



Appendix A: Confederation model description

What is the Confederation Model?

The Confederation model is a way of organising how we (as a group of three councils) could undertake collaborative working. There are many ways of organising ourselves so we can work together. These include sharing services, setting up joint committees, secondments, joint procurement and partnerships. All of these have strengths and weaknesses and at times all three councils have used these mechanisms to undertake collaborative working.

What these models don't give us is much flexibility. If another partner joins us we need to set up new arrangements to accommodate them, this results in a 'freeze' on progress whilst we negotiate with another party. These approaches do not allow us to trade or act on a commercial basis. And, if we wish to undertake significant sharing of services, the governance becomes increasingly complex and the inevitable consequence is a requirement for the councils to undertake time consuming and costly harmonisation of terms and conditions.

The Confederation model currently being considered sets out a framework by which the councils could, over time set up different types of organisations, formal partnerships and arrangements to deliver council services. These organisations would all be legal entities and different types of arrangements could include council owned companies (that could trade) or simple shared services arrangements.

The Confederation approach may also establish a co-ordination group that ensures services working within the Confederation charge each council for what they use fairly, that performance targets are met and that the services are meeting the strategic needs of the councils in a legal way.

The diagram overleaf gives an overview of the potential Confederation model. With the founding sovereign councils at the top and a wholly joint council owned co-ordination company serving the founding councils underneath. This co-ordination company would be responsible for sourcing councils' services from a mixed economy. Within this mixed economy the councils have the opportunity to establish any type of legal entity (company, trust etc.) that they wish. The councils retain control of all owned entities.

Why are we considering this approach?

The financial outlook for local authorities remains challenging and all three councils are facing deficits of millions in their medium term financial position. Government policy is pushing district councils to share services and in the wider public sector outsourcing, budget pooling and alternative forms of service delivery (including commercialisation) are all being

progressed. We believe the Confederation model gives us a good opportunity to make savings and remain flexible and sustainable as sovereign district councils in the long term.

In summary:

- The model gives us maximum flexibility
- We can pick the best organisational structures for our services
- We can trade within a set of rules that means the councils can contract with the companies without the cost of procurement (the teckal rules)
- We can clearly decide which services to put into this arrangements and which to retain
- If the companies are very successful they can trade and generate income (following normal contracting and procurement regulations)
- We would move towards a Confederation model incrementally. We can decide on a limited number of services to put into a council owned company and work over a number of years to develop and sell this company's services.
- At any time others can join us at either the co-ordination level (subject to the agreement of the founding partners) or by trading with us. We can avoid whole council merging of terms and conditions and staffing structures
- We retain our individual sovereignty and local focus as district councils

Are there any downsides?

Any change poses challenges and this is no different. As we explore the potential of this approach, we will need to help staff adjust to new working arrangements and we will need to become more commercially minded. We will need new scrutiny arrangements for Members and as Members will sit on the boards of any council owned companies additional training will be required.

The Confederation Model

