

# **Cherwell District Council**

## **Council**

**23 February 2015**

<p><b>Developing the approach to Joint Working and the Delivery of Local Authority Services</b></p> <p><b>Final Business Case</b></p>
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### **Report of Chief Executive**

This report is public

Appendix 2 (parts B 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 final business case for a shared service and/or confederated approach to joint working and the delivery of local authority services following consideration of the draft business case by Council on the 15 of December 2014 and a period of public consultation.

#### **1.0 Recommendations**

1.1 Following consideration by Council in December 2014 and a period of public consultation Members are recommended, subject to South Northamptonshire Council resolving in similar terms, to:

- 1) Note and consider the responses received to the public consultation exercise as outlined in section 3.2 of the final business case.
- 2) Agree to implement scenario 5 (as set out in the appended final business case), moving towards shared services in all service areas between Cherwell District and South Northamptonshire Councils. This option should be underpinned by a planned programme of change which should commence as soon as practicable in order to contribute towards the savings required by the councils' medium term financial strategies.

- 3) Subject to recommendation 2 being agreed to add to the Council's adopted policy framework the establishment of shared service or joint working arrangements in any service area (subject to the approval of service specific business cases via the executive arrangements and the necessary employee consultation).
- 4) Agree that the implementation costs associated with scenario 5 (as set out in part 3 of the appended business case) will be funded by general fund or earmarked reserves to be determined at year end by the Director of Resources in consultation with the Lead Member of for Financial Management at Cherwell District Council (CDC) and the Resources and Change Management Portfolio Holder at South Northamptonshire Council (SNC).
- 5) Agree the draft workforce development plan as set out in appendix 2b as a framework to support the implementation of joint working and a full organisational development strategy.
- 6) Agree the principles set out in appendix 2c, management arrangements, and request that the Chief Executive prepares a management structure for the future consideration of the Joint Commissioning Committee (subject to the approval of recommendation 8 below) to ensure the effective implementation of the transformation programme and on-going frontline service delivery.
- 7) Receive the additional technical information provided on the feasibility of alternative models of service delivery in appendix 2d and agree to move towards a 'confederation approach' (scenario 6) between Cherwell District and South Northamptonshire as founding councils. Any decisions to implement a confederation or alternative service delivery models will still be subject to specific business cases to be considered by Members. Development will be incremental and focused on business support services in the first instance.
- 8) Establish a Joint Commissioning Committee and Joint Scrutiny Committee (as set out in appendix 2e) and disestablish the current Joint Personnel Committee with effect from the annual council meeting on 19 May 2015 to enhance the governance arrangements associated with the implementation of scenarios 5 (two way joint working between CDC and SNC) and further development of scenario 6, including the opportunity for additional partners to join the governance arrangements if appropriate.
- 9) Commence staff and trade union consultation on the proposal to establish a Joint Councils Employee Engagement Committee (as set out in appendix 2e) with effect from the annual council meeting on 19 May 2015 to replace the current separate Cherwell and South Northamptonshire Committees.
- 10) Authorise the Head of Law and Governance to amend the constitution and complete a deed of variation to the Section 113 agreement with South

Northamptonshire Council in order to facilitate the governance changes as set out in this report.

- 11) Continue to develop opportunities to extend the collaborative partnership to include like-minded councils and organisations to explore opportunities for shared services, collaboration and the commissioning of alternative service delivery models.

## **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 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. In addition to the legal and governance work a financial implications/viability summary was also completed by KPMG.
- 2.2 This work has been overseen by the Transformation Joint Working Group (with updates to JASG in July and October.) On 27 November JASG endorsed the approach outlined in the draft business case and recommended that the three councils' Executive and Cabinet committees review the proposals prior to consideration by full Council.
- 2.3 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.
- 2.4 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.
- 2.5 The draft business case containing options for three way joint working was considered at the Council meetings of Cherwell (CDC), South Northamptonshire (SNC) and Stratford-on-Avon District Councils (SDC) in December 2014.
- 2.6 At the council meetings in December 2014 CDC and SNC adopted an 'in principle' commitment to explore joint working using both shared services and potentially developing alternative models of service delivery (such as council owned companies) in a confederation approach that would enable additional partners to work in collaboration.

- 2.7 At their meeting in December Stratford-on-Avon District Council adopted an 'in principle' commitment to explore joint working through shared services. SDC has not set out a decision making timeframe for the final business case nor taken any decisions regarding the confederation model. As such, this final business case outlines a way forward to deliver savings through shared services and continuing to develop the confederation approach on a two way basis. The minutes (draft) from each of the three Council meetings are presented in appendix 3 showing the different resolutions made.
- 2.8 Following the December council meetings, a full public consultation has taken place on the draft business case. Results from the consultation are contained in section 3.2 of the final business case.
- 2.9 As requested by Council the additional information required to develop the confederation model has been commissioned. This information is presented in detail in the appendices and referred to as part of the options appraisal in part 2 of this business case.
- 2.10 Taking account of the SDC council decision in December, work has been completed to ensure that the scenarios and approaches contained within this final business case deliver savings for CDC and SNC during 2015/16 and can be extended to include Stratford-on-Avon Council (indeed the principles outlined could be extended to include any other interested party at a later date).

## **3.0 Report Details**

### **3.1 Business Case Outputs**

- 3.1.1 The final business case (appendix 1) presents a financial case for pursuing a broad shared service and/or confederated approach to joint working, the strategic case was fully outlined in the draft business case received by Council in December 2014.
- 3.1.2 In December 2014 the draft business case reviewed 4 scenarios which compared 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). At the full Council meeting in December 2014 Scenarios 1 (shared service approach – support services/back office only) and 3 (confederation approach – support services/back office only) were discounted as they did not deliver the magnitude of savings required by the councils' medium term financial strategies.
- 3.1.3 In the final business case (presented as appendix 1 to this paper) scenarios 2 and 4 remain and an additional two scenarios are presented. These additional scenarios present joint working opportunities between Cherwell District and South Northamptonshire Councils which can deliver savings during 2015/16 and have

been developed within the context of Stratford-on-Avon District Council considering the viability of confederation approach after the election.

- 3.1.4 As such the final business case presents four options to deliver savings through joint working. Scenarios 2 and 4 are as set out in the draft business case in December 2014 and the new options of scenarios 5 and 6; scenarios 5 and 6 set out savings which can be achieved using similar assumptions for joint working and/or a confederation with two councils (CDC and SNC) as founding partners.
- 3.1.5 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.
- 3.1.6 The savings associated with confederated governance (scenarios 4 and 6) 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 may reduce the costs of pension contributions significantly. In this scenario any existing staff moved to the company would be transferred on their current terms and conditions under TUPE.

## **3.2 Options Appraisal**

- 3.2.1 Scenario 2, a three way shared service approach with all services in scope was outlined in the draft business case in December 2014 and agreed as an 'in-principle approach' across the three Councils. However, the recommendations adopted by Stratford-on-Avon District Council at their meeting in December mean that at this stage scenario 2 cannot be progressed at this stage. This is because if CDC and SNC commit to further developing the confederation approach SDC would need to commit in similar terms to ensure that there are shared strategic objectives across the partnership. Likewise, scenario 4, a three way confederation approach with all services in scope, was outlined in the draft business case in December 2014. Again, as this is a three way proposal it cannot be progressed until SDC complete the democratic process.
- 3.2.2 Given the realities of the medium term financial strategy and the request by Council in December 2014 to prepare a final business case to realise savings through joint working a further two scenarios (referred to in the business case as scenarios 5 and 6) have been prepared and savings modelled by the Director of Resources. These scenarios are set out in the following paragraphs. They are based on two way working (with the opportunity to extend to include additional partners) to ensure savings can be realised during 2015/16.
- 3.2.3 Scenario 5, a two way shared service approach between CDC and SNC with all services in scope is outlined in the final business case. This scenario would accelerate the pace of joint working across the two councils and necessitate a

significant programme of change and organisational development to realise the benefits. In addition enhanced governance arrangements (see part 4 of the final business case) would be required to ensure the complexity of joint working in frontline services is effectively managed. The delivery of the programme of transformation and realisation of financial benefits associated with scenario 5 will require some transitional management arrangements to ensure that there is enough capacity to deliver the programme whilst sustaining frontline service delivery performance.

- 3.2.4 Scenario 6, a two way confederation approach between CDC and SNC with all services in scope is outlined in the final business case. This scenario provides further savings and governance benefits on a two way basis. The particular benefit is the ability to extend the model to include additional partners and the ability to generate income. The legal and risk analysis undertaken on this model clearly shows that any move towards a confederation should be incremental and subject to Members adopting business cases on a service by service basis. As such it is appropriate to consider scenario 6 as a potential medium term development of scenario 5.

### **3.3 The Democratic Process and Programme Governance**

- 3.3.1 If Members agree the recommendations as set out in this report the existing Joint Personnel Committee should be disestablished and new governance arrangements put in place to oversee joint working between CDC and SNC. The Member led Transformation Joint Working Group will continue to act as the Programme Board for the on-going oversight of the Transformation Programme including the workstreams on shared services and the development of the confederation approach.
- 3.3.2 It should be noted that the legal and financial advice commissioned as part of this work and the councils' own 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 service 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 shared service or confederation approach within the governance arrangements outlined below. .
- 3.3.3 The adoption of the establishment of shared service and joint working arrangements as part of the Council's policy framework and the creation of a new Joint Commissioning Committee will enable governance arrangements to be streamlined. The two way Joint Arrangements Steering Group (known as JASG) may continue to meet on a less frequent basis to undertake developmental or strategy work, or alternatively this could also be undertaken by an informal meeting of the Joint Committee.

- 3.3.4 The three way Joint Arrangements Steering Group will meet as required and subject to business items. This group remains informal and non-decision making and as such may be expanded to include additional partners if required.

## **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 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 over the medium term. The additional legal and financial advice commissioned as a result of the draft business case (and attached as appendix 2d) supports the case for continuing to progress a confederation model of working to facilitate greater savings through collaboration.
- 4.3 The medium term revenue plans for each of the two councils show significant deficits which will not be closed with the current level of joint working. As such there is a clear financial imperative to pursue options to reduce this gap including additional joint working as well as activities such as service efficiency and income generation. Each of the scenarios explored in the business case show clear potential to narrow this gap. Scenario 5 provides an option to begin delivering savings through joint working during the course of 2015/16 and scenario 6 outlines the potential to develop a longer term approach to collaborative working which may be extended to include further partners, thereby accessing greater levels of savings.

## **5.0 Consultation**

- 5.1 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.
- 5.2 As agreed by CDC and SNC Councils in December the draft business case has been subject to a public consultation exercise between the 18<sup>th</sup> December 2014 and the 6<sup>th</sup> February 2015. A similar consultation has been undertaken at SDC based on their decision to support scenario 2 in principle. The draft business case and its non-exempt appendices have been published on the councils' consultation webpages with a questionnaire inviting comments on any element of the business case or any alternative suggestions for the delivery of savings not considered as part of the business case.

- 5.3 The consultation was published via the press and key stakeholders were informed that the consultation was underway. The Chief Executives have met with the regional union representatives and invited comments from them as part of the consultation. Staff were also been invited to respond to the consultation.
- 5.4 The consultation has used open questions, inviting feedback on any element of the business case or alternative proposals to ensure respondents have every opportunity to make their views known.
- 5.5 It should also be noted that the implementation of specific shared services or confederation approaches will still be subject to a detailed business case and employee consultation as set out in the councils' organisational change policy. Where there is any impact on service users further consultation and an equality impact assessment may be required and will be undertaken as appropriate.

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 Alternative options have been identified and rejected for the reasons as set out below.
  - 6.1.1 The business case and its appendices outline the rationale for joint working and/or a confederation approach by presenting financial scenarios as options for joint working. In addition the draft business case (considered by Council in December) also outlines a series of alternative options for meeting the medium term financial deficit (set out in a SWOT analysis in Appendix B to the Draft Business Case December 2014).
  - 6.1.2 These alternative options are not preferred as it is believed they do not deliver the same level of savings, retained sovereignty and control of local service delivery as the scenarios presented in the business case.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The financial implications associated with this proposal are outlined in detail in the business case. The proposals will contribute to the delivery of the medium term financial strategy and implementation costs are also set out. Any implementation costs will be covered within the life of the medium term financial strategy.

Comments checked by:

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## **Legal Implications**

- 7.2 The legal implications associated with these proposals are set out within the business case. Implementation of scenario 5 will be supported by the establishment of a joint committee. External legal advice has been commissioned to develop the confederation model. If Members are minded to implement a confederation approach (scenario 6) in the medium term further legal advice will be commissioned to complete the governance framework as the programme progresses.

It is important that members take note of the responses to the public consultation process before determining whether or not to approve the recommendations.

Comments checked by:

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## **Risk Implications**

- 7.3 There is risk associated with any major change programme but the two councils have a proven track record of successfully delivering major change programmes over a number of years.
- 7.4 There is a risk associated with the savings quoted in scenario 6. This relates to a Government consultation that recently closed on the Local Government Pension Scheme.
- 7.5 Within that consultation exercise was a proposal that allows any member of staff of a council wholly owned company to have access to the Local Government Pension Scheme. This may mean that the pension savings referred to in option 6 may not be delivered. At the time of writing it is not clear whether this will apply at all, only to wholly owned council companies or to other corporate vehicles. Other savings associated with this approach (e.g. management savings, productivity, efficiency) would be unaffected.
- 7.6 However, it does not stop the development of scenario 5 (two way shared services – all services) and the savings associated with this option being harvested. The report makes clear that option 5 is a stepping stone to scenario 6 and this can be progressed regardless, and indeed ahead of, of any changes to the pension regulations without there be any impact on the overall programme or the savings associated with scenario 5.

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## 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	Final Business Case for A Confederated Approach to Joint Working and the Delivery of Local Authority Services		
2	Business Case Appendix Pack	A.	Confederation model description
		B.	Draft Work Force Development Plan - high level capability and competency assessment EXEMPT
		C.	Management arrangements
		D.	Technical note on the operation of the potential confederation EXEMPT
		E.	Joint Committee – Terms of Reference
		F.	Glossary of terms
3	Draft Minutes from CDC, SNC and SDC Councils.		
Background Papers			
None			
Report Author		Claire Taylor- Business Transformation Manager	
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