

PLYMOUTH CITY COUNCIL

Subject:	Sharing Services Group
Committee:	Cabinet
Date:	11 October 2016
Cabinet Member:	Councillor Darcy
CMT Member:	Lesa Annear (Strategic Director for Transformation and Change)
Author:	Andrew Hardingham (Assistant Director for Finance)
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Ref:	SRA/SSG092016
Key Decision:	Yes
Part:	I

Purpose of the report:

Plymouth City Council and its public sector partners are faced with challenging financial pressures and on occasions transformational and innovative solutions that push the boundaries are required to break new ground to achieve financial and other benefits.

The purpose of this report is to seek Cabinet approval to set up a Company Limited by Guarantee to enable ICT services to be shared with Livewell Southwest (formally Plymouth Community Healthcare) as a not for profit organisation. The report briefly sets out the business need, the legal position and the benefits of creating a Sharing Services Group in the form of a company limited by guarantee

Put simply, the following outcomes would be achieved through the arrangement proposed in this report

1. Livewell Southwest and Plymouth City Council would jointly own the sharing services company as founder members (a company limited by guarantee).
2. DELT supply ICT services to Plymouth City Council who as a member of the cost sharing group, would share these services for cost reimbursement with Livewell Southwest. This would retain the ICT supply in Plymouth thus benefiting the local economy
3. DELT's business would grow which would benefit its customer base and the owners of DELT.
4. The company will be set up to enable additional providers and recipients of services in future to enable services and the associated cost reimbursement to be shared

The proposals in this report have been the subject to research and ongoing dialogue with DELT and Livewell Southwest, together with appropriate professional advisors. Livewell Southwest have already secured Board approval for the proposals and DELT are set to obtain board and owner approval by 17 October 2016.

Due to the commercially sensitive nature of this report the main details are contained in an associated part II report

The Council Corporate Plan 2016 - 19:

Pioneering Plymouth

The Council along with its public sector partners are creating pioneering and innovative solutions to the financial challenges facing the public sector.

Growing Plymouth

The Council is working in partnership with Livewell Southwest to help grow the DELT business within the locality and support the need for the local public sector and not for profit sector to have opportunity to reduce its costs so more resources can be directed to front-line services.

Caring Plymouth

Livewell Southwest could reduce its support cost base to direct more resources to the frontline services to support the service users in Plymouth with their care needs

Confident Plymouth

We are confident that the public partnership grows in confidence through the innovative solutions identified in the report. We will take pride in the continued growth of DELT shared Services Ltd

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

There will be a range of financial implications associated with setting up and operating a company limited by guarantee. Details of these are contained in the part II report and these costs will be shared between the stakeholders involved

1. Set up costs will be shared between the Council, Livewell Southwest and DELT
2. Annual company running costs will be lower to start but could increase slightly as the company grows. These will be shared between the Council and Livewell Southwest
3. Financial benefits arising from the growth of DELT are shared between the company owners who are the Council and the Northern, Eastern and Western Devon Clinical

Commissioning Group (CCG). There will be the potential for more benefit as other providers and/or suppliers join the cost sharing group.

The set up and ongoing costs attributed to the Council will be covered by the budget realignment from the transformation of Finance FIT.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The risks associated with this are of a commercial nature and contained in the part II report

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not applicable.

Recommendations and Reasons for recommended action:

Cabinet are recommended to

1. Approve the setting up for the sharing services group in the form of a company limited by guarantee to enable Livewell Southwest and the Council to share ICT services.
2. Nominate the Director for Transformation and Change to represent the council as member representative and to exercise all voting rights on behalf of the council (subject to Key Decisions being reserved to the Leader/Cabinet) and take any necessary action to protect, safeguard, and effectively manage the council's interest in the company.
3. Delegate to the Director for Transformation and Change:
 - a. the decision to agree the final name for the Company
 - b. to nominate officers of the council to act as the Executive Board Directors of the company
 - c. to nominate an officer to fulfil the seconded role as Chief Executive for the company (approximately 3-4 hours per month)

Alternative options considered and rejected:

The following alternative options were considered and rejected

1. Livewell Southwest becoming a member of DELT – rejected for legal reasons
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Published work / information:

Not applicable

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Legal Opinion		X								

Sign off: comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert references of Finance, Legal and Monitoring Officer reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

Fin	SA FIN1617 108 23/09/20 16	Leg	2647 0/MS	Mon Off	DV S/2 647 4	HR	n/a	Assets	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

PART I REPORT

1. Introduction

2. Livewell Southwest, formerly named Plymouth Community Healthcare, have for some time shown interest in accessing the ICT services provided by DELT. Discussions have been taking place and a range of options have been considered with a solution now being identified.

3. Business Need

4. DELT have ambitious plans to grow the ICT offer within and beyond the southwest which would be beneficial to the City Council and Northern, Eastern and Western Devon Clinical Commissioning Groups (CCG) as owners of DELT.
5. Livewell Southwest have a business need to drive cost down and ensure that as much resource as possible is allocated to support the needs of frontline service users. Livewell Southwest are in a position to negotiate new ICT services contract.
6. Practicable benefits from the proposed arrangements include the use of a portal for accessing ICT services and the sharing of common ICT standards and platforms whilst also exploring opportunities in future as technology advances.
7. Working together the local Plymouth public sector partners can create benefit for the city in retaining service delivery within the city and supporting the growth in the local economy

8. The Sharing Services Group Legislation

9. What is a sharing services group (SSG)? The SSG is a group of not for profit organisations who share services for cost reimbursement within a company
10. Article 132.1(f) of the EC Council Directive 2006/112 created the prospect of a VAT exemption for the sharing of particular business 'back office' services required by non-profit organisations. This legislation is intended to remove the financial burden faced by non-profit, but publically beneficial entities, of being unable to recover VAT paid out on business purchases because of the fact that their primary activities are non-business and so their revenue stream does not attract inbound VAT.
11. The exemption became enshrined in English law within the Finance Act 2012. It is contained in the amended Schedule 9, Group 16 VATA 1994.
12. However, the technicality of implementing such arrangements is challenging and complex. In order to ensure compliance the stakeholders, the Council, Livewell Southwest and DELT have sought specialist external professional advice.

13. Sharing Services – a Company Limited by Guarantee

14. The legal opinion to ensure compliance with relevant legislation requires the creation of an independent entity. The legal advice is to maintain maximum flexibility through

creating a Company limited by Guarantee. The legal opinion is commercially confidential and is appended to the part II report.

15. Plymouth City Council and Livewell Southwest would be the founder members of the company.
16. The proposed name of the company is yet to be finalised. The company could grow to include new members in future and also additional suppliers of relevant services. The company will be set up to be both flexible, broad in its remit and scalable to “future proof” it.