disciplines across both Councils.

- 14 The audit and fraud services in both Councils deliver cost efficient services that are valued by management and other stakeholders. Both

teams operate to the same professional standards and follow similar working practices and procedures. Both audit teams also use the same IT application and provide services to a number of external customers. However, the services at both Councils face increasing challenges in the short to medium term. The scope of audit and fraud work is changing to reflect the increased importance local authorities place on developing and maintaining sound corporate governance arrangements. At the same time pressures on growing on the availability of resources. As a consequence, there is pressure on audit coverage, difficulties in responding to peaks in workload and problems with covering staff vacancies. Both authorities also experience difficulties with recruiting and retaining the necessary skilled and qualified staff.

- 15 Details of current financial and performance related data for the existing services are given in **Annex 2**.

Drivers for Change

- 16 The drivers for change both national and local facing the two Councils are:
- (a) The transformational policy agenda. The Department for Communities and Local Government White Paper 'Strong and Prosperous Communities' is encouraging authorities to work collaboratively together, and with other public sector bodies to deliver efficiencies and value for money;
 - (b) Comprehensive Performance Assessment (CPA). Joint commissioning and shared services are key determinants in the Use of Resources – Key Lines of Enquiry assessment. The Audit Commission is currently consulting on the approach to be followed for the Comprehensive Area Assessment (CAA), but have already indicated that greater emphasis will be placed on organisational effectiveness, partnering, increased efficiency, and joint commissioning;
 - (c) Local Government Reorganisation. Whilst North Yorkshire County Council's proposed bid for unitary status was not successful there remains a strong expectation from government that authorities in and around North Yorkshire will in future work more collaboratively;
 - (d) The need to build service resilience and capacity across both authorities to maintain an effective and professional audit and fraud function, in the face of problems in covering key staff vacancies and difficulties in being able to respond to changing priorities and increasing workload demands;

- (e) The need to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism;
- (f) The need to make best use of the scarce professional audit expertise available (particularly in contract and IT audit), given that both authorities encounter difficulties in building sufficient capacity in-house, so as to avoid the reliance on expensive external providers;
- (g) The need to further enhance the professional standards of the audit and fraud services in both Councils so as to maintain and develop the effectiveness of the function and comply with legislative and regulatory requirements;
- (h) The need for both Councils to develop proper arrangements for succession planning and reduce the existing reliance on certain key staff for service continuity.

Benefits of Collaboration

17 The key benefits of collaboration are:

- (a) Providing greater resilience and capacity. The combined team would be better placed to manage resource pressures, including staff vacancies and/or unexpected service demands;
- (b) Providing greater flexibility to respond to changing priorities, initiatives and/or new working methods;
- (c) Delivering efficiencies through sharing best practice, integrating processes and reducing duplication of effort;
- (d) Demonstrating a positive response to the government's efficiency and service transformation agenda;
- (e) Achieving economies of scale by sharing overheads and reducing unproductive time whilst maintaining or improving current levels of performance;
- (f) Enhancing the focus on service delivery, professionalism and quality such that the combined service is seen as a 'beacon of excellence';
- (g) Increasing the opportunities for staff to specialise and enhancing career opportunities, resulting in greater staff satisfaction and retention;

- (h) Providing greater opportunity to develop audit specialisms and reduce the reliance on bought-in services;
- (i) Providing a robust shared service model which offers greater opportunity for future collaboration with other Councils in the region, particularly the North Yorkshire districts, and which helps to develop the existing market place;
- (j) Improved succession planning arrangements and a reduced reliance on key members of staff for service continuity;
- (k) The ability of both Councils to develop common approaches to new and developing initiatives (for example, Corporate Area Assessments and joint Private Finance Initiative projects).

The Vision and Objectives of the Shared Service Solution

Vision

- 18 To deliver a shared service solution which provides an efficient, effective and professional audit, information governance and fraud service which is both responsive to the needs of the two Councils and which is held in high esteem by all stakeholders.

Objectives

- 19 The project aims to provide a shared service solution which supports this vision by focusing on a series of identifiable and measurable objectives. The Project Board has identified the following objectives for the future shared service.

To provide a service:

- (a) in which both Councils have an equal share in terms of control, direction and influence;
- (b) which has a clear identity and stated purpose;
- (c) which is affordable and which represents value for money;
- (d) which can provide continuity of service to both Councils in the long term, irrespective of short-term pressures and issues;
- (e) which enhances the professionalism and quality of audit and fraud related services provided to the two Councils through shared knowledge and best practice;

- (f) which shows leadership in the development and maintenance of a robust control framework in each Council as an essential element of each Council's governance arrangements;
- (g) which helps to maintain or improve the CPA Use of Resources score for both Councils;
- (h) which increases the operational capacity and resilience of the service so that it can more easily respond to resource pressures, including staff vacancies and/or unexpected service demands;
- (i) which is flexible and can respond promptly to changing service requirements and priorities;
- (j) which extends access to specialist audit and fraud services and other related disciplines to both Councils;
- (k) which reduces the need to use expensive agency staff and/or to buy-in specialist audit and fraud related services;
- (l) which delivers efficiencies and economies of scale which can then be reinvested in improved service delivery;
- (m) which improves investment in staff training and development;
- (n) which improves the opportunities for career progression for staff within the service;
- (o) which improves the recruitment and retention of professional staff within the service;
- (p) offers protection for existing staff pension arrangements;
- (q) which reduces the existing reliance on key members of staff for the continuity of the service;
- (r) which provides improved succession planning arrangements;
- (s) which continues to provide the opportunity for trainee staff from both Councils to gain relevant experience in audit and fraud related disciplines;
- (t) which generates income from selling audit and fraud related services to other public, voluntary and third sector bodies;

- (u) which can be expanded to provide additional professional support services to both Councils in the medium to long term, if required;
- (v) whose membership can change in the medium to long term to accept new partner bodies, including those in other public service areas (for example, housing and the NHS);
- (w) which provides an opportunity for both Councils to gain experience in sharing back office functions before considering more high profile transactional and/or public facing services.

Links to Corporate Objectives and Priorities

- 20 The objectives of the shared service solution, as set out in paragraph 19 above, link closely to a number of specific Objectives and Priorities in each Council's Corporate Plans.

North Yorkshire County Council

- To continue to strengthen our partnership working;
- To continue to improve the efficiency and effectiveness of our business processes – by maximising the use of appropriate technology and increasing the efficiency of our back office functions (through, for example, engaging with partners to seek to maximise the use of shared services and premises).

City of York Council

Direction Statements

- We want services to be provided by whoever can best meet the needs of our customers
- We will be an outward looking council, working across boundaries to benefit the people of York

Values

- Delivering what our customers want
- Providing strong leadership
- Supporting and developing people

- Encouraging improvement in everything we do

Project Arrangements

Project Board Responsibilities

- 21 The Project Board has responsibility for;
- (a) developing proposals and options for the delivery of the long term shared service (the outline business case);
 - (b) developing a detailed business case and implementation plan for the preferred option;
 - (c) developing a change management programme to support the implementation process;
 - (d) overseeing the management and direction of the interim management arrangement, prior to the development of formal governance and reporting arrangements.
- 22 Finance, Legal and HR representatives have provided professional advice to the Board as required, to assist with the development and implementation of the appropriate delivery vehicle. External consultancy advice has also been provided by 4ps.

Options Appraisal

- 23 At this stage of the process a number of options exist in respect of the future scope, scale and direction of the project. These options have been evaluated by the Project Board. The relevant staff groups at both Councils, together with local and regional representatives from Unison have also been consulted on these options.

Project Options

- 24 **Option 1 (do nothing).** To abandon the current process of collaboration between the two Councils and revert to the service delivery arrangements which previously existed prior to 1 October 2007.
- 25 **Option 2 (do the minimum).** To abandon the current project to develop a long term shared service solution for the provision of audit and fraud services but explore limited collaboration where appropriate.
- 26 **Option 3 (to proceed but change the scope/direction of the project).** To change the scope and/or direction of the current process for developing a shared service solution between the two Councils by, for

example, bringing in additional partners or changing the scope of services to be included.

- 27 **Option 4 (to proceed with the previously agreed scope/direction of the project).** To continue with the existing process to develop a long term shared service solution for the delivery of audit and fraud services, as set out to Members in September 2007.
- 28 **Option 4 is recommended.** Members at both Councils have approved in principle the decision to develop a long term shared service for the provision of audit and fraud services. This approach is considered the most likely to deliver the significant benefits set out in paragraph 17 above. These benefits cannot easily be achieved by either Council continuing to operate in isolation. The problems caused by lack of capacity and resilience would not be addressed and the resource pressures on both Councils would only continue if changes to the existing service provision were not made. Option 1 can therefore be discounted. Whilst Option 2 can deliver some of the benefits of collaboration it will not achieve the necessary step change in service resilience or maximise the expected efficiencies. This option can therefore also be discounted.
- 29 Work has been undertaken to identify a further potential partners, although it is recognised that having more than three in total could make the shared service unwieldy and significantly increase the risk that the project fails to deliver the anticipated outcomes. The existing interim joint working arrangements have confirmed the significant level of trust between the two Councils and the shared commitment to make the project a success. This period of joint working has also confirmed that the potential efficiencies are achievable, for example, through improved resource allocation, the standardisation of IT applications and the sharing of best practice.
- 30 In terms of audit and fraud related services there is considered to be a close strategic fit between NYCC and CYC. The Councils provide many of the same services – including education, social care, highways, libraries and trading standards, and therefore the skills and knowledge are easily transferable. The main Council offices are geographically close and other partnership arrangements already exist or are being developed between the two Councils.
- 31 Discussions have taken place with other neighbouring local authorities to explore the possibility of wider collaboration in respect of audit and fraud related services. These discussions have confirmed that there is a desire to develop opportunities for joint working in the future, including the possibility of sharing services in the medium to long term. However,

it is not felt appropriate at this time to extend the scope of the project to include any of the neighbouring Councils. Three of the seven North Yorkshire District/Borough Councils are members of the North Yorkshire Audit Partnership (NYAP). Following the outcome of North Yorkshire County Council's failed bid for unitary status, two of the remaining District Councils are joining join NYAP as from 1 April 2008. The two remaining District/Borough Councils in North Yorkshire wish to retain their existing arrangements for audit provision in the short term. Durham County Council is subject to local government reorganisation, and the other neighbouring unitary councils do not offer the same degree of strategic and geographical fit. Stockton and Darlington Borough Councils are currently involved in developing a large scale shared service for corporate support services (finance, HR and IT). East Riding of Yorkshire and Middlesbrough Councils both have long term private sector strategic partners involved in the delivery of support services.

- 32 Discussions have also taken place with the NHS North Yorkshire Audit Service (NYAS) to explore the possibility of future joint working. NYAS is based at York District Hospital but provides audit services to York and Harrogate Hospital Trusts and the North Yorkshire and York PCT. There is therefore a close geographical fit between NYAS and the two Councils. Greater partnership working between local authorities and the NHS in the delivery of services to the public, and the introduction of Comprehensive Area Assessments from 2008/09 provides an opportunity to extend the provision internal audit across traditional boundaries. However, whilst there is a strong desire on both sides to investigate the opportunities for joint working, including the possible co-location of offices, sharing of staff and the development of integrated training programmes, it is not felt appropriate to consider changing the scope of the project at this stage to include NYAS due to the likely effect such an integration would have on the project timescales. The development of joint working opportunities between the shared service partnership and NYAS will however be a priority in the medium term.
- 33 Further work has been undertaken to confirm the services currently delivered by each Council, to be included in the scope of the shared service project. At this stage there are considered to be no advantages in significantly changing the scope through the inclusion of additional services. Option 3 can therefore be discounted. However, there would be a number of advantages if the provision of data management services at CYC was included in the scope. Such a change would provide more consistency in terms of the services delivered to both Councils and would offer all the benefits of greater capacity and resilience in this area.

Delivery Options

- 34 Seven possible options (delivery vehicles) were identified for the long term organisational structure of the shared service, as follows;
- 35 Option A - Joint Working Arrangement
Formal agreement between the two Councils to collaborate in service delivery. Officer based decision making structure (primarily limited to operational issues). Staff would remain employed by their respective Councils. The agreement would provide an opportunity to share best practice and second staff between the Councils to meet peaks in workload or other demands.
- 36 Option B - Contract to Supply Services
Service provided by Council 'X' to the other under contract. Services delivered and managed within the decision-making framework of Council 'X'. Council 'Y' would need to undertake an EU compliant tender exercise to award the contract. It would also require a 'client' structure to monitor the delivery of the contract. Council 'X' would own assets and enter into contracts. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'.
- 37 Option C – Joint Committee
Joint partnership agreement based on a Member Committee, which would be responsible for strategic decision making and policy setting. Operational decisions taken by joint management structure. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X' (acting as nominal lead authority). Council 'X' would also own all assets and enter into contracts.
- 38 Option D – Function Delegated by Council 'Y' to Council 'X'
Function formally delegated by one Council to the other, with the service delivered in accordance with a service level agreement (SLA). Council 'X' (acting as nominal lead authority) would be responsible for strategic decision making and policy setting, but with possible oversight by Member/officer Partnership Board. Council 'X' responsible for operational management. Staff in Council 'Y' would be subject to a TUPE transfer to Council 'X'. Council 'X' would also own all assets and enter into contracts.
- 39 Option E – Company Limited by Shares or Guarantee
Joint service outsourced to 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 company management. Company 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. Councils would be able to receive dividends.

40 Option F – Joint Venture Vehicle

Joint service outsourced to a company limited by shares (with ownership shared between the two Councils and a private sector partner). Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

41 Option G – Fully Outsourced Service

Service provided by private sector company. Board of directors responsible for strategic decision making and policy setting. Operational decisions would be taken by company management. Opportunities exist for external investment in the service. The Councils would need to undertake a joint EU compliant tender exercise to award the contract to the company. Staff from both Councils would be subject to a TUPE transfer to the company. Company able to own assets, enter into contracts and employ staff in its own right.

Detailed Options Analysis

- 42 The Project Board assessed each of the possible ‘delivery vehicles’ against a series of agreed key criteria linked to the vision and objectives of the shared service (as set out in paragraphs 18 and 19 above). The results of this analysis are given below, in Table 1.

Table 1 – Options Analysis

<i>Criteria</i>	<i>Options (delivery vehicles)</i>						
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>
OWNERSHIP AND VISION							
Will this option be able to deliver the vision for the shared service and are there clear links to both Council’s Corporate Objectives?			✓		✓	✓	✓
Will the service be perceived as a genuine equal ‘partnership’ between the two Councils?	✓				✓		

Criteria	Options (delivery vehicles)						
	A	B	C	D	E	F	G
Will both Councils have sufficient control and influence over the strategic direction and future development of the service?	✓		✓		✓		
Would this option avoid the need for one or both Councils to establish a separate 'client' structure to monitor the contract?	✓		✓		✓		
IDENTITY							
Will this option allow the service to develop its own identity?					✓	✓	✓
AFFORDABILITY							
Are the set up costs / required investment for this option likely to be affordable?	✓	✓	✓	✓	✓		
COST EFFECTIVENESS							
Is this option likely to be affordable on an ongoing basis, and does it represent value for money?	✓	✓	✓	✓	✓		
Will this option achieve economies of scale and deliver the expected efficiencies in service delivery?		✓	✓	✓	✓	✓	✓
IMPLEMENTATION							
Are the skills and resources readily available to implement the proposed option?	✓	✓	✓	✓	✓		
Is there general support from within both Councils to implement this option?	✓		✓		✓		
Would both Councils be able to support the change management needs associated with this option?	✓	✓	✓	✓	✓		
SERVICE AND CAPACITY IMPROVEMENTS							
Is this option able to provide continuity of service in the long-term, irrespective of short-term problems and/or changes		✓	✓	✓	✓	✓	✓

<i>Criteria</i>	<i>Options (delivery vehicles)</i>						
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>
in key personnel?							
Is this option likely to deliver the required improvements in operational capacity?			✓		✓	✓	✓
Is this option likely to achieve the required focus on quality and enhance the professionalism of the service?			✓		✓	✓	✓
FINANCIAL / BUSINESS OPPORTUNITIES							
Does this option allow external income to be generated by selling services to other public sector bodies?		✓	✓	✓	✓	✓	✓
Does this option offer the capability and capacity to identify and develop other business opportunities?					✓	✓	✓
LEGAL CONSIDERATIONS							
Do both Councils have the legal powers to implement the proposed option?	✓	✓	✓	✓	✓	✓	✓
Does this option avoid the need to undertake a EU compliant tender exercise?	✓		✓	✓	✓		
RISKS							
Are the financial risks associated with this option considered to be acceptable to both Councils?	✓	✓	✓	✓	✓		
Are the risks to future service delivery associated with this option considered to be acceptable to both Councils?	✓		✓		✓		
Does each Council have an equal share of risk and reward?	✓		✓		✓		
INNOVATION / SERVICE TRANSFORMATION							
Is this option innovative and does it offer the opportunity to address the government's transformational policy agenda?			✓		✓	✓	✓

<i>Criteria</i>	<i>Options (delivery vehicles)</i>						
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>
Is this option suitable for helping to develop new methods of partnership working and service delivery in the future?			✓		✓	✓	✓
Can this option allow the service to be expanded to provide other back office functions to both Councils?	✓		✓		✓	✓	✓
Would this option be attractive to other potential partners in the future?	✓		✓		✓	✓	✓
Unweighted Totals	15	9	22	10	25	13	13

- 43 The initial assessment identified three preferred options, as follows:
- Option A – Joint Working Arrangement
 - Option C – Joint Committee
 - Option E – Company Limited by Shares or Guarantee
- 44 One of the key determinants in the assessment process was the degree to which each Council would be able to exercise control and influence over the services in the future. Both Councils also wished to retain sufficient and continuing access to the services concerned. It was also considered essential that the chosen option would represent a genuinely equal partnership between the Councils. Options B and D required one or other Council to assume overall responsibility for operational management and decision making. In such circumstances it was considered unlikely that the partnership would be perceived as being equal. Options B and D were therefore discounted. Options F and G were similarly discounted because any private sector involvement would necessarily diminish the degree of control and influence each Council would have over the future direction of the service. The set up costs for options F and G were also likely to be high given the need to undertake a full EU compliant tender exercise and to establish client structures in both Councils.
- 45 The three preferred options were then subject to more detailed assessment. The detailed assessments are attached as **Annex 3**.
- 46 Option E (Company Limited by Shares or Guarantee) is recommended. This option offers the required long-term resilience and will achieve the

expected efficiencies and economies of scale set out in the vision and objectives for the shared service. The company will be an equal partnership between the two Councils and will enable both Councils to exercise the same degree of control and influence over future direction and development of the service. It also offers an appropriate structure to enable other local authorities and public sector bodies in the region to join the partnership in the future. Forming a company also represents a more innovative solution and is therefore more likely to inform both Councils of the possible lessons from shared service working.

Implementation

- 47 Subject to Member approval at both Councils it is proposed to follow the following timetable to implement the chosen solution;

Action	Date
Prepare detailed Project Implementation Plan – which would include the following elements; <ul style="list-style-type: none"> • Company formation • Governance arrangements • Client roles and reporting arrangements • Contract preparation • Charging arrangements • Cost allocation • Staffing • Accommodation, IT and support services 	April - August 2008
Prepare Change Management Programme	June - August 2008
Implement agreed structure, subject to final Member approval.	September - December 2008
Target go-live date	1 April 2009

- 48 The Project Implementation Plan will be developed in accordance with Financial Principles and Projections set out in **Annex 4**.

Risk Register

- 49 A detailed risk register has been prepared to manage the risks associated with the project and the implementation of the chosen option.



Shared Audit & Fraud Service



Details of the identified risks, together with the actions which are being taken to address these risks, are given in **Annex 5**.