

**Report to:** Cabinet  
**Date of meeting:** 10 March 2014  
**Report of:** Shared Director of Finance/Head of Democracy and Governance  
**Title:** Moving Shared Services to a Lead Authority Model

## 1.0 SUMMARY

1.1 To present the proposed Lead Authority Model Agreement including Service Specifications

## 2.0 RECOMMENDATIONS

2.1 To recommend to Council:

That subject to Three Rivers District Council also agreeing to recommendations 1 and 2 below before 31 March 2014

1. The Joint Committee Agreement for Shared Services with Three Rivers District Council dated 26 August 2008 terminate with effect from midnight 31 March 2014.
2. That Council enter into the Shared Services Agreement with Three Rivers District Council attached at appendix 1 with effect from 1 April 2014.
3. That Council agrees to the addition of Procurement including sharing best practice on contract management to the services in the Agreement with Watford Borough Council being the Lead Authority
4. That the Shared Director of Finance be given delegated authority to agree any minor amendments to the agreement as may be necessary, including the service specification and charges for Procurement.

2.2 That the Shared Director of Finance be given delegated authority to agree any minor amendments to the agreement as may be necessary prior to the meeting of Council on 19 March 2014.

### **Contact Officer:**

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**Report Approved by** Joanne Wagstaffe Shared Director of Finance

### 3.0 DETAILED PROPOSAL

- 3.1 Watford and Three Rivers Councils formally established a shared service for undertaking their Finance, Revenues and Benefits, Human Resources and IT services in 2008. The services being overseen via a Joint Committee of the two councils and managed by a shared services management board made up of the Heads plus the Director of Finance for Three Rivers District Council and Executive Director Resources (initially) then Head of Strategic Finance Watford Borough Council. Both Councils have now appointed a Shared Director of Finance.
- 3.2 In January and February 2013 reports went to each respective full council meeting seeking approval to move toward a lead authority model for the continued operation of the shared services.
- 3.3 A project group of the Shared Director of Finance, Head of Democracy and Governance, Head of Human Resources, Legal and Democratic Section Head, Solicitor to the Council and Principal Solicitor Three Rivers District Council have been working on drafting a legal agreement to effect the change. This agreement is attached at appendix 1.
- 3.4 The Heads of Shared Service have also drafted service specifications these are included in the Agreement at Schedule 3.
- 3.5 The legal agreement is based on the premise that for each of the shared services there will be one council who is the lead council whilst the other is the client. The lead council will have complete responsibility for all staff in the service. So any currently employed by the client would be TUPE'd over on the start date. The lead council will deliver the service in line with the service specification to the client for a fee. For the first year the fee will be based upon the budgets that were approved by the Shared Services Joint Committee in November 2013. There is provision that any increases for inflation for contracts and any nationally agreed pay rises will be automatically factored into further years budgets. There will no longer be a need for the shared service to have its own separate set of accounts as the lead council will treat the service as it would currently treat a non shared service budget now, and the client would treat payment for the service as an expense, as it would for paying for an outsourced service as it does now. The premise is that the lead council will not seek to make a profit from the charge it levies to the client council. The charge will reflect the actual cost of providing the service as set out in the specification. It is envisaged that the shared service would recommend its budget via the Executive Board (see 3.6 below) to each of the respective councils for approval via their normal budget setting mechanisms. In the event of any disagreement over the budget which could not be sorted out informally between the two councils by the time each budget needed to be set, then the council objecting would be required to set a budget based on the previous year plus inflation and any pay rise and the matter would go into a formal dispute resolution process.

3.6 It is proposed that Watford Borough Council will be the lead council for Human Resources and IT. Three Rivers District Council will be the lead council for Finance and Revenues and Benefits.

There is no intention to make any changes to current service structures, job descriptions or work locations. Staff under TUPE would transfer under their current terms and conditions.

The officer governance arrangements will be by 2 boards. An Operations Board being made up of the Heads of Shared Services plus the Shared Director of Finance. This is essentially a replica of the current shared services management board.

The role of this Board is:-

- Setting, monitoring and reviewing service standards
- Reviewing and updating the service specifications and any service level agreements
- Providing general supervision
- Considering requests for extra work and/or resources via a change control mechanism
- Making recommendations to the Executive Board on the budget for each service and the charge to be made to the client service.

The other board will be an Executive Board being made up of the Managing Director of Watford Borough Council, the Chief Executive of Three Rivers District Council and Shared Director of Finance.

The role of this Board is:-

- Determining the strategic direction of the shared service
- Monitoring performance and dealing with complaints from either council
- Resolving conflicts between competing interests amongst the councils
- Reviewing the governance arrangements
- Dealing with matters referred up to it by the Operations Board
- Having overall supervision of the Shared Service
- Receiving annual reports on each service within the shared service.

As well as cabinet/executive board members being able to raise matters with their respective officers on the Executive Board there is also provision in clauses 3.3 and 3.4 for portfolio holders/lead members to have direct access to the Heads of Shared Services, regardless of which council is their direct employer.

Scrutiny arrangements will be for each council to determine itself. For Watford it is proposed that the terms of reference of the Outsourced Services Scrutiny Panel would be extended to include each of the Shared Services, both those for which Watford is the client and the lead. This will mean that for any proposed scrutiny of a service being run by Three Rivers as the Lead they will be invited to attend and contribute, and as now, with any scrutiny of a third party, any conclusions would be shared with them and they would be able to respond. Officers would suggest inviting Three Rivers to use the Outsourced Services Scrutiny Panel to scrutinise the new shared service arrangement as well, particularly as they are moving away from having a separate scrutiny function in their new governance arrangements.

3.7 The agreement contains a clear change control mechanism that will need to be adhered to in order for any changes to be made to service specifications, key performance indicators, staffing levels, structures etc.

This is to ensure that the full implications of any change are understood and agreed by

both councils before being implemented.

The council proposing the change will need to prepare a detailed business case which will go to the Operations Board and the Executive Board for approval.

This includes changes being proposed by any of the Heads of Shared Services themselves.

### 3.8 Termination provisions.

It is not proposed for this agreement to be time limited. Each Council can serve notice on the other to terminate by giving not less than 18 months notice to be served on or before the 1 September in any year.

This is the same time as in the current Joint Committee arrangement, and practically, is the minimum time necessary to disentangle the arrangement.

The arrangement with Capita is such that regardless of any termination notice served to end the shared service both councils are jointly committed under one contract with Capita for at least 5 years and it would be very expensive to terminate that arrangement early unless there was evidence of clear breaches by Capita of the terms of the contract and we had gone through the required process for notification of them etc.

### 3.9 Service Specifications:

These set out the level of service the client council can expect to receive and the key performance indicators that will be monitored and measured. These specifications are based on the service plans agreed by the Shared Services Joint Committee in November 2013. These are subject to annual review as a service plan has to be agreed annually.

For IT the contract with Capita will form the basis of the service specification for the service they are to provide.

Similarly the contract with Hertfordshire County Council for the Shared Internal Audit Service.

### 3.10 Consultation has already started with staff and Unison over TUPE.

### 3.11 In addition to the services that have historically been in the 2008 agreement, both councils have been discussing the sharing of expertise on procurement and contract management. Watford Borough Council has a Procurement Manager and is working toward setting up a centre of excellence approach to contract management in the light of the number and variety of external relationships it has for service delivery. The proposal is that Watford would be the Lead Authority in any shared arrangement for these services. Detailed work on a service specification and charges needs to be undertaken and agreed. The agreement attached does allow for additional services to be added, therefore it is recommended that Council agree the principle of adding these to the shared service and delegating to the shared Director of Finance the detailed service specification and charges.

### 3.12 Cabinet is asked to recommend to Council the adoption of this Agreement to commence on 1 April 2014.

Three Rivers District Council will be also asked to agree the adoption of this Agreement at a special council meeting on 26 March 2014.

## Implications

### 4.1 Financial

The Shared Director of Finance comments that the costs of the proposed services are currently included in each Council's budget.

### 4.2 Legal

The Head of Democracy and Governance has been part of the working group drafting the Agreement. The legal implications are contained in the body of the report.

### 4.3 Staffing

TUPE will apply and those staff currently employed by the council that will become the client council for their service will transfer to the lead council. Staff and Unison are being consulted in accordance with the Regulations. There is no intention to alter terms or conditions or to relocate any staff.

### 4.4 Risks

Potential risk	Likelihood	Impact	Score
Council does not agree to enter into the agreement	1	1	1
Three Rivers does not agree to enter into the agreement	1	1	1

Appendices.

Appendix 1 Shared Services Agreement

Background Papers

None