

Cherwell District Council

Executive

15 December 2014

<p>Developing the approach to Joint Working and the Delivery of Local Authority Services Draft Business Case</p>

Report of Chief Executive

This report is public

Appendices C and D are exempt from publication by virtue of paragraph 3 of
Schedule 12A of Local Government Act 1972

Purpose of report

This report presents the draft business case for a shared service and/or confederated approach to joint working and the delivery of local authority services following consideration by the three way Joint Arrangements Steering Group (JASG) on 27 November 2014.

1.0 Recommendations

- 1.1 Following a review by the Transformation Joint Working Group and agreement by JASG, it is recommended that Cabinet endorse the attached business case for options to deliver three-way joint working for consideration by Council with the following recommendations.
- 1.2 Members are recommended, subject to South Northamptonshire and Stratford on Avon District Councils resolving in similar terms, to:
 - I. Agree an 'in principle' move towards scenarios 2 and/or 4 as set out in the appended business case and its supporting papers.
 - II. Agree that the appended business case is used as the basis for public, partner and stakeholder consultation and, subject to the outcome of that consultation not leading Members to a change of view, request that a full and final business case, taking account of the responses received to this consultation, is brought to the February 2015 Council meeting.

- III. Agree in principle and subject to consideration of consultation responses to include all services within the potential scope of joint working (as set out in the appended business case scenarios 2 and 4, section 6), subject to prior approval of individual business cases on a service by service basis
- IV. Agree in principle and subject to consideration of any consultation responses that any moves towards a confederated approach are undertaken on an incremental basis and that the first phase of services considered for inclusion are back office or support services.
- V. Request that additional tax and pensions advice is sought to ensure that any implementation costs associated with the confederation approach are fully quantified in any final business case.
- VI. Request that additional legal advice is sought to prepare governance arrangements including shareholders' agreement and exit strategy to be included as an appendix to any final business case. These arrangements should also any transitional requirements (e.g. steering groups, joint committees to oversee the establishment of the confederation).
- VII. Request that a full organisational development strategy is developed for adoption to aim to ensure that Members and employees have the requisite skills to operate within a confederation approach should the final business case be approved.

2.0 Introduction

- 2.1 At their meeting in July 2014 JASG requested that a draft business case was prepared to outline potential high level savings associated with the delivery of a three way joint working and /or a confederation. This followed the completion of a full legal and governance review of options to underpin joint working.
- 2.2 In addition to the legal and governance work a financial implications/viability summary was also completed by KPMG.
- 2.3 This work has been overseen by the Transformation Joint Working Group (with updates to JASG in July and October.)
- 2.4 The work has been funded by the Transformation Challenge Award TCA (granted in December 2013) which was subsequently augmented by a further two successful bids to support ICT harmonisation and the implementation of a new financial management system. On 28 November 2014 it was announced that the three councils (in a bid led by South Northamptonshire) had successfully been granted a further £900,000 to implement the transformation programme.

- 2.5 The findings from the legal review and financial viability clearly show that the councils have within their powers the ability to establish confederated governance and that using this model there is potential to trade and/or work with additional partners.

3.0 Report Details

3.1 Business Case Outputs

- 3.1.1 The business case presents both a financial and a strategic case for pursuing a confederated approach to joint working. The financial case reviews 4 scenarios which compare savings achievable on the basis of scope of collaboration (i.e. which services to consider a potential areas for joint working) and governance arrangements (i.e. shared service or a confederation approach).
- 3.1.2 The financial assumptions are prudent and based on the levels and types of savings generally realised in joint working arrangements, i.e. management savings, ICT, business systems, procurement savings and some staffing reductions realised as economies of scale are generated. These savings are included in all 4 scenarios.
- 3.1.3 The savings associated with confederated governance (scenarios 3 and 4) also include workforce savings that can be realised over the medium to long term as new starters in any council owned company may be employed on private sector terms and conditions which are likely to reduce the costs of pension contributions significantly. In this scenario any existing staff transferred to the company would retain their existing terms and conditions under TUPE.
- 3.1.4 After the JASG meeting on 27 November the business case was amended by the Director of Resources to reflect the successful TCA bid. As such return on investment, payback periods and implementation costs have been altered to incorporate the £900,000 award.

3.2 Consultation Requirements

- 3.2.1 If the recommendations are accepted by the Councils as set out the next stage is to move to a consultation process where stakeholders can comment on the proposed policy. Stakeholders will include local residents, community groups and businesses as well as staff and trade unions. This consultation will take the form of an open online survey/consultation event during December 2014 and January 2015 hosted on each of the Councils' websites.
- 3.2.2 The consultation will take place alongside the Councils' statutory budget consultations and it should be noted that the proposal aims to contribute to addressing the deficits within each Council's medium term financial strategy.
- 3.2.3 At this stage the consultation will be seeking views on the adoption of the wider joint working and potential confederation approach as a Council policy as opposed to the other options for future service delivery or addressing the financial sustainability of the Council. The responses to the consultation will be presented to Members and, upon the assumption that there is no intervening change of officer advice as a result of this process, feed into any full and final business case.

3.2.4 The formal staff and trade union consultation that is required as part of any changes to job roles and organisational structures in shared working or the transfer of employment to a separate legal entity in a confederation approach would take place as individual service business cases were developed. At this stage there are no detailed proposals regarding potential changes at the service level either in terms of jobs, roles and structure or in terms of changes to service delivery arrangements.

3.3 Developing a Final Business Case

3.3.1 Any final business case will consider the consultation responses, address them where necessary and set out a full and final strategic and financial case. It will address the outstanding issues identified in the appended document.

3.3.2 The final business case will also set out the scope for a first phase of services to be considered for joint working beyond those already implemented. Initial development and review work undertaken by the Transformation Joint Working Group has scoped back office and support services for potential inclusion in this first phase for two reasons. Firstly these services have a key role in enabling the delivery of further joint working and secondly as these services are not directly delivered to external customers (i.e. residents of businesses) there is a lower risk in terms of impact on service delivery.

3.3.3 The final business case will also include a detailed delivery plan. As set out above the first phase of service reviews will likely focus on back office and/or support services.

3.3.4 It should be noted that any service considered suitable for joint working will move through an implementation pathway which supports the development of that service within a shared service environment before the service is considered for a more commercial or trading environment. This is expected to take place over the medium term (i.e. 2-3 years) and any final decision to move a shared service into a new structure or delivery vehicle within a confederation will be subject to Member decision making on a business case by business case basis.

3.4 The Democratic Process

3.4.1 If Members agree the recommendations as set out in the appended draft business case the implementation of a confederation approach will still be subject to the outcome of the consultation process and approval of a full and final business case at the three Councils' meetings in February 2015. This final case will consider the results of the consultation and set out a full financial and strategic case.

3.4.2 Thereafter legal and financial advice and risk assessment strongly suggests an incremental approach to implementation with any services to be considered for operation within a potential future confederation being subject to individual business cases setting out the costs and benefits. Staff and services users subject to any change as a result of these specific business cases would be consulted as part of a formal change process. Members would make the final decisions on which business cases should be developed and implemented within a confederation approach.

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report provides an overview of the work completed to date to prepare a business case for a confederation approach to joint working as requested by JASG at their meeting in July 2014.
- 4.2 The legal and financial viability studies show that as well as three way shared working councils have the powers to establish a confederated approach and that any move in this direction should be undertaken incrementally with services considered on a business case by business case basis.
- 4.3 The medium term revenue plans for each the three councils show significant gaps without some form of joint working and each of the scenarios explored in the business case show clear potential to narrow this gap.

5.0 Consultation

Transformation Joint Working Group has overseen the development of the business case as part of their work programme during the course of 2014; this has included scope, legal and financial implications. All Members have been invited to attend briefings outlining a potential confederation approach (July 2014) and the papers for the JASG meeting were circulated to Members across all three councils.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

The business case and its appendices outline the rationale for joint working and/or a confederation approach by presenting four financial scenarios as options for joint working. In addition the business case also outlines a series of other options for meeting the medium term financial deficit (set out in a SWOT analysis in Appendix B to the Business Case).

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications associated with this report at this stage. Potential savings associated with the business case are clearly outlined in the appendices to this report but can only be realised through a full democratic process. Resources to support the further work on pensions and tax implications set out in the report can be funded as part of the £900k Transformation Challenge Award.

Comments checked by:

David Buckland, Assistant Chief Executive, Stratford-on-Avon District Council, 01789 260425, david.buckland@stratford-dc.gov.uk

Martin Henry, Director of Resources, Cherwell and South Northants Councils, 0300 0030102, martin.henry@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications associated with this report at this stage. A full review of legal implications has been commissioned by the three councils and completed by an external legal practice. If Members decide to progress with the business case these legal considerations will inform the process. Before the consideration of any final business case a consultation process is required as set out in the main body of this report.

Comments checked by:

Phil Grafton, Head of Legal and Democratic Services, Stratford-on-Avon District Council, 01789 260400, phil.grafton@stratford-dc.gov.uk

Kevin Lane, Head of Law and Governance, Cherwell and South Northants Councils, 0300 0030107, kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

Links to all themes within the councils' corporate plans/strategies.

Document Information

Appendix No	Title
1	Business Case for A Confederated Approach to Joint Working and the Delivery of Local Authority Services
2	Business Case Appendix Pack
Background Papers	
None	
Report Author	Claire Taylor- Business Transformation Manager
Contact Information	claire.taylor@cherwellandsouthnorthants.gov.uk Tel: 0300 0030113