

## Appendix C

### Hosting costs and implications

<b>1. Human Resources</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or savings</b>	<b>Human Resources</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or savings</b>
<p><b>Numbers of staff</b>            There are 96 posts in Museums Worcestershire, occupied by 81 people.  <b>Appendix D</b> shows the existing structure chart for Museums Worcestershire, with staff likely to remain at County in the event of a switch shown in red.</p> <p>In the event of a switch, 66 posts would be employed by City. 34 of these posts would transfer across to City Council employment. 32 are casual/relief posts. Their contracts with the County Council would be stopped and then restarted with City.</p> <p>30 posts would remain at the County Council, 13 of these are on the establishment and 17 are casual/relief. These are the venue specific staff at the County Museum in Hartlebury.</p>	£0	No change	£0
<p><b>Terms and conditions</b>            The only change for staff TUPE transferring from County to Worcester City would be the pay date changing from 28th to 21st of the month. Their existing T and Cs would be protected under TUPE.            Worcester City would therefore need to manage staff on different T and Cs to their other employees.            Hartlebury staff would remain on their existing terms and conditions.</p>			

<b>1. Human Resources</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>Human Resources</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
<p><b>Line management</b>  Museums Worcestershire staff at City would be managed by the Deputy Director for Economic Development and Planning.</p> <p><b>Matrix management arrangements</b>  The Projects and Property Manager at Hartlebury would be line managed by County (reporting to a post within the service managed by the Assistant Director for Families, Communities and Partnerships) for formal HR matters (annual leave, maternity, disciplinary etc) but professionally managed on a day to day basis by the Museums General Manager.</p> <p>Other models exist in shared service arrangements where day to day line management and ICT support is not provided by the employing body. (For example, Regulatory services are employed by Bromsgrove, they manage Trading Standards who are employed by County, and all receive their ICT support from Wyre Forest). During implementation, the line and matrix management protocols would be drawn up between the two managers, taking their learning from existing models.</p> <p>ICT changes (below) have been developed on the basis of this shared management arrangement, and on the basis that certain City staff would still need access to some County ICT such as u-drives.</p>			

<b>1. Human Resources</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>Human Resources</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
<p><b>Staff communications</b>  Staff are aware of the hosting review. Worcestershire County Council holds a fortnightly forum with UNISON/GMB at which it carries out engagement and consultation on change projects, including TUPE. Should a decision be made to proceed with a switch, the process for TUPE consultation would start from 21 February.</p>			
<p><b>Timetable</b>  Implementation of the HR changes would need a minimum of two months, including consultation for a reasonable period and a 28 day period for information to be shared with Worcester City Council.</p>			
<p><b>Costs of the HR changes</b>  No charge is levied to, or saved by, WCC for removing people from the County's HR contract with Liberata. (Changes only take effect when 100 people are in scope).</p> <p>Similarly, based on numbers provided, City HR do not anticipate that there will be an increased charge from their current payroll provider.</p> <p>Resource time will need to be spent at City to set up systems, add posts to pay-scales and grades and manage employees on different T and Cs. Matrix management of the Hartlebury Team will need careful planning to ensure a smooth process. It is believed this can be absorbed in existing workload.</p>			

<b>1. Human Resources Option A Hosting switches to City Implications</b>	<b>Costs or savings</b>	<b>Human Resources Option B Hosting stays at County Implications</b>	<b>Costs or savings</b>
<p>County will not save all their HR support time as they will still be supporting the 12 posts at Hartlebury.</p> <p>It is not anticipated that the line and matrix management arrangements will incur any extra cost.</p>			
<b>TOTAL COSTS</b>	<b>£0</b>	<b>TOTAL COSTS</b>	<b>£0</b>

<b>2. Pensions Option A Hosting switches to City Implications</b>	<b>Costs or savings</b>	<b>Pensions Option B Hosting stays at County Implications</b>	<b>Costs or savings</b>
<p>Museums Worcestershire has its own pensions 'ghost body', a bubble within a larger pension scheme. Should a hosting switch happen, Hartlebury staff would leave the ghost body and return to the WCC pension scheme. The 'ghost body' would then be smaller.</p> <p>Although this would not incur one off costs, there would be an annual rise in pension contributions from 16.3% to 16.7%, with a further re-evaluation in 2019. This equates to an extra £1,955 annually from the Museums Worcestershire budget, to be funded by an increase in contributions from each council</p>	£1,955 revenue	<p>Dissolving the ghost body may be advisable even if the service stays at County, for the reasons identified. Any costs or savings associated with pooling would then be the same for a no switch option.</p>	

<b>2. Pensions</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>Pensions</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
<p>to the joint service. The smaller ghost body would also be more susceptible to spikes caused by personnel changes, than it would as a larger pension fund, with contributions potentially continuing to increase over time. Further, there is a specific risk of potential unfunded liabilities arising from non-ill-health early retirement costs. This risk currently equates to £130,000.</p> <p>To avoid this increase in costs and longer term volatility, disbanding the ghost body and pooling Museums Worcestershire City employees with the City Council pension fund is an option. By pooling with City, there would currently be no additional strain on City because, at this point in time, Museums have a surplus. Discussions would be required between Museums Worcestershire and City as to how any allocation of deficit/surplus would be made going forward. City currently has a funding shortfall so under a standard pooled approach, all employers in the pool would pay deficit contributions towards it. The total accrued liabilities of Museums Worcestershire (for to-be City employees) is c £1.7 million as at 31 March 2016. City's corresponding liabilities amounted to c£78 million. Museum Worcestershire would represent just 2% of the pool, if it were established. Therefore, the actuary does not envisage any significant impact on City of taking on this fund. There would be a one off cost of c.£2,000 to disband the ghost body and reassess the pensions.</p> <p>This report shows the financial impact of retaining a smaller ghost body. It is recommended that serious consideration is given during the next phase to disbanding the ghost body and</p>	<p>cost</p>		

<b>2. Pensions</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>Pensions</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
pooling Museums Worcestershire to-be City staff with the City Pensions fund. <b>Appendix E – Pensions</b>			
<b>Timetable</b> The issues listed in the appendix above would need exploring during implementation to ensure appropriate split of responsibilities. The actual changes to the existing ‘ghost body’ can then be easily made.			
<b>TOTAL COSTS</b>	<b>£1,955</b> <b>revenue</b>	<b>TOTAL COSTS</b>	<b>£</b>

<b>3. ICT</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>ICT</b> <b>Option B Hosting stays at</b> <b>County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
The complete ICT impact of a switch in hosting has been considered with one off and revenue charges identified.			

<b>3. ICT</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or savings</b>	<b>ICT</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or savings</b>
<p><b>One off costs of a switch</b>  Depending on the option chosen, these are predicted to be between £34,305 and £39,533. However, £15,033 of this amount is resource time and it has been decided by the ICT Management Board that the City elements of this work (£14,175) can be absorbed as part of existing ICT workload. The resulting cost is therefore between <b>£20,100 and £24,500.</b></p> <p>During this process it has been identified that there are currently no maintenance agreements for phones. The switch proposal includes the one-off costs of handsets in all sites which would bring benefit to the service. (The corresponding costs for doing the same if the service stays at county are shown in the right hand column). NB: No revenue costs are shown for the switch proposal as costs are within existing MW revenue budgets for phones.</p> <p>A saving of -£6,000 would be made by County as they would not need to refresh the network at Commandery and MAG (planned for 2018). They would, however, use some resource time (£858) to carry out the data transfer, leaving a total saving of <b>-£5,142</b> by County</p> <p>Splitting Museums Worcestershire by leaving Hartlebury at County incurs extra cost, for example, in enabling access to shared resources.</p>	<p>One-off costs of between <b>£20,100 and £24,500.</b></p> <p>One off saving to County of <b>-£5,142</b> (not need network refresh but do need to cover resource time of</p>	<p><b>One off costs of staying at County</b>  As this process has identified there is currently no maintenance agreement for phones. Recommend if the service stays at County, handsets are provided and a similar calls/line rental agreement as per the switch option approach –c. <b>£3,800</b></p>	<p><b>£3,800</b></p>

<b>3. ICT</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>	<b>ICT</b> <b>Option B Hosting stays at</b> <b>County</b> <b>Implications</b>	<b>Costs or</b> <b>savings</b>
<p>In all cases, alternative options have been pursued to reduce cost and impact. Options do exist to reduce cost and so the worst and best case scenarios are both shown, with their impacts. Options to reduce cost include, for example, not replacing hardware less than 5 years old. The impact of this, however, is two weeks downtime when the laptops/desktops have to be stripped of County assets and rebuilt by City.</p>	<p>data transfer process)</p>		
<p><b>Annual costs of a switch</b>  These are predicted to be <b>£10,347</b>.</p> <p>(Website hosting is included in the above figure)</p>	<p>Revenue cost to City of <b>£10,347</b></p>	<p><b>Annual costs of staying at County (new)</b></p> <p>Website hosting for Museums with County resource will cost <b>£4,107.36</b> p/a from 2018/19. (NB: £1,600 of this is the licence fee (equivalent not recharged by City) – rest is County development support)</p> <p>The revenue impact of the phones maintenance agreement at County would have an adverse impact on the MW budget – with a revenue increase of <b>£2,840</b> for phone maintenance/call plan. (NB: <i>Current revenue budget for this is</i></p>	<p><u>New</u> charge to the MW budget from 18/19 of <b>£4,107.36</b> for website hosting costs and an increased cost of <b>£2,840</b> for phone maintenance/call plan</p>

3. ICT Option A Hosting switches to City Implications	Costs or savings	ICT Option B Hosting stays at County Implications	Costs or savings
		<i>£4,000 and across all MW users would cost £6,840).</i>	
<p><b>Potential annual savings of a switch</b> ICT currently outlay £386 per user which is not recharged to Directorates. This would be a cash saving if a switch happens and has provisionally been taken account of in headcount reduction planning in ICT. 26 device users would be leaving County, meaning a revenue saving to ICT budget (not recharge) to County of <b>-£10,036</b>.</p>	<p>Revenue saving to ICT budget (not recharge) to County of <b>-£10,036</b> for 26 device users leaving County</p>		
<p><b>Timetable</b> A full ICT switch should be able to complete by the end of June 2018.</p>			
<p><b>TOTAL NEW ONE OFF CASH AND RESOURCE ICT COSTS (TO ALL PARTIES)</b></p>	<p><b>£14,958 - £19,358</b></p>	<p><b>TOTAL NEW ONE OFF CASH AND RESOURCE ICT COSTS</b></p>	<p><b>£3,800</b></p>
<p><b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS (TO ALL PARTIES)</b></p>	<p><b>£311 (see table below)</b></p>	<p><b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS</b></p>	<p><b>£6,947.36 (see table below)</b></p>

<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO CITY</b>	<b>£10,347</b>	<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO CITY</b>	<b>£0 (same as now)</b>
<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO COUNTY</b>	<b>-£10,036 saving</b>	<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO COUNTY</b>	<b>£0 (same as now)</b>
<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO MUSEUMS WORCESTERSHIRE</b>	<b>£0</b>	<b>TOTAL NEW REVENUE CASH AND RESOURCE ICT COSTS TO MUSEUMS WORCESTERSHIRE</b>	<b>£6,947.39</b>

<b>4. Legal Option A Hosting switches to City Implications</b>	<b>Costs or savings</b>	<b>Legal Option B Hosting stays at County Implications</b>	<b>Costs or savings</b>
<p>County's legal services have reviewed the existing contracts held by the Museums service and have not identified any issues preventing their novation.</p> <p>The shared services agreement will be reviewed and updated during implementation. Implications from each workstream will be considered as part of this although no major changes are expected, other than the Hartlebury operational team staying within the County Council's employment.</p> <p>A draft heads of terms for an SLA between Museums Worcestershire and the County Council for the relationship between the joint service and Hartlebury has been drawn up.</p> <p>Legal Services are reviewing this in relation to the current agreements between County and HCPT, to ensure there are no conflicts or barriers.</p> <p>The actual SLA can then be created during implementation.</p>	£0	<p>No change.</p> <p>However, should a switch not happen, it would be advisable to review the shared service agreement, now 7 years old.</p> <p>Ensuring both councils have a more visible and tangible commissioning role may also be worth pursuing.</p>	£0

4. Legal Option A Hosting switches to City Implications	Costs or savings	Legal Option B Hosting stays at County Implications	Costs or savings
Legal Services at City would be able to absorb the Museums Worcestershire support within its existing provision and so no extra cost would be incurred.			
<b>Timetable</b> The legal workstream envisage no difficulties in reviewing and updating the shared service agreement and producing an SLA between Museums Worcestershire and Hartlebury Museum for a switch to occur according to the planned timetable.			
<b>TOTAL COSTS</b>	<b>£0</b>	<b>TOTAL COSTS</b>	<b>£0</b>

5. Financial new costs Option A Hosting switches to City Implications	Costs or savings	Financial new costs Option B Hosting stays at County Implications	Costs or savings
<p>Many of the financial impacts of a hosting switch are identified and shown in the other work-streams. The Finance work-stream have therefore considered a number of specific financial management issues which are detailed below.</p> <p><b>Hosting Charge</b>            Currently, a hosting fee of £10,580 is paid by City to County for the extra support services required to host both services. This contributes to an overall recharge budget of £77,920 for the Museums Service.</p>	Revenue cost of <b>£10,580</b> to County	No change	

<b>5. Financial new costs</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or savings</b>	<b>Financial new costs</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or savings</b>
<p>Given that Hartlebury museum operations will be staying at County and that much of the support for the museums service can be absorbed by City, it is proposed that <u>no hosting fee</u> is levied by City in the event of a switch.</p> <p>This then leaves the question of the impact on County of the loss of the hosting fee and of the need to reallocate the overall £77,920 recharge within County. £67,340 of this is funded centrally and apportioned to service areas for budgeting purposes. This would simply be reapportioned. The £10,580 loss would be added to this reapportioned amount. (See also ICT work-stream section for a similar level of revenue saving that would be made by removing 26 device users).</p>	<p>Revenue saving of <b>-£10,580</b> to City</p>		
<p><b>Shop-Stock</b></p> <p>In 2010, when County took on the hosting of Museums, the City Council wrote off an amount of £17,068.17 for County to cover the value of transferred stock.</p> <p>It is recommended that County take the same approach as City and write off the shop stock amount, up to the value of £20,000. Above this amount, City will need to pay County the difference. (Staff will work to reduce stock levels as much as possible by then, but need to be mindful of year end being during Easter holidays and the impact this has on stock volume).</p>			

<b>5. Financial new costs</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or savings</b>	<b>Financial new costs</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or savings</b>
<p><b>VAT</b>  A report was commissioned into the application of the cultural exemption on VAT and what the impact of a switch would be.</p> <p>City are very close to their partial exemption City calculation, meaning that Hartlebury needs to stay at county in order to keep claiming the cultural exemption, particularly important given their relationship with HCPT. No actual financial loss would be felt in the case of a switch without Hartlebury, but the report does identify that an opportunity would be lost for the Commandery to start claiming the cultural exemption on admissions whilst hosted by County. This would amount to £5,100 p/a based on 2016 visitor figures and is predicted to increase. Not all doors are closed, however. Should the City change its current provision which claims cultural exemption, the partial exemption calculation may reduce and there may be a chance for the Commandery to start to claim the exemption. Similarly, if Museums Worcestershire set up an enterprise arm there may be a chance to revisit this in the future.</p>		<p>Should Museums Worcestershire stay at County, cultural exemption should start to be applied at the Commandery</p>	<p>Revenue saving to Museums Worcestershire of <b>-£5,100</b> based on 2016 VAT figures</p>
<p><b>Reserve</b>  Museums Worcestershire hold a reserve of £56,000. Additionally, external funds are held for fire insurance at Hartlebury (which must be used for education purposes), Museum on the Move and Museum Development. It is proposed that the fire insurance reserve stays with the County Council for its planned educational uses. The rest of</p>			

<b>5. Financial new costs</b> <b>Option A Hosting switches to City</b> <b>Implications</b>	<b>Costs or savings</b>	<b>Financial new costs</b> <b>Option B Hosting stays at County</b> <b>Implications</b>	<b>Costs or savings</b>
<p>the reserve (plus restricted funds for Museum on the Move and Museum Development) will be transferred to City as part of the switch.</p> <p>The matrix management model will be used to support the use of the fire insurance reserve.</p>			
<p><b>Summary on revenue impact of City support services taking on new staff</b></p> <p>HR, Legal and Finance will be able to absorb the extra costs of support for Museums Worcestershire due to Leisure services transfers out of City which happened fairly recently. ICT revenue impact is identified in the table above.</p>			
<p><b>Timetable</b></p> <p>The planned implementation timetable is achievable for the Finance work-stream. Should the switch happen after 31 March 2018, a retrospective approach will need to be taken to achieving year end:</p> <p><b>Year End</b></p> <p>As the actual switch may not happen until 1 July (due to ICT and HR implementation work following a political decision to switch), appropriate adjustments will be needed to ensure year-end accounting is accurate</p> <p>In this period, it is proposed that:</p> <ul style="list-style-type: none"> <li>- Transactions will be processed and managed by WCC against the budget lines for 18/19, along with under taking the final stock take to agree the value of stock</li> </ul>			

<b>5. Financial new costs Option A Hosting switches to City Implications</b>	<b>Costs or savings</b>	<b>Financial new costs Option B Hosting stays at County Implications</b>	<b>Costs or savings</b>
to be transferred.  - Following the transfer, a date will be agreed to confirm the final transfer figure and protocol for transferring the remaining unspent budget.			
<b>TOTAL NEW FINANCIAL WORKSTREAM COSTS OF A SWITCH TO ALL PARTIES</b>	<b>£0</b> (see table below)	<b>TOTAL NEW FINANCIAL WORKSTREAM COSTS OF NO SWITCH TO ALL PARTIES</b>	<b>-£5,100 saving</b> (see table below)

<b><i>TOTAL NEW FINANCIAL WORKSTREAM COSTS TO CITY</i></b>	<b><i>-£10,580 saving</i></b>	<b><i>TOTAL NEW FINANCIAL WORKSTREAM COSTS TO CITY</i></b>	<b><i>£0 (same as now)</i></b>
<b><i>TOTAL NEW FINANCIAL WORKSTREAM COSTS TO COUNTY</i></b>	<b><i>£10,580 (loss of income)</i></b>	<b><i>TOTAL NEW FINANCIAL WORKSTREAM COSTS TO COUNTY</i></b>	<b><i>£0 (same as now)</i></b>
<b><i>TOTAL NEW FINANCIAL WORSTREAM COSTS TO MUSEUMS WORCESTERSHIRE</i></b>	<b><i>£0</i></b>	<b><i>TOTAL NEW FINANCIAL WORSTREAM COSTS TO MUSEUMS WORCESTERSHIRE</i></b>	<b><i>-£5,100 saving</i></b>

<b>6. Operational Option A Hosting switches to City Implications</b>	<b>Costs or savings</b>	<b>Operational Option B Hosting stays at County Implications</b>	<b>Costs or savings</b>
One of the principles of the hosting switch is:  • To achieve as far as possible a seamless move of the service	£0		£0

6. Operational Option A Hosting switches to City Implications	Costs or savings	Operational Option B Hosting stays at County Implications	Costs or savings
<p>The only impact on service that has been identified is with some of the ICT changes.</p> <p>There will be a need to cease using the ICT between a Friday and a Monday when the data is transferred.</p> <p>Additionally, should the decision be made to transfer some existing laptops and desktops under 5 years old, rather than buy all new, there will be a 2 week period in which 7 members of staff will not be able to use their ICT hardware. Mitigation measures will be put in place to minimise any adverse impact.</p>			
<b>TOTAL COSTS</b>	<b>£0</b>	<b>TOTAL COSTS</b>	<b>£0</b>

NB: Please see the summary tables in the Executive summary for the overall financial impact on each authority