

# **Cherwell District Council**

## **Executive**

**1 February 2016**

### **Three Way Working and the Confederation**

#### **Report of Chief Executive**

This report is public.

#### **Purpose of report**

This report provides an update on progress with regards to implementation of the business case for the confederation approach to joint working agreed by Council in February 2015. The report includes an update on the position with Stratford on Avon District Council who did not take any decisions in 2015 regarding their participation in the proposed confederation.

The report recommends the continued implementation of the confederation on a two way basis (i.e. Cherwell District Council and South Northamptonshire Council) and the cessation of any further development of the confederation approach or joint working with Stratford on Avon DC as the Council has indicated that it will not be adopting the confederation as its preferred delivery model.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the progress towards the implementation of the business case for a two way confederation approach as adopted by Council in February 2015 as the basis for the delivery of savings, increased resilience, business improvement and income generation in the medium term.
- 1.2 To agree that, following discussions with Stratford on Avon DC (SDC), no further three way joint working proposals with SDC be developed as SDC have indicated they do not wish to pursue the confederation as their future operating model.
- 1.3 To agree that the existing three way shared services (Legal and ICT) are reviewed by officers to consider their suitability for continued three way working in light of the fact that SDC do not wish to pursue the confederation and to request that, subject to the approval of recommendation 1.4 below, officers report to the Joint Commissioning Committee on proposed governance and operational delivery arrangements to ensure effective continuation of either or both of these shared service arrangements on a three way basis should such reviews conclude that this option is considered to be desirable.

- 1.4 Subject to the reviews referred to in recommendation 1.3 above recommending the continuation of three way working for Legal and/or ICT, to delegate authority to the Joint Commissioning Committee to take any executive decisions on the future governance and operational delivery of the said teams to ensure the services are able to continue to meet the strategic objectives of South Northamptonshire Council, Cherwell District Council, and the confederation delivery model.
- 1.5 To note that SDC are willing to continue the operation of the three way transformation team until the secondment period finishes in March 2017 and recommend to Council that the Transformation Team Section 113 agreement (between Cherwell, South Northants and Stratford on Avon) be extended to reflect this (subject to a similar decision being made by SDC).

## **2.0 Introduction**

- 2.1 In January 2014 Cherwell District Council (CDC), South Northamptonshire Council (SNC), and Stratford on Avon District Council (SDC) entered into a partnership to deliver savings through a joint working programme that including maximising opportunities for shared services and exploring opportunities for income generation through the use of alternative service delivery models such as council owned companies that could facilitate trading and potentially the generation of income through activities such as asset management and/or development.
- 2.2 The three way Joint Arrangements Steering Group (JASG) commissioned a review of governance to determine the most effective delivery models and it was quickly determined that traditional top down approaches to shared services would not work. Of particular concern to CDC and SNC was the potential impact on both strategic and service delivery capacity if staff were split across three sites extending the model of two way working across three (or potentially more) partners.
- 2.3 Following this work JASG then commissioned external advisors to help develop an operating model that would facilitate joint working across multiple partners (i.e. three plus), would ensure that strong governance arrangements were in place that ensured each council was being charged fairly for the service provided, that could enable trading of services and that could be broadened to include additional partners as and when required. This work was overseen by the three way Transformation Joint Working Group (TJWG) and JASG. In November 2014 three way JASG unanimously agreed an outline business case for the 'confederation' operating model. This operating model uses council owned companies overseen by a co-ordination entity to deliver services and generate income. It also maximises flexibility by enabling additional partners to come on board as desired, all services were put in scope for potential delivery within this model, subject to service specific business cases, thereby facilitating an incremental development of the operating model.
- 2.4 In December 2014 CDC and SNC councils adopted the business case in principle and proceeded to public consultation. At this stage Stratford on Avon District Council did not adopt the outline business case in full. An alternative set of proposals were adopted by SDC Council in December 2014 committing them in principle to shared services with no decision regarding the use of alternative service delivery models.

- 2.5 Following a positive consultation process CDC and SNC adopted a full business case in February 2015, this put all services in scope (subject to the development of specific business cases) for delivery within a two way confederation, the business case also set out savings targets to be delivered on a two way basis whilst SDC reviewed their position.
- 2.6 On 23 September 2015, following the all-out elections in May 2015, SDC overview and scrutiny committee reviewed the confederation operating model. The committee did not make any recommendations regarding the model but did request that alternative budget reduction proposals were prepared. The SDC Cabinet also began exploring options for devolution in the West Midlands region. As the devolution agenda has developed it has become clear that SDC are increasingly looking towards county and regional options for service delivery and the strategic alignment between CDC/SNC and SDC that was in place during 2013 and 2014, when three way shared services in legal and ICT were delivered, is no longer there.

### **3.0 Report Details**

- 3.1 Following discussions with SDC at a senior political level in December 2015 it is clear that they cannot commit to the same transformation objectives as CDC and SNC.
- 3.2 CDC and SNC and have made significant progress during 2015 delivering further shared services and now need to look at the use of alternative service delivery models to realise the full benefits of the business case, including moves towards income generation.
- 3.3 All parties have therefore considered the position and agreed that no further proposals for three way shared services should be brought forward.
- 3.4 With regards to the existing three way shared services for Legal and ICT is recommended that a review of each service is undertaken by the lead officers at both CDC/SNC and SDC respectively to ascertain the most appropriate way forward for CDC/SNC and SDC. Options to be considered will include retaining the three way service (with improved governance arrangements for each), the cessation of the shared services (and if this is the case the services will revert to a CDC/SNC shared service and a single SDC service), or the possibility of establishing the services as standalone providers (e.g. an arm's length company) serving all councils. It should be noted that any suggested three way options will need to be agreed to by all three councils.
- 3.5 The review of both Legal and ICT services will be completed in early 2016. It is recommended that JCC oversee this work and that all of the decisions regarding the future of these services that would otherwise be the responsibility of the Executive are delegated to this committee so they can consider both the operational and personnel impacts. The principles that will inform decision making with regards to the future of these services will be to ensure the strategic objectives for both CDC and SNC can be met through cost effective and high quality services.
- 3.6 The position with the three way transformation team is somewhat different as the team are externally funded, operating on a secondment basis which comes to an

end in March 2017 and are not responsible for frontline service delivery. Following discussions with SDC it is proposed that the operation of this team continues with a focus on delivery of the programme as set out in the TCA bid led by South Northants in 2014, ensuring effective transition arrangements, overseeing the TCA projects that are delivering ICT transformation (document management, land and property systems) and sharing learning with SDC as appropriate. If the decision is made not to continue the current transformation delivery arrangements the section 113 agreement will be ended and a six months period of notice will be required which means the team will continue until September 2016.

- 3.7 If JCC determine that the three way shared services should cease to continue exit arrangements will be enacted as set out in the three way S113 agreements (see excerpt below).

*In the event of a termination for any reason the Councils shall:*

*(a) co-operate in terminating, modifying, restructuring, assigning or novating contractual arrangements entered into to mutual advantage and properly and timeously execute any documents necessary.*

*(b) use best endeavours to secure an amicable financial settlement*

*(c) immediately transfer or return any property including data belonging to the other councils*

- 3.8 If JCC determine that the three way shared services should continue governance arrangements will need to be enhanced. Proposals will be developed and brought to the JCC for decision making.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 In 2013 and early 2014 there was a high level of strategic alignment between the three councils who all committed to an innovative programme of joint working and delivered savings through the implementation of shared ICT and Legal services.
- 4.2 As the programme has progressed at pace for CDC and SNC and as SDC has looked increasingly to the West Midlands region as the devolution agenda has developed it is clear that the strategic fit between the three partners is no longer in place. At this stage it is believed to be the best course of action to end the partnership with SDC which will enable CDC and SNC to focus on the delivery of the next stage of their transformation programme.
- 4.3 Existing three way shared services will be considered in the light of this position and the best arrangements for future service delivery ascertained.

## **5.0 Consultation**

- 5.0 Any consultation with affected staff will be undertaken in line with the councils' organisational change policy.

## **6.0 Implications**

### **Financial & Resource Implications**

- 6.1 At this stage detailed financial implications cannot be provided as they will be determined if and when it is decided to cease either the three way legal or ICT service and revert to a two way shared service. If this course of action is pursued there may be additional human resources costs if either team does not have enough staff to deliver the service following separation. It is believed that this is an unlikely scenario for legal services and for ICT work is currently being undertaken to assess any resources gaps.
- 6.2 There are no financial implications arising from the continuation of the transformation programme team as this is externally funded.
- 6.3 The loss of further three way shared working opportunities could mean that potential savings through joint working are reduced, however the confederation operating model facilitates joint working with any additional partners and therefore the opportunity to access savings or increased income through wider joint working partnerships remains and is clearly within the scope of the CDC and SNC transformation programme. Furthermore the confederation business case adopted by CDC and SNC councils in February 2015 sets out savings targets to be met through the two way programme and delivery of these savings during 2015 is on track.

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### **Legal Implications**

- 6.4 As with all shared services the arrangements, including the exit arrangements, are governed by the section 113 agreement.

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### **Risk Implications**

- 6.5 The relationships across the three partners remain good, and the proposals to develop no further shared services on a three way basis reflect a difference in strategic objectives and not a service delivery breakdown. As such it is not anticipated that there will be any risks to service delivery, however a full risk assessment will be undertaken and provided to JCC who will oversee the risk management of any planned exit.

### **HR Implications**

- 6.6 At this stage HR implications cannot be fully determined. Implications will be considered as part of the review of Legal and ICT and risks and mitigations identified as part of this work.
- 6.7 Any changes will be implemented in accordance with the councils' joint Organisational Change policy.

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## 8.0 Decision Information

### Wards Affected

All.

### Links to Corporate Plan and Policy Framework

The on-going management restructure is essential to ensure that the five year strategies and one year business plans are delivered successfully for both councils.

### Lead Councillors

Cllr Barry Wood

### Document Information

Appendix No	Title
None	
Background Papers	
None	
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