OVERVIEW AND SCRUTINY COMMITTEE **27 SEPTEMBER 2010**

EVALUATION OF ORGANISATIONAL MODELS

There are 9 potential organisational models for delivery of shared services.

The original evaluation in March 2010 considered 4 models:

- Joint procurement – each partner procuring the services separately from a single provider
- Lead Provider/commissioner – where one partner provides and/or commissions services on behalf of the others
- Joint venture – where the partners set up a new joint venture organisation to provide/commission services on behalf of the partners
- Strategic partnership – where the partners enter into a partnership with a strategic private sector partner to deliver the services

The original evaluation identified a joint venture as the preferred option.

The original joint venture model has been subsequently been considered and there are 2 sub-options for a joint venture; a corporate (company) model or non-corporate (unincorporated partnership). Those 2 models have been included separately for purpose of re-evaluation.

Joint Procurement	Each partner procures the services separately but in an integrated way and a single provider is appointed to provide services to all partners.
Lead Provider /Commissioner	One partner provides or commissions services on behalf of the others
P/P partnership	The partners enter into a formal contractual partnership that operates separately as an unincorporated body with the terms of the arrangement between the partners being set out in a partnership agreement.
P/P SS entity	The partners set up a separate company in which they all have shares and which they control collectively by being members of the Board and operates separately. The company's Memorandum and Articles of Association set out the terms of the arrangement.
Private Sector Strategic Partner	The partners jointly procure a private sector strategic partner to deliver services to the partnership. The arrangements would be set out in agreements between the partners including the private sector strategic partner.

There are also an additional 5 mutual or social enterprise type models that have been considered as part of the re-evaluation.

Table 2

Model	Employment
Charity	The partners could establish a partnership organisation with charitable status to deliver the services, although the services would need to be delivered through a separate trading company in order to receive income for the provision of services. The shared services organisation's overarching purpose would need to be charitable.
Industrial and Provident Society (IPS) (community benefit)	The partners would sponsor the formation of an Industrial and Provident Society (regulated by the Financial Services Authority) for the benefit of the community. A society for the benefit of the community is a form of corporate body which can carry on a trade or provide services. Its members are not liable for losses but it must operate for the benefit of the community at large and it cannot distribute profits and there has to be special reason for it being set up in this way rather than as a company. NHS bodies cannot participate.
Cooperative (IPS)	This is similar to a community benefit IPS (above) but is set up for the benefit of its members
Community Interest Company	This is another type of company which chooses to submit itself to the additional regulation and whose profits are not distributed to its members but for the public benefit principles for which it is established. It's members have limited liability in relation to its activities.

The evaluation process is establishing which model or models are the most appropriate for the delivery of the shared services. There may be more than one appropriate model depending on the services. Nothing has been ruled in or ruled out and the Committee is asked to consider these options and provide input into the evaluation process. There will be a firm recommendation to the Cabinet in October.

RISKS ASSOCIATED WITH ALL MODELS

There are risks associated with all models:

	Risk	Consequence
1.	PCT abolition	Future role of PCT in partnership Impact on business case Will what replaces PCT impact adversely Assets and liabilities on dissolution
2.	HHT future direction	Foundation trust status? Or not? What if HHT is not FT by 2014 deadline? Acquisition by another FT? Private sector acquisition?
3.	Lack of long term commitment	Changes to landscape may mean that HHT (FT) or LA (LA partnership initiatives) may be less committed to this partnership
4.	Changes to Foundation Trusts	FT off balance sheet No longer treated as part of public sector Consequences – tax status, pensions, procurement Teckal consequences – less than 10% notional sales to HHT – viability and impact on business case
5.	Teckal consequences	If Teckal company established and exemption subsequently lost – all public sector customers will then need to go through procurement
6.	GP Consortia participation	Will GP consortia participate Teckal consequences
7.	Challenge	Competitors heightened awareness to commercial nature of arrangements Private sector challenge
8.	TUPE	Staff may transfer back to partners as services cease to be drawn down but • On different terms and conditions • May be different staff • Contractual entitlements to non public sector pension provision • TUPE may not apply as organisations change or disappear • Last man standing takes the costs
9.	Loss of revenue	Loss of PCT and other business as consequence of changes