



Developing the Approach to Joint Working and the Delivery of Local Authority Services

Final Business Case

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Foreword

The public sector is facing a period of financial and service delivery challenge. Whilst funding is decreasing, demand for public services is rising. Large increases are forecast in the number of people who require often intensive support, such as young children and the very old. Residents also expect that the quality of service they receive from the public sector keeps pace with that available from commercial organisations.

As a result local government is rapidly changing and it is expected to reform at an accelerated pace after the next General Election with all parties set to bring forward proposals for changing the structure, role and purpose of the public sector.

The budget deficits are now well known and to do nothing is no longer an option. Local authorities need to look at alternative ways of working if they are to evolve and meet the following challenges:

- The changing needs of our local populations
- The challenges an aging population presents
- New technology in the provision of services
- The need to manage growth, both housing and employment, whilst preserving what is special in each district

This final business case incorporates additional financial and legal advice as well as findings from the recent public consultation we undertook on the draft business case. It sets out proposals for us to continue to be local sovereign councils that are:

- Forward looking by planning for economic, social and environmental changes
- Able to play a clear community leadership role across the public sector, whilst being transparent, accountable and engaged with local communities and local stakeholders
- Flexible and able to adapt to changing circumstances
- Providing high quality services
- Ensuring we remain an active, influential partner
- Smaller organisations that can 'do more with less'
- Imaginative and creative
- Capable of generating new sources of income to control our own destiny.

By looking at how best to combine our services through sharing our back office, jointly commissioning and procuring and exploring new ways of jointly delivering services we aim to make sure that each Council can continue to provide high quality and efficient services which meet the needs of local residents and businesses over the next 10 to 15 years.

Our business case explores how best to reduce costs, while retaining the quality of services, which in many cases means changing the way in which that service is delivered. We are seeking the best solution for the needs and requirements of the users of each service. At the same time, we recognise that services need to transform to reflect changes in residents'

needs and attitudes. At the heart of the business plan is the aim to become truly citizen-centric councils.

The options for managed change in this paper are a positive and innovative response to the opportunities and challenges that confront us. They aim to ensure as councils we survive and prosper through the times ahead. Simply trying to maintain the status quo is no longer an option.

Collaboration is increasingly being seen by central government as something to encourage as it is locally driven and able to respond to identified local needs. New delivery models have become available which enable us to move beyond the structures in place since the reform of Local Government in 1974.

The option of forming a confederation of like-minded councils provides an opportunity for us to build resilience, secure continued solvency and maintain our local service delivery. The various approaches can be done all at once or evolve as circumstances dictate. This business case offers us options to begin to address the challenges that lie ahead whilst we continue to develop joint working and deliver high quality and value for money local services.

Councillor Mary Clarke

Leader of South
Northamptonshire Council

Councillor Barry Wood

Leader of Cherwell
District Council

EXECUTIVE SUMMARY

1. Introduction

- 1.1 This document outlines options for extending joint working across Cherwell District and South Northamptonshire Councils and continuing to develop new ways of delivering services to local residents and business by transforming the way we do business.
- 1.2 It sets out an approach to governance arrangements that can be developed over the medium term that should ensure a wide range of options for service delivery can be considered within a collaborative partnership of a number of Councils. These options will include various forms of shared services and potentially the use of alternative models of service delivery such as local authority owned companies, Joint Ventures or Employee Mutuals.
- 1.3 These governance arrangements are referred to as a 'confederated approach'. In essence the approach provides an opportunity to use company structures (owned by the partner Councils) for the delivery of services. Within these governance arrangements the Councils remain sovereign bodies able to commission services as specified by elected Members and the companies will be able to supply those services without lengthy tendering processes having to be undertaken by the Councils using what is known as the Teckal exemption. These companies will also be able to trade and generate income which can be used to reduce the costs of service delivery to the partnership or founding councils, this additional trading may only make up a limited amount of turnover (up to 20%) within the Teckal exception. If in the longer term any organisations set up by the councils traded more than 20% of turnover beyond the founding councils, normal contractual and procurement rules would apply.
- 1.4 The draft business case (considered by Council in December 2014) outlines both the financial and strategic rationale behind these proposals and identifies a series of national policy drivers which have informed the development of this case. This final business case reports back on the consultation undertaken after the Council considered the draft business case and presents options to broaden the scope and pace of collaborative working to deliver savings during 2015/16.
- 1.5 Following the Council meetings in December which agreed an 'in principle' commitment to broadening the scope of current joint arrangements (i.e. including all services within scope for potential shared services) and also the commitment to explore the confederation approach in more detail, this document sets out the case to implement these 'in principle' commitments.
- 1.6 The opportunity to broaden the scope of current joint working arrangements and explore the use of a confederation approach represents an innovative and positive response to unprecedented financial constraint. Whilst the confederation model is cutting edge within the sector it is based on sound and well-trodden experiences across local government, and predicated on an incremental development of well proven shared service delivery. Indeed both Cherwell District and South Northamptonshire Councils already use, or have experience of, a variety of alternative service delivery arrangements such as trusts, council owned companies and outsourcing. What makes this approach different is the ability to jointly

commission alternative service delivery arrangements, to co-ordinate the approach across a wider range of partners, access greater economies of scale and have the flexibility to bring on additional partners if desired. It should also be noted that other partnerships of district councils are currently exploring similar approaches, most notably colleagues in West Oxfordshire, the Cotswolds, Forest of Dean and Cheltenham Councils.

2. Background and Context

- 2.1 In early 2014 the Joint Arrangements Steering Group received the findings from a review they commissioned to explore the best governance arrangements for collaborative working within a three way environment. This review identified a number of constraints associated with traditional top down shared service arrangements (i.e. joint management followed by a joint workforce), particularly in terms of the ability to realise significant financial benefits without reducing strategic capacity, and as a result commissioned a study to consider alternative governance arrangements to get the most out of collaborative working.
- 2.2 This business case is the result of this extensive study which has included a full overview of legal and risk considerations, financial scenario mapping, a survey of success factors in similar models across the sector and a consideration of national policy drivers' strongly encouraging district councils to collaborate. The development of this business case has been overseen by the Transformation Joint Working Group and the Joint Arrangements Steering Group both comprising of Members of both CDC and SNC.
- 2.3 This final business case presents options for broadening the scope of joint working across CDC and SNC to maximise the savings and benefits available. At this time the options relate to Cherwell District and South Northamptonshire Councils and not Stratford on Avon as the Council has not yet made a decision on their policy position with regards to alternative models of service delivery (i.e. the Confederation approach) or the timetable by which they wish to progress the options relating to joint working, the context and rationale for this position is outlined within section 2 of this document.

3. Options

- 3.1 As part of the development of the draft business case (reviewed by Councils in December 2014) a number of alternative options were explored. This review was broad in nature and many of the approaches can still be used within the overarching confederation framework. For example within the confederation the councils may decide to jointly outsource a service. What this section does identify is that reliance on either the status quo or awaiting some form of whole scale national or regional reorganisation is unlikely to meet the deficit identified in the medium term financial strategies of the councils.
- 3.2 Scenario planning has been completed as part of this financial case with four scenarios or models assessed. These compare potential benefits by contrasting in two ways: comparing shared service approaches with confederation approaches i.e. the use of council owned service delivery companies; and comparing savings on the basis of joint working across two and three partners. All scenarios work on the basis that any council service could be considered for joint working.

4. The Case for Broadening Joint Working

- 4.1 The financial case presented indicates potential savings over a ten year period. These savings range between £12,618,000 and £18,661,000 depending whether shared service or alternative service delivery models are utilised. These savings would be shared between the two Councils. Full details are outlined in Part 3 of this document.
- 4.2 The strategic case for broadening the Councils' approach to joint working was covered in detail in the draft business case presented to the Council meetings in December. The detail associated with the strategic case has not been repeated within this document as the drivers have not changed. The non-financial benefits associated with the confederation model can be summarised as retained sovereignty, organisational sustainability, strategic capacity and resilience. Likewise there is strong evidence that business models such as staff mutuals can improve performance and productivity. The approach is flexible enough to bring in additional partners and can access a wider scope of savings through the use of private sector business and employment practices and the potential to generate some income through the sale of services. It should be noted that income generation within this approach is a medium to long term objective.

5. Legal and Risk Considerations

- 5.1 A full review of the legal considerations associated with adopting a confederation approach has been completed and reviewed by both the Transformation Joint Working Group and the Joint Arrangements Steering Group.
- 5.2 This review has found that the councils have the necessary powers to set up a confederation and can use the Teckal exemption to trade efficiently within this model. The confederation can also accommodate a variety of service delivery vehicles which can be used to ensure the most efficient and effective approach to service delivery.
- 5.3 The review has found the use of contracts and shareholders agreements to be a key feature of the governance of any potential confederation and as a result a series of new Member roles have been identified within this context, during January 2015 initial Member training (delivered by the Institute of Directors) was provided and a full programme of Member Development will be required if the confederation approach is progressed. These agreements will protect the sovereignty of the founding councils and may also be extended to include additional partners if the founding councils wish to extend the partnership.
- 5.4 A risk assessment has been completed and a clear finding from this assessment is that any move towards a confederation should be implemented on an incremental basis. If the governance framework is established for a confederation services should move into this delivery model (for example into a council owned service delivery company) after a business case has been agreed by Members with respect to that specific service. After Member agreement a shared service would be implemented and business systems harmonised as an interim step before any move to the service delivery company.
- 5.5 Following a period of consultation (between December 2014 and February 2015) the business case has been reviewed and feedback received suggests that a further broadening of the approach to joint working between CDC and SNC presents an opportunity to help address the Council's medium term financial strategy and protect frontline services.

PART 1: BACKGROUND AND CONTEXT

1. Introduction

1.1 Background to the Business Case

- 1.1.1 The purpose of this document is to set out the next steps for joint working for Cherwell District Council and South Northamptonshire Council as requested by the full Council meetings in December 2014 following consideration of the draft business case.
- 1.1.2 This document presents a final case after the draft in December 2014 where options for three way joint working between Cherwell (CDC), South Northamptonshire (SNC) and Stratford-on-Avon District Councils (SDC) were considered.
- 1.1.3 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. The SDC Council decision is shown in Figure 1 below. The confederation approach was not rejected but on the recommendation of the SDC Cabinet deferred to an undefined later date giving the opportunity for additional information to be made available. Concern was also expressed with the impending change to electoral arrangements it was considered preferable for the new Council to make the decision post May 2015.
- 1.1.4 The draft business case also set out the rationale for including all council services within the scope of potential joint working (subject to service specific proposals coming forward and being agreed by Members).
- 1.1.5 As such the picture painted within the draft business case remains largely unchanged. The financial, strategic and policy drivers for joint working remain and the potential for savings offered by broadening the approach to joint working will help to ensure that the deficit within the Councils' medium term financial strategies can be reduced.
- 1.1.6 Given the direction set by Councils in December 2014 the socio-demographic, strategic and policy context outlined within the draft business case has not been repeated within this document. Likewise the detailed rationale for the various options and scenarios presented in this paper has not been reproduced as they remain unchanged from the draft business case. As such this final business case should be read in conjunction with the first draft and its appendices, as it provides the 'next steps' proposal for joint working.
- 1.1.7 It should be noted that this final business case covers next steps options for CDC and SNC whilst offering the potential to extend arrangements to include Stratford-on-Avon District Council during 2015/16. The rationale for this is explained more fully under section 2.3. As a result of local policy development Stratford-on-Avon District Council has had to adopt an alternative timeframe for decision making. The CDC and SNC joint working proposals outlined in this final business case have been developed to ensure the two councils can begin to deliver savings as soon as possible.

- 1.1.8 Given these differences the CDC and SNC joint working proposals outlined in this final business case have been developed to ensure the two councils can begin to deliver savings as soon as possible and during 2015/16 to contribute to the budget in 2016/17.

Figure 1: Stratford-on-Avon Council Draft Minutes 15/12/14

551. Developing the Approach to Joint Working and the Delivery of Local Authority Services

Minutes:

Consideration was given to the recommendations contained in Minute 544 of the meeting of The Cabinet held on 15 December 2014:

During the ensuing debate, it was proposed by Councillor Moore and seconded by Councillor Cheney that the following be added to the recommendations:

IV That the Overview and Scrutiny Committee be asked to review this matter as part of the consultation process as a matter of urgency.

On being put to the vote, the amendment was declared carried.

Individual votes were then taken on the recommendations contained in Minute 544 resulting as follows:

Recommendation I – carried with 1 Councillor voting against

Recommendation II – carried with 1 Councillor voting against

Recommendation III – carried with 6 Councillors voting against and 1 Councillor abstaining

The composite recommendation was then put to the vote and declared carried.

Thereafter, it was

RESOLVED:

That, following a review by the Transformation Joint Working Group of Cherwell District Council, South Northamptonshire Council and Stratford-on-Avon District Council and agreement by the Joint Arrangements Steering Group (JASG), the business case for options to deliver three way joint working was noted and those Chief Officers from all three Councils and the Transformation Team who produced the report were thanked for their work. Accordingly, it was agreed that, subject to Cherwell District and South Northamptonshire Councils resolving in broadly similar terms, Stratford-on-Avon District Council:

- I. agree an 'in principle' move towards scenario 2 as set out in the appended business case and its supporting papers;
- II. agree that the business case be used as a source of information for public, partner and stakeholder consultation and, subject to the outcome of any 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, be brought to the Council within a timescale endorsed by the Leader and Portfolio Holder; and
- III. agree in principle and subject to consideration of consultation responses to include all services within the potential scope of joint working, subject to prior approval of individual business cases on a service by service basis and that the first phase of services considered for inclusion are back office or support services.
- IV. That the Overview and Scrutiny Committee be asked to review this matter as part of the consultation process as a matter of urgency.

1.2 Work undertaken to develop the draft business case

- 1.2.1 Since the December Councils considered the draft business case a full public consultation event has taken place and the results are summarised in section 3.2 below.
- 1.2.2 As requested by Council the additional information required to further 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.
- 1.2.3 Work has been completed to ensure that the scenarios and approaches contained within this final business case deliver savings for CDC and SNC 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).
- 1.2.4 To support the organisational change requirements associated with the transformation programme a high level capability and competency assessment has been completed which will underpin the development of a full Organisational Development Strategy as part of the transformation programme going forward (this assessment is set out in Appendix B).

2. Financial and Strategic Context

2.1 Autumn Statement 2014

- 2.1.1 In December 2014, the Chancellor of the Exchequer published his Autumn Statement which confirmed that the national budget deficit had been halved and not eliminated and that national debt is still growing. As expected, the statement outlined how fiscal austerity would need to continue into the next Parliament.
- 2.1.2 The Autumn Statement outlined that a new Charter for Budget Responsibility would be published setting out the Government's commitment to spending reductions during the next parliament and that the Cabinet Office would publish a plan for £10billion of further efficiencies across government. No specific details were published on where the savings would be realised, however with the NHS and education likely to remain protected, it is expected that local government will face further significant spending reductions.
- 2.1.3 The subsequent annual financial settlements for Cherwell District and South Northamptonshire Councils confirmed this position with 2015/16 settlements in line with expectations set out in the medium term financial strategies of the two authorities. As such it is prudent to assume that the medium to longer term financial picture will be one of continuing austerity for district councils and local authorities generally and significant on-going savings will be required in order to deliver balanced budgets and retain financial sustainability.

2.2 Policy Drivers

- 2.2.1 The draft business case received by Council in December 2014 set out a broad policy context which has informed the development of the business case. This analysis is not repeated within this document as the drive towards collaboration across the sector has been maintained. Indeed the commitment to collaborative

working has been underlined at a national level with new consultation launched by central government on how to develop the Combined Authority model.

2.3 The Local Context

- 2.3.1 Developments within the local context have shifted in the last months with the announcement of a number of potential collaborative arrangements within the sub-region. These potential arrangements are at very early developmental stages and are unlikely to deliver savings for CDC and SNC within the lifetime of the Councils' medium term financial strategies. However they do have a bearing on how collaborative relationships across the region may develop.
- 2.3.2 In December 2014 Buckinghamshire, Northamptonshire and Oxfordshire County Councils announced their intention to explore the potential for a tri-county combined authority. Currently there are no other county based combined authorities in operation (existing combined authorities focus on city regions such as Manchester).
- 2.3.3 Likewise within the West Midlands region a potential combined authority centred on a 'Greater' Birmingham concept has been proposed. Whilst this plan may not include all of Warwickshire, Coventry has been asked to join and the Warwickshire Councils will no doubt wish to consider their position in relation to these developments.
- 2.3.4 Both Warwickshire County Council and Aylesbury Vale District Council have previously announced their desire to pursue unitary council bids. In recent years Northamptonshire County Council has expressed a clear interest in exploring county level unitary options and in January 2015 Oxfordshire County Council published a report outlining its desire for some form of county unitary governance. At the current time there is no national government policy supporting the implementation of new unitary councils and it looks unlikely that any local unitary bids will proceed at any pace and certainly not in time to address the need to deliver savings, and protect frontline district council services, within the life of the Councils' current medium term financial strategies.
- 2.3.5 However, the Warwickshire unitary preference has a particular bearing on the potential for three way working between CDC, SNC and SDC as there is some concern within Warwickshire about the impact of joint working or shared services across county boundaries. This concern has been clearly reflected in the consultation feedback from Stratford-on-Avon.
- 2.3.6 Given the Stratford-on-Avon Council position this business case presents the options and savings figures for collaborative working in a two way arrangement with the flexibility to extend the preferred model to SDC and indeed any other potential partner at a later stage in the programme.

3. Summary of Consultation Findings

3.1 Consultation Approach

- 3.1.1 As agreed by CDC and SNC Councils in December the draft business case has been subject to a public consultation exercise between the 18th December 2014 and the 6th February 2015. 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 draft business case or any alternative suggestions for the delivery of savings not considered as part of the draft business case.

- 3.1.2 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; likewise feedback from employees has also been invited.
- 3.1.3 The consultation was been mirrored across Cherwell, South Northamptonshire and Stratford-on-Avon Councils and the survey used open questions, inviting feedback on any element of the business case or alternative proposals to ensure respondents had the opportunity to comment as widely as possible.

3.2 Consultation Findings

- 3.2.1 This section provides a summary of the consultation feedback. It should be noted that whilst the consultation was undertaken in the same way across the three Councils the local context for each of the three is entirely different. Cherwell and South Northamptonshire have a track record of joint working that has already delivered in excess of £3 million annual savings to the two authorities, as such the concept of shared services and joint working is well established within the districts and the impact of broadening the current approach perhaps less challenging than for Stratford-on-Avon where there are only limited joint working arrangements in place. This has resulted in both differing amounts and content in terms of feedback when comparing Cherwell and South Northamptonshire with Stratford-on-Avon.
- 3.2.2 The vast majority of responses (over 83%) were received from residents of Stratford-on-Avon District Council. This reflects the significantly higher profile that the consultation has received in the local press compared with Cherwell and South Northamptonshire. A number of responses were received from local businesses (approx. 8%) and employees of the three Councils (approx. 7%).
- 3.2.3 The majority of respondents were in favour of the principle of joint working; however many respondents (approx. 15%) felt that joint working should be pursued with other Councils within county boundaries rather than the proposed partnership. Of these responses the majority specifically suggested that Stratford-on-Avon should look at joint working within Warwickshire. The majority of respondents were in favour of joint management as a way of saving money; however a few specified that this should only be done within county boundaries.
- 3.2.4 A range of responses were received as to which services should be in scope. The responses can be broadly grouped into those who believe that all services should be subject to a business case to establish the benefits and those who believe that only support services (HR, Finance, ICT etc.) should be considered.
- 3.2.5 A number of alternative options for reducing Council budgets were suggested, including forming unitary authorities within county boundaries and sharing services with other local Councils within county boundaries. Outsourcing was suggested as an option by many respondents, but equally opposed as an option by others.

PART 2: OPTIONS APPRAISAL

4. Overview of Options

4.1 Options Considered in the Draft Business Case (December 2014)

- 4.1.1 As part of the production of the draft business case a number of scenarios were developed as options to deliver joint working. These include both working in shared service arrangements and using alternative service delivery models such as council owned companies in a 'confederation' approach.
- 4.1.2 In the draft business case reviewed by Council in December 2014 four scenarios were presented. These explored both the scope of services to be included in any potential joint working and different ways of organising those services (i.e. as a shared service or as part of a confederation).

Table 1: Summary of joint working scenarios presented in the draft business case to Council in December 2014 (all three way options)

Scenario	Shared Service or Confederation	Scope of services included
Scenario 1:	Shared services approach	support services/back office only
Scenario 2:	Shared services approach	all services in scope
Scenario 3:	Confederation approach	support services/back office only
Scenario 4:	Confederation approach	all services in scope

- 4.1.3 At Council in December 2014 Scenarios 1 and 3 were discounted as they did not deliver the magnitude of savings required by the Councils' medium term financial strategies. Scenarios 2 and 4 were agreed in principle by SNC and CDC (with SDC reaffirming its 2012 commitment to scenario 2 and taking no decision on scenario 4) and were subject to public consultation which has now been completed.

4.2 Options Presented in the Final Business Case (February 2015)

- 4.2.1 In this final business case scenarios 2 and 4 (as described above) remain and an additional two scenarios are outlined. These additional scenarios present joint working opportunities between Cherwell District and South Northamptonshire Councils reflecting the twin track approach to joint working given Stratford-on-Avon District Council's wish not to work to a time frame pre May 2015 elections.
- 4.2.2 As such this document presents four options to deliver savings through joint working. Scenarios 2 and 4 as set out in the draft business case in December 2014, (these scenarios remain unchanged) and scenarios 5 and 6.
- 4.2.3 Scenarios 5 and 6 set out savings which can be achieved using the same assumptions for joint working and/or a confederation (i.e. those assumptions underpinning scenarios 2 and 4) but with regards to only two Councils (CDC and SNC) as founding partners.
- 4.2.4 Section 5 describes these scenarios in more detail and the table below provides a short summary.

Table 2: Summary of joint working scenarios presented in the final business case (February 2015)

Scenario	Shared Service or Confederation	Scope of services included
Scenario 2:	Shared services approach	all services in scope (3 - way)
Scenario 4:	Confederation approach	all services in scope (3 - way)
Scenario 5:	Shared services approach	all services in scope (2 - way)
Scenario 6:	Confederation approach	all services in scope (2 - way)

4.3 Alternative Options

- 4.3.1 In the draft business case a series of alternative options were presented with a 'SWOT' (strengths, weaknesses, opportunities, threats) analysis. Many of these options were rejected as they either failed to deliver the magnitude of savings required within the lifetime of the medium term financial strategy or they relied on top down re-organisation of local government.
- 4.3.2 It should however, be noted that the flexibility provided through the scenarios presented in this business case (i.e. shared services and the potential confederation model) would enable the founding Councils to develop various approaches to joint working. This could include the use of outsourcing, joint ventures and working with other public and voluntary sectors. The recommendation to proceed with any form of joint working on an incremental basis (by developing service specific business cases exploring options for both shared services and alternative forms of service delivery) will ensure that each decision is taken by Members with the impact on the service users fully assessed.

5. Shared Service Options

5.1 Scenario 2: A three way shared services approach with all services in scope

- 5.1.1 As outlined in the draft business case (December 2014) scenario 2 presents a business case for three way joint working with all services in scope (decisions regarding specific implementation arrangements for individual services to be taken on a business case by case basis by Members). The rationale for savings in this scenario is based on the following assumptions:

- Savings through reduced senior management
- Savings through ICT harmonisation
- Savings through reduction in staffing numbers
- Savings through reduction in controllable budgets (procurement, efficiency and business process savings)

These assumptions have not changed and as such are not repeated in detail within this business case. The anticipated savings associated with this scenario are presented in part 6 of this document.

- 5.1.2 This scenario is currently agreed as an 'in principle approach' across all three Councils and this final business case proposes no changes to either the rationale or the estimated savings that could be achieved by adopting this approach.

- 5.1.3 However, at the current time it is not advisable to progress until Stratford-on-Avon DC has clarified their position with regards to the scenario 4 (confederated approach). It is considered that successful implementation will require SDC to adopt the same scenario or long term vision for joint working as CDC and SNC as Council policy (in essence to set out whether a confederation approach can be used to enable joint working) and for all three partners to ensure effective three way governance arrangements are in place. Part 3 of this business case outlines the anticipated savings if this approach was implemented.
- 5.1.4 Implementation of scenario 2 would be required if the Councils' decided to adopt scenario 4 as their preferred approach.

5.2 Scenario 5: A two way shared services approach with all services in scope

- 5.2.1 Scenario 5 outlines the expected savings that could be delivered if the current approach to joint working between CDC and SNC was broadened to include all Council services within the scope for potential shared services. The rationale for savings will be the same as in scenario 2, however as there are fewer economies of scale it is anticipated that savings will be slightly lower (see part 3 for predicted savings).
- 5.2.2 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) would be required to ensure the complexity of joint working in frontline services is effectively managed and benefits effectively realised. This option provides an opportunity to continue the delivery of the Councils' transformation programme through shared services whilst developing proposals that could be extended to cover additional partners.
- 5.2.3 Implementation of this scenario would be required if Members sought to pursue a confederation approach as set out in scenario 6 (or any form of jointly commissioned alternative service delivery models) in the medium to longer term.

5.3 Management Arrangements and Organisational Development

- 5.3.1 The delivery of the programme of transformation and realisation of financial benefits associated with scenario 5 will require management arrangements to ensure that there is enough capacity to deliver the programme whilst sustaining frontline service delivery performance.
- 5.3.2 Appendix C outlines the rationale and design principles required for these management arrangements. They include:
- Maximising spans of controls and a flatter more flexible structure
 - Corporate responsibilities to ensure organisational silos are not built up
 - Enhancing strategic capacity to support long term organisational objectives
 - Ensuring there is enough senior capacity to deliver organisational transformation and major projects whilst maintaining and enhancing core frontline services
 - Enhancing commercial capacity to ensure the councils are equipped to maximise income generation opportunities and explore the best way to configure service delivery

- 5.3.3 A revised management structure has not yet been developed but will be required if Members decide to pursue scenario 5 (and also if Members in the longer term wish to continue developing scenario 6).
- 5.3.4 Management arrangements will be focused on ensuring that CDC and SNC have the strategic capacity and operational leadership to deliver the objectives of both Councils. These arrangements will not prevent the development of additional joint working opportunities with SDC or any other partners and as such the principles of design will embed flexibility, corporate leadership and development of skills to support the long term challenges facing the sector. These include the delivery of significant business transformation and the increasing need to work in a commercial environment.
- 5.3.5 To this end the draft Work Force Development Plan (high level capability and competency assessment) as set out in Appendix B, will ensure that the right skills, experience and attributes are in place across the Councils. This document presents the strategic skills gaps associated with the delivery of change and the development of alternative forms of service delivery including the potential to trade services within the public sector. It should be noted that it does not identify significant strategic gaps associated with the technical and professional functions of the councils.
- 5.3.6 The implementation of any new managerial arrangements will be undertaken in line with the Councils' organisational change policy and overseen by the Joint Committee.
- 5.3.7 Taken together these appendices provide a draft framework for a full organisational development strategy to be developed if the business case is agreed by the Councils, as set out in the programme plan (see table 12).

6. Alternative Service Delivery / Confederation Options

6.1 Scenario 4: A three way confederation approach with all services in scope

- 6.1.1 As set out in the draft business case (December 2014) scenario 4 presents a business case for three way joint working with all services in scope for delivery within a confederation approach. This option considered the potential savings that could be achieved if the Councils collectively established council owned companies to deliver services.
- 6.1.2 A full description of the model is available in the draft business case and as such is not repeated here. Appendix A does however provide a summary of the model and Appendix D provides further technical detail regarding the model and how it may be developed if Members wish to consider its application in the medium to long term.

The rationale for savings in this scenario is based on the following assumptions:

- Savings through reduced senior management
- Savings through ICT harmonisation
- Savings through reduction in staffing numbers
- Savings through reduction in controllable budgets (procurement, efficiency and business process savings)
- Savings in workforce costs (pensions)

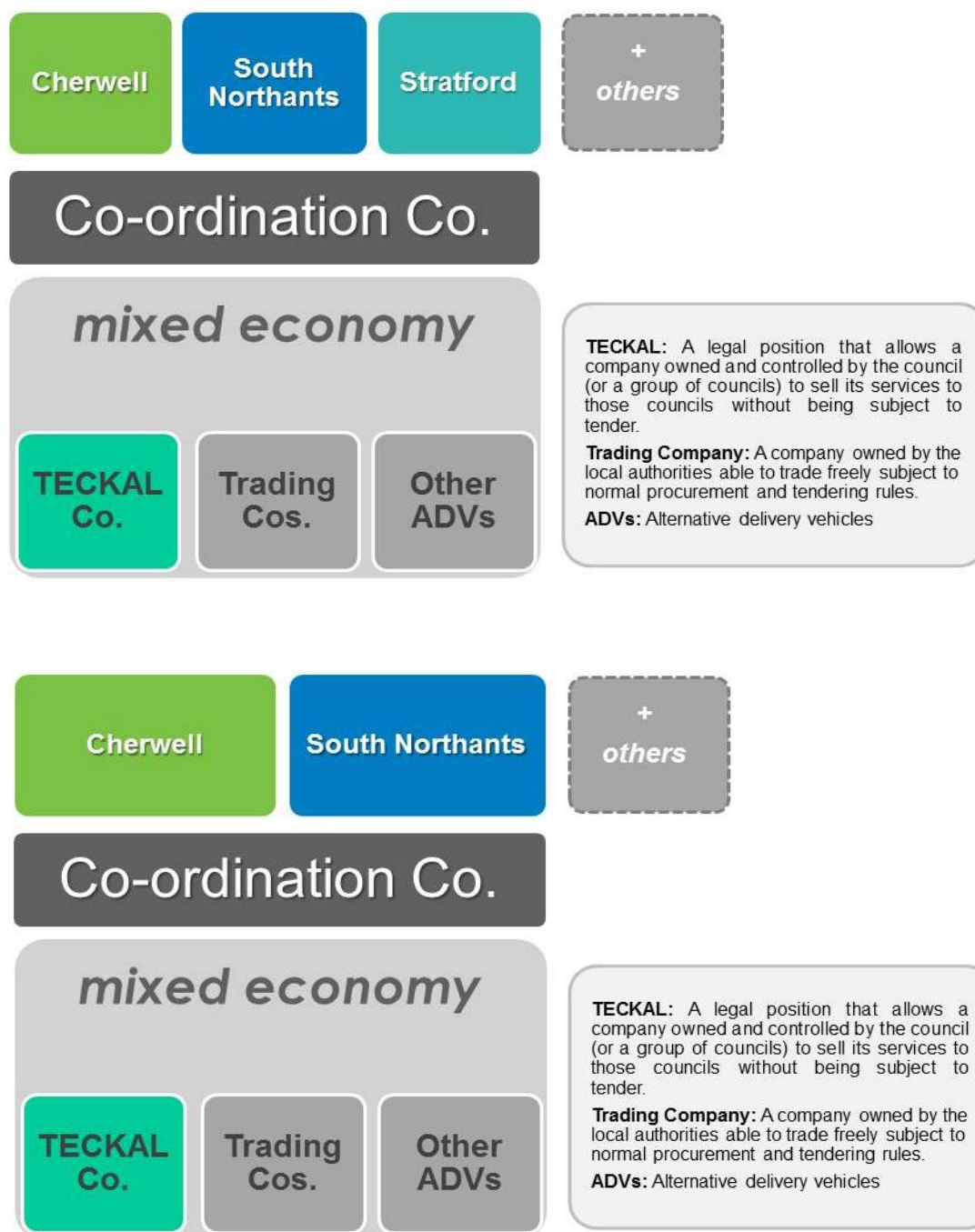
- The potential of generating income through commercialisation of services (e.g. delivering services to additional partners)
- 6.1.3 This scenario is currently agreed as an 'in principle approach' (by CDC and SNC). SDC has not yet taken any decisions regarding the confederation model and as stated above scenario 4 is not an option to pursue until Stratford-on-Avon has identified its policy position.
- 6.1.4 This final business case proposes no changes to either the rationale or the estimated savings that could be achieved by adopting this approach. Successful implementation will require SDC to adopt the scenario as Council policy and for all three partners to ensure effective three way governance arrangements are in place. Part 3 of this business case outlines the anticipated savings if this approach was implemented.

6.2 Scenario 6: A two way confederation approach with all services in scope

- 6.2.1 Given the constraints associated with scenario 4 (a three way confederation with all services in scope) this final business case presents a sixth scenario which models potential savings that could be achieved if the Councils decided to pursue a confederation with two founding Councils with the flexibility to bring on additional partners.
- 6.2.2 This scenario is based on the same working assumptions as the three way confederation option (i.e. scenario 4) but with figures adjusted to reflect the predicted savings and implementation costs for two Councils. The assumptions are highlighted in 6.1.2 and described in more detail in part 3.
- 6.2.3 A confederation approach establishes a framework by which the Councils could, over time, set up different types of working 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), not for profits or mutuals. A co-ordination company, (operating as a local authority company equally owned by the partners) would ensure that services commissioned from this 'mixed economy' perform to the standards set by the Councils and would be charged back to the commissioning Councils at the correct rate.
- 6.2.4 Figure 2 illustrates the proposed confederated approach; it shows three clear 'tiers' of operation, each with different purposes. At the top tier the founding partners remain sovereign councils with full responsibility for setting strategy, policy and commissioning services. Retained services at this level maybe operated as standalone council services or as joint/shared services with another council. Each Council is responsible for setting its own budget, budget strategy and medium term financial plan.
- 6.2.5 Owned by the founding Councils the co-ordination company provides a management function for the co-ordination of service delivery. It streamlines the complexity associated with collaborative working and drives the operational performance and delivery of commissioned services. The co-ordination entity is responsible for the sourcing of services on behalf of the founding Councils and it ensures a fair, efficient and effective charging arrangement for service delivery.
- 6.2.6 At the mixed economy level, leaner and flatter service companies deliver operations as specified by commissioning Councils. Additional partners can buy in services at this level or seek to participate at a more strategic level if mutually beneficial. Figure

2 highlights the flexibility available at the lower tier. A full mixed economy with local authority owned companies able to deliver services as well as flexibility for outsourcing or establishing other entities (such as not for profits) if required.

Figure 2: A Mixed Economy Model for Service Delivery (with 2 and 3 founding partners)



6.2.7 The technical note at Appendix D provides more detail regarding how a confederation could be structured and the tax and pensions implications. This information includes:

- the most advantageous corporate structures for the co-ordination entity, its role and functions
- commentary on how service specification, delivery, monitoring and charging will be undertaken
- a set of criteria for the use of potential mixed economy approaches (e.g. when to use and for which purpose)
- a summary of exit provisions
- a note on pensions (risks and opportunities)
- next steps to develop the model

6.2.8 It should be noted that the clear guidance from our independent legal and financial advisors has been, and remains, that if the Councils wish to implement a confederation model it should be done on an incremental basis to minimise the risk to service delivery and ensure that high quality business cases (including market appraisals) are developed. As such the additional detail outlined in this business case should be seen as the next stage in the development of the approach. Part 4 of this document outlines a proposed programme plan to develop the confederation if Members wish to do so.

PART 3: ANTICIPATED BENEFITS

7. Overview of Scenarios and Anticipated Benefits

7.1 Scenarios and Underpinning Assumptions

- 7.1.1 This section of the business case highlights the potential savings associated with each scenario. Scenarios 2 and 4 remain unchanged from the draft business case in terms of both assumptions and predicted savings.
- 7.1.2 Scenarios 5 and 6 are based on the same principles and assumptions as 2 and 4 but applied to Cherwell District Council and South Northamptonshire Council only (i.e. two way shared services or a two way confederation approach). The table below outlines the assumptions which underpin the scenarios.

Table 3: Assumptions underpinning cost modelling

Assumption	Scenarios to which applied	Rationale
I. Savings through reduced senior management	All	All scenarios will result in fewer senior management roles.
II. Savings through ICT harmonisation	All	A reduction in the number of business systems, duplication of current systems and a reduction in licensing costs, applicable to all scenarios.
III. Savings through reduction in staffing numbers	All	Economies of scale and reduction in duplication applicable to all scenarios. A 5% reduction has been assumed.
IV. Savings through reduction in controllable budgets	All	Economies of scale and reduction in duplication applicable to all scenarios. A 2% efficiency saving has been assumed.
V. Savings in workforce costs (pensions)	4 and 6	Only modelled in confederation scenarios where in the long term pension savings may be accessed via the utilisation of company structures.
VI. Income	4 and 6	Only modelled in confederation scenarios where income generation is feasible.
VII. Additional running costs	4 and 6	An allowance for running costs of potential new entities has been included in the modelling.

- 7.1.3 In terms of the assumptions listed in table 3 a number of features should be noted; points I-IV relate to all scenarios and points V to VII relate to the confederation approach only (i.e. scenarios 4 and 6):
- I. **Savings through reduced senior management:** these which include an assumption in the order of a 25% reduction for models 2 and 5 and in the region of 30% for models 4 and 6. This is felt to be a reasonable assumption given previous experience of the delivery of shared services

- II. **Savings through ICT:** these are based on analysis resulting from the ICT harmonisation programme. Savings are held at the same level under each scenarios 2 and 4 but marginally less for options 4 and 6 given the reduction in purchasing power if Stratford-on-Avon are not included in shared procurement activity going forward. Implementation costs are not included within this business case to deliver these savings, the expectation being that as business cases are developed to harmonise systems implementation will be included at that stage and those projects will only proceed if it is demonstrated that each business case provides a payback period that is worth pursuing
- III. **Savings through reduction in staffing numbers:** an assumption of 5% has been made based on previous experience of shared service delivery. The calculation has been made on average salaries.
- IV. **Savings through reduction in controllable budgets:** a 2% efficiency saving has been assumed on the basis that ICT and staffing savings have already been factored in to the analysis. Savings of 2% can be delivered through a mix of procurement, economies of scale and business process improvement. Past experience in the delivery of shared services has shown that 2% is a prudent assumption that is likely to be bettered if more significant business process transformation is undertaken.
- V. **Savings in workforce costs (pensions):** these savings are based on the assumption that new employees within a confederation would have different terms and conditions and that savings could be delivered particularly through the reduction in pension contributions for new employees of council owned companies. Existing staff are assumed to retain their current terms and conditions as part of a TUPE transfer.

In this financial case this assumption employed is that new starters of the new entity do not have any rights or protection afforded under TUPE to access the Local Government Pension Scheme. Therefore the financial implications have been calculated to reflect the potential that any new starter over the next ten years will be employed on the statutory minimum contribution required from an employer in relation to pension schemes. Currently this is a 1% contribution rate.

However, a more realistic stakeholder pension contribution rate of 3% has been included in models 5 and 6. Contribution rates of 5% and 7% have also been modeled and these are also included for comparative purposes.

One risk that we do need to be aware of is that the Local Government Pension Scheme 2014 pension regulations are likely to change in the near future to iron out some of the unintended consequences of some of the provisions in the original bill. These changes were subject of a consultation process which closed at the time of writing this business case.

Within the consultation paper is a proposal for employees of Council wholly owned companies to be given continued access to the Local government Pension Scheme. Clearly, if this proposal was adopted the pension savings referred to within this business case would not be deliverable. At the current time it is unclear as to whether these proposals would include other forms of alternative service delivery vehicles such as employee mutuals or joint ventures.

Rates of turnover comparable to the current situation in each of the Councils have been used to help estimate the financial benefit that this could derive. However, it is accepted and taken into account in the estimates that there is a proportion of staff that do not leave our employment and therefore has been calculated using a reducing balance methodology.

Pension's savings of this type will only be realised in a confederation approach and then only apply to new employees appointed on the terms and conditions of the confederation company. However, as detailed above, it is not possible to determine if these savings will be deliverable until the revisions to the LGPS Regulations are made.

VI. **Income:** a modest assumption of income generation has been made, assuming no income before 2019/20 and income levels increasing to £200k per annum (for SNC and CDC) at gradual increments between 2020/21 and 2024/25.

VII. **Additional running costs:** estimated costs of between £150,000 and £200,000 per annum for the running costs of any new company structures have been built into the model. It should be noted that these costs will only be incurred within a confederation approach. They have been included on the assumption that there may be new appointments at a senior level to a council owned company. However any new appointment could also be covered using existing posts via a secondment between the council(s) and any new confederation company.

At this stage no assumptions have been made regarding the type or number of posts/roles to support confederation companies. These costs have been included in the scenarios rather than as implementation costs as they may be incurred on an on-going basis. The savings associated with scenarios 4 and 6 take into account these potential additional costs.

7.1.4 Table 4 provides a summary of the anticipated savings associated with each scenario over ten years. The indicative split of the savings is shown in table 4 below. The incidence of the savings attributable back to each authority has been calculated using the same assumptions being applied to the current budgets in place within each of the authorities. The amounts in brackets under Scenarios 2 and 4 are the SNC and CDC savings associated with these scenarios to provide a true comparative for Scenarios 5 and 6.

Table 4: Indicative level of savings for each Council (10 Years)

	Ten Year Savings Indicative Split			
	Cherwell £000	South Northants £000	Stratford £000	Total £000
Scenario 2	8,928	4,825	5,054	18,807 (13,753)
Scenario 4	12,167	7,112	7,759	27,038 (19,279)
Scenario 5	8,332	4,286	N/A	12,618
Scenario 6	11,862	6,799	N/A	18,661

Table 5: Summary of savings associated with each scenario

	Assumption	Over 10 years	Total Saving
Scenario 2	• Reduced Senior Management	£4,373,473	£18,806,504
	• ICT Savings (harmonisation)	£2,601,290	
	• Reduction in staffing numbers	£9,237,125	
	• Reduction in controllable budget	£2,594,616	
Scenario 2	SNC and CDC only Excluding Stratford-on-Avon for comparison purposes		£13,752,724
Scenario 4 (Stakeholder pensions at 1%)	• Reduced Senior Management	£5,109,634	£27,038,278
	• ICT Savings (harmonisation)	£2,601,290	
	• Reduction in staffing numbers	£9,237,125	
	• Reduction in controllable budgets	£2,594,616	
	• Workforce savings (pensions)	£8,115,613	
	• Income assumption	£1,180,000	
	• Running costs assumption	£-1,800,000	
Scenario 4	SNC and CDC only Excluding Stratford-on-Avon for comparison purposes		£19,279,471
Scenario 5	• Reduced Senior Management	£2,567,858	£12,617,530
	• ICT Savings (harmonisation)	£1,203,573	
	• Reduction in staffing numbers	£6,709,670	
	• Reduction in controllable budget	£2,136,429	
Scenario 6 (Stakeholder pensions at 3%)	• Reduced Senior Management	£3,343,568	£18,660,661
	• ICT Savings (harmonisation)	£1,203,573	
	• Reduction in staffing numbers	£6,709,670	
	• Reduction in controllable budgets	£2,136,429	
	• Workforce savings (pensions)	£5,830,755	
	• Income assumption	£786,666	
	• Running costs assumption	£-1,350,000	

* the income figures do not take into account taxation implications

** assumptions re. stakeholders pensions contributions remain at 1% (as set out in the draft business case)

8. Analysis of Scenarios and Anticipated Benefits

8.1 Estimated Savings for each Scenario

8.1.1 The tables above highlight the ten year savings that could be delivered with the different scenarios that have been prepared. This is in line with the business case approach as set out by the Treasury and Department for Communities and Local Government. Annual, 3, 5 and 10 year savings have been presented in table 6 below.

8.1.2 The range of annual savings is highlighted in table 6 below for each of the different scenarios that have been prepared. The table shows the estimated annual savings in the first year, the estimated annual savings in year 2 and the estimated annual savings in year 10. The average estimated annual savings this column has been used to calculate the payback periods later on in this section. For scenarios 4 and 6 the savings include those associated with reductions in employer pension costs. The employer in these scenarios would be the company/entity and not one of the Councils. The employer will have the opportunity to make decisions regarding the pension scheme offered.

- 8.1.3 The assumptions adopted in relation to the savings are prudent. It is expected that if the business case is implemented these could be improved upon. For forecasting purposes they demonstrate a level of saving that could realistically be achieved.

Table 6: Summary of estimated savings

	Annual Savings				Predicted savings 3,5 & 10 years		
	2015-16	2016-17	2024-25	Average	3 Years	5 Years	10 years
SCENARIO 2:	£000	£000	£000	£000	£000	£000	£000
Cherwell	392	948	948	893	2,289	4,186	8,928
South Northants	176	516	516	482	1,209	2,242	4,824
Stratford	192	540	540	505	1,272	2,352	5,054
Total	760	2,004	2,004	1,880	4,770	8,780	18,806
SCENARIO 4:	2015-16	2016-17	2024-25	Average	3 yrs	5 yrs	10 yrs
Cherwell	469	1,056	1,513	1,217	2,644	5,078	12,167
South Northants	230	580	931	711	1,435	2,832	7,112
Stratford	256	623	1,021	776	1,555	3,075	7,759
Total	955	2,259	3,465	2,704	5,634	10,985	27,038
SCENARIO 5:	2015-16	2016-17	2024-25	Average	3 yrs	5 yrs	10 yrs
Cherwell	371	885	885	833	2,140	3,909	8,332
South Northants	158	459	459	429	1,075	1,993	4,286
Total	529	1,344	1,344	1,262	3,215	5,902	12,618
SCENARIO 6:	2015-16	2016-17	2024-25	Average	3 yrs	5 yrs	10 yrs
Cherwell	454	1,010	1,492	1,186	2,540	4,902	11,862
South Northants	216	537	906	680	1,338	2,663	6,799
Total	670	1,547	2,398	1,866	3,878	7,565	18,661

- 8.1.4 The one area which was tested through a sensitivity analysis in the draft business case relates to the assumptions surrounding the pension arrangements which would be open to new starters within a confederated approach. The tables are not duplicated here for Scenario 4 but the analysis modelled employer pension contributions of 1%, 3% and 5%. The current pension contribution within the three authorities is around 13.7%.

- 8.1.5 Under Scenario 6 the assumption on the level of employer contribution stakeholder pension has been increased to 3% in the base case which is thought to be a more realistic level. Further sensitivity analysis has been carried out modelling a 5% and 7% stakeholder pension contribution and these options have the following impact on the savings under scenario 6:

- A 5% stakeholder pension reduces the 10 year savings for Cherwell by £640,000 or an average of £64,000 per annum.
- A 7% stakeholder pension reduces the 10 year savings for Cherwell by a further £640,000 or an average of £64,000 per annum, the total ten year reduction

therefore being £1,208,000 or an average of £128,000 per annum when compared to the base case.

- A 5% stakeholder pension reduces the 10 year savings for South Northants by £450,000 or an average of £45,000 per annum.
- A 7% stakeholder pension reduces the 10 year savings for South Northants by a further £450,000 or an average of £45,000 per annum, the total ten year reduction therefore being £900,000 or an average of £90,000 per annum when compared to the base case.

8.2 Costs (implementation and on-going)

8.2.1 Implementation costs will be incurred to some extent regardless of the approach to joint working pursued (e.g. traditional shared services or a confederated approach).

The following costs have been estimated at this stage:

- Redundancy costs (these vary greatly depending on each individual's age, length of service and membership of the local government pension scheme. Without knowing which individuals may be affected by new operating models it is not possible to present specific implementation costs. As such a range of is presented).
- Early retirement costs – only a very broad estimate can be provided at this early stage
- Programme management costs
- Professional advice (pension, actuarial and tax advice) - Scenarios 4 and 6 only (i.e. confederation approaches)
- Initial marketing and promotional campaign – Scenarios 4 and 6 only (i.e. confederation approaches)
- Recruitment and advertising costs – Scenarios 4 and 6 only (i.e. confederation approaches)
- Staff re-training and development – Scenarios 4 and 6 only (i.e. confederation approaches)
- Company set up and registration costs – Scenarios 4 and 6 only (i.e. confederation approaches)
- Contingency costs.

The following costs have not been included at this stage:

- Costs associated with the harmonisation of ICT applications. These will be included in the individual business cases as they come forward
- Cost of additional tax liability (will only be known when advice commissioned)
- Cost of Pension Fund deficit or impact (will only be known when advice is provided by the councils' actuaries)

8.2.2 A range of implementation cost models have been formulated highlighting an estimate of the minimum costs, average and maximum costs expected under each of the scenarios. The implementation costs have been split in proportion to the savings expected from each of the proposals in order to equalise the payback periods for the authorities and to ensure an equitable split of implementation costs are borne by each authority.

Table 7: Implementation Costs

Implementation Costs	Minimum	Average	Maximum
	£000	£000	£000
Scenario 2	1,295	3,268	5,006
Transformation Challenge Award	(900)	(900)	(900)
	395	2,368	4,106
Scenario 4	1,971	4,030	5,828
Transformation Challenge Award	(900)	(900)	(900)
	1,071	3,130	4,928
Scenario 5	712	1,854	2,839
Transformation Challenge Award	(600)	(600)	(600)
	112	1,254	2,239
Scenario 6	1,437	2,536	3,472
Transformation Challenge Award	(600)	(600)	(600)
	837	1,936	2,872

(see para 8.2.2) for an explanation of how the min-max ranges have been developed)

- 8.2.3 The successful bid for Transformation challenge Award will fund the first £900,000 of implementation costs under scenarios 2 and 4. However, under scenarios 5 and 6 it is assumed that this amount will reduce by a third to reflect that Stratford-on-Avon are no longer included in these scenarios. This fund may be used for three way working and confederation approaches. If CDC and SNC chose to pursue shared services solely on a two way basis guidance would be sought on the application of the TCA fund but a reduction of a third appears to be a reasonable assumption at this stage.
- 8.2.4 For scenarios 2 and 5 (i.e. shared service without confederation approaches) there are unlikely to be any significant additional on-going or running costs as both approaches utilise traditional management arrangements albeit in a shared capacity.
- 8.2.5 For scenarios 4 and 6 i.e. shared service with confederation approaches) running costs associated with new operating models (i.e. use of company structures) have been estimated (as set out in 7.1.3 vii). It should be noted that these costs are estimates and there is currently little comparative information available within the sector to provide any more than estimated figures. It should also be noted that these costs would be the running costs of the new companies rather than the councils' direct costs and in the early years of the approach could also be covered through secondment arrangements. The companies would be expected and incentivised to minimise their running costs through contracts and service level agreements.

8.3 Return on Investment and Payback Periods

- 8.3.1 Implementation costs are split in proportion to the savings expected to be derived from the proposals. This has the effect of equalising the payback periods for all authorities which appears to be an equitable way of determining how they implementation costs should be funded.
- 8.3.2 As a result the split of implementation costs will vary depending on the scenario that is adopted. The split of costs for each scenario is set out in the table below:

Table 8: Split of implementation costs

	Cherwell	South Northants	Stratford	Total
Scenario 2	47%	26%	27%	100%
Scenario 4	45%	26%	29%	100%
Average	46%	26%	28%	100%
Scenario 5	66%	34%	n/a	100%
Scenario 6	64%	36%	n/a	100%
Average	65%	35%	n/a	100%

- 8.3.3 The principle of how the costs will be split needs to be set out at the start of the process so there is clarity on how they are shared and to avoid further debate later in the process. To this end, and for simplicity, it may be appropriate to use the average of the four scenarios to set how the implementation costs are split. This will deliver broadly equal pay back periods.
- 8.3.4 Table 9 pulls together all of the information on the anticipated costs and savings of each of the proposals to provide a return on investment and overall payback period for each of the models:

Table 9: Return on Investment and Payback Period

Scenario 2	Minimum	Average	Maximum
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Overall - Average Annual Estimated Savings	1,881	1,881	1,881
Overall - Estimated implementation Costs	395	2,368	4,106
Overall - Payback period (Years)	0.21	1.26	2.18
Overall - Payback period (Months)	2.5	15.1	26.2
Cherwell - Average Annual Estimated Savings	893	893	893
Cherwell - Estimated implementation Costs	187	1,124	1,949
Cherwell - Payback period (Years)	0.21	1.26	2.18
Cherwell - Payback period (Months)	2.5	15.1	26.2
South Northants - Average Annual Estimated Savings	483	483	483
South Northants - Estimated implementation Costs	101	607	1,053
South Northants - Payback period (Years)	0.21	1.26	2.18
South Northants - Payback period (Months)	2.5	15.1	26.2
Stratford - Average Annual Estimated Savings	505	505	505
Stratford - Estimated implementation Costs	106	636	1,103
Stratford - Payback period (Years)	0.21	1.26	2.18
Stratford - Payback period (Months)	2.5	15.1	26.2

Table 9: Return on Investment and Payback Period (continued)

Scenario 4	Minimum	Average	Maximum
	£000	£000	£000
Overall - Average Annual Estimated Savings	2,704	2,704	2,704
Overall - Estimated implementation Costs	1,071	3,130	4,928
Overall - Payback period (Years)	0.40	1.16	1.82
Overall - Payback period (Months)	4.8	13.9	21.9
Cherwell - Average Annual Estimated Savings	1,217	1,217	1,217
Cherwell - Estimated implementation Costs	482	1,408	2,218
Cherwell - Payback period (Years)	0.40	1.16	1.82
Cherwell - Payback period (Months)	4.8	13.9	21.9
South Northants - Average Annual Estimated Savings	711	711	711
South Northants - Estimated implementation Costs	282	823	1,296
South Northants - Payback period (Years)	0.40	1.16	1.82
South Northants - Payback period (Months)	4.8	13.9	21.9
Stratford - Average Annual Estimated Savings	776	776	776
Stratford - Estimated implementation Costs	307	898	1,414
Stratford - Payback period (Years)	0.40	1.16	1.82
Stratford - Payback period (Months)	4.8	13.9	21.9

Scenario 5	Minimum	Average	Maximum
	£000	£000	£000
Overall - Average Annual Estimated Savings	1,262	1,262	1,262
Overall - Estimated implementation Costs	112	1,254	2,239
Overall - Payback period (Years)	0.09	0.99	1.77
Overall - Payback period (Months)	1.1	11.9	21.3
Cherwell - Average Annual Estimated Savings	833	833	833
Cherwell - Estimated implementation Costs	74	828	1,478
Cherwell - Payback period (Years)	0.09	0.99	1.77
Cherwell - Payback period (Months)	1.1	11.9	21.3
South Northants - Average Annual Estimated Savings	429	429	429
South Northants - Estimated implementation Costs	38	426	761
South Northants - Payback period (Years)	0.09	0.99	1.77
South Northants - Payback period (Months)	1.1	11.9	21.3

Table 9: Return on Investment and Payback Period (continued)

Scenario 6	Minimum	Average	Maximum
	£000	£000	£000
Overall - Average Annual Estimated Savings	1,866	1,866	1,866
Overall - Estimated implementation Costs	837	1,936	2,872
Overall - Payback period (Years)	0.45	1.04	1.54
Overall - Payback period (Months)	5.4	12.5	18.5
Cherwell - Average Annual Estimated Savings	1,186	1,186	1,186
Cherwell - Estimated implementation Costs	532	1,231	1,825
Cherwell - Payback period (Years)	0.45	1.04	1.54
Cherwell - Payback period (Months)	5.4	12.5	18.5
South Northants - Average Annual Estimated Savings	680	680	680
South Northants - Estimated implementation Costs	305	706	1,047
South Northants - Payback period (Years)	0.45	1.04	1.54
South Northants - Payback period (Months)	5.4	12.5	18.5

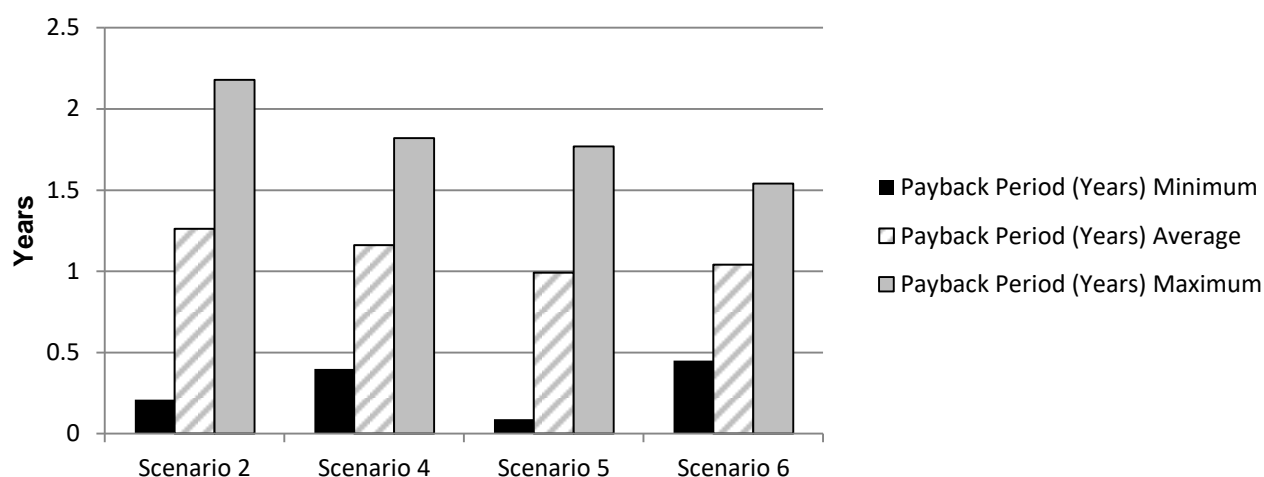
8.3.4 The information above is summarised in table 10 and the following bar chart. The chart demonstrates that, after taking into account the Transformation Challenge Award and the re-allocation of implementation costs to reflect the expected benefit all options payback the initial outlay within two years if the worst case implementation costs apply.

Table 10: Summary of Estimated Payback Period

		Payback Period (Years)		
		Minimum	Average	Maximum
Scenario 2	Equalised payback period	0.21	1.26	2.18
Scenario 4	Equalised payback period	0.40	1.16	1.82
Scenario 5	Equalised payback period	0.09	0.99	1.77
Scenario 6	Equalised payback period	0.45	1.04	1.54

As the implementation costs have been split in proportion to the savings expected to be achieved by each authority, the payback periods have been equalised and therefore are the same for each Council.

Figure 3: Estimated Payback period (years)



- 8.3.5 Any project that repays the investment made within the life of the medium term financial plan is worth considering. All of these options repay significantly within the medium term financial planning period for all authorities.

8.4 Medium Term Revenue Plan: Scenario Forecasts

- 8.4.1 Medium term financial plans are dynamic and are updated on a regular basis. The last plans that were presented publicly were in December 2014 at Cherwell and South Northamptonshire.
- 8.4.2 The latest publicly available medium term revenue plan is presented in the table below for each council, taking into account the four scenarios. The information is presented as if there were no other changes in the financial plans that are being worked on, although in reality the proposals contained within this business case represent a contribution to closing the medium term financial deficits and should not be considered in isolation but as part of a suite of proposals that are emerging that will seek to close the deficits going forward.

Table 11: Medium Term Revenue Plan Deficit Forecast by Scenario

Cherwell	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	£000	£000	£000	£000	£000	£000
Medium Term Revenue Plan Deficit - July 2014	1,617	3,413	4,794	5,069	5,507	20,400
Scenario 2 – Five Year Savings	392	948	948	948	948	4,184
Scenario 2 – Forecast MTRP	1,225	2,465	3,846	4,121	4,559	16,216
Scenario 4 – Five Year Savings	469	1,056	1,119	1,175	1,259	5,078
Scenario 4 – Forecast MTRP	1,148	2,357	3,675	3,894	4,248	15,322
Scenario 5 – Five Year Savings	371	885	885	885	885	3,911
Scenario 5 – Forecast MTRP	1,246	2,528	3,909	4,184	4,622	16,489
Scenario 6 – Five Year Savings	454	1,010	1,077	1,137	1,225	4,903
Scenario 6 – Forecast MTRP	1,163	2,403	3,717	3,932	4,282	15,497

South Northants	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	£000	£000	£000	£000	£000	£000
Medium Term Revenue Plan Deficit - July 2014	716	1,838	2,635	3,054	3,468	11,711
Scenario 6 – Five Year Savings	176	516	516	516	516	2,240
Scenario 6 – Forecast MTRP	540	1,322	2,119	2,538	2,952	9,471
Scenario 4 – Five Year Savings	230	580	624	664	733	2,831
Scenario 4 – Forecast MTRP	486	1,258	2,011	2,390	2,735	8,880
Scenario 5 – Five Year Savings	158	459	459	459	459	1,994
Scenario 5 – Forecast MTRP	558	1,379	2,176	2,595	3,009	9,717
Scenario 6 – Five Year Savings	216	537	584	627	698	2,662
Scenario 6 – Forecast MTRP	500	1,301	2,051	2,427	2,770	9,049

8.5 Income

- 8.5.1 The potential financial benefits of the confederated approach are in the reduction in costs through driving down running costs, efficiencies, economies of scale and workforce savings and the potential to generate income which may be used to reduce the costs of service delivery for the three partner Councils.
- 8.5.2 Given the current operating size of the Councils and their services it is unlikely that trading any additional capacity will alone provide a significant contribution to the medium term financial outlook. As such income generation is seen as a medium to longer term goal with the primary function of ensuring council services are delivered as cost effectively as possible; by trading with others the partner Councils reduce the costs of their own services.
- 8.5.3 A confederation approach will enable trading and provide an environment where if a new service was developed that was highly valued by the market, trading could take place freely with the company owned by the local authorities. Any trading company within the confederation will be subject to corporation tax and if Members decide to pursue this approach further guidance will be required as trading entities are established to ensure that any tax liabilities are dealt with legally and efficiently.
- 8.5.4 It should be noted that any trading undertaken by a Teckal company would need to be substantially (at least 80% of turnover) with the founding partners. Trading with customers (either public or private) beyond this limit would require the establishment of a non-Teckal trading company which would have to compete with other companies and providers to supply services to customers, via the public procurement regime and the Councils' own internal procurement rules.

PART 4: GOVERNANCE AND IMPLEMENTATION

9. Governance Requirements

9.1 The Governance Challenge

- 9.1.1 One of the key drivers for exploring a confederation approach has been the desire to reduce the governance complexity associated with shared services. To this end a full review of the governance implications was completed and reviewed by JASG in January 2014. This analysis has directly informed the development of the transformation programme during 2014.
- 9.1.2 To ensure there are robust governance arrangements in place to facilitate a broader approach to shared services and to ensure there is effective Member oversight of the transformation programme (for example any further development of the confederation approach) it is proposed that a Joint Committee is established to undertake these tasks.
- 9.1.3 The proposed governance arrangements are set out in Appendix E and include proposals for some Joint Scrutiny where this is appropriate. As at this stage only scenarios 5 and 6 can be progressed (2 and 4 are subject to a democratic decision making timetable yet to be determined by SDC) the proposed governance arrangements and terms of reference apply only to CDC and SNC. They may be extended to include additional partners as required and subject to further Member decision.

10. Arrangements for Implementation

10.1 Scenario 5: A two way shared services approach with all services in scope

- 10.1.1 Implementation arrangements for scenario 5 would be based around clear programme management arrangements and the development of workstream to co-ordinate the delivery of joint working arrangements and the implementation of a wider change programme that supports organisational development and builds upon the governance arrangements outlined above.
- 10.1.2 The table below outlines the workstreams that would be required to implement scenario 5 (and 6). If the business case is endorsed by Council this overview will be developed into a full programme plan to be overseen by the Transformation Joint Working Group and the Joint Arrangements Steering Group.

Table 12: Transformation Programme Workstreams Scenario 5 (and 6)

Workstream 1	Organisational Development <ul style="list-style-type: none">• Organisational Development Strategy• Delivery Plan (Including Member Development and Workforce Development Plans)• Review of terms and conditions (potential to harmonise where appropriate)• See appendix B for high level assessment of workforce development
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Workstream 2	Joint Working Governance <ul style="list-style-type: none"> Establishing the governance arrangements for joint working (Joint Committee and Members roles – as set out in appendix E) Establishing opportunities for Joint Scrutiny (as set out in appendix E) 	
Workstream 3	Management Arrangements The implementation of management arrangements to oversee the delivery of the Transformation Programme (using the principles as set out in appendix C)	
Workstream 4	Feasibility Studies / Service Reviews On-going delivery of feasibility studies to consider options for joint working and (if appropriate) the development of business cases. Business cases will consider options including shared services and the potential of alternative service delivery models if the confederation approach is adopted. The list below outlines when feasibility studies will commence. NB. a feasibility explores the potential and options for joint working and will not necessarily result in a business case if adequate benefits are not identified. If the feasibility study identifies good potential for joint working a full business case will be developed. Implementation dates will be outlined at this point and take into account operation constraints and the requirements for employee consultation	
	Feasibility Study Schedule	
	March 2015	Support Services (i.e. those not already shared)
	March 2015	Public Protection and Environmental Health, including: <ul style="list-style-type: none"> Community Safety, ASB and CCTV; Environmental Health; Licensing; Emergency Planning, Business continuity
	April 2015	<ul style="list-style-type: none"> Leisure Management, Facilities and Sports Development (including contracts and joint use); Community Development (including countryside); Economic Development and Transport Asset management
	May 2015	<ul style="list-style-type: none"> Customer Services (Inc. Print/Post/Scanning) Administration (transactional not specialist) Revenues and Benefits
	September 2015	<ul style="list-style-type: none"> Housing, regeneration Health and Wellbeing, social inclusion, prevention; Streetscene
	January 2016	<ul style="list-style-type: none"> Specialist planning services (e.g. conservation advice, arboriculture) Planning policy Development management/control

Workstream 5	Business Case Implementation and Service Transformation <ul style="list-style-type: none"> Implementation of business cases following feasibility studies (the timeframe for each business case will be set out as part of the feasibility study undertaken in workstream 4). Business/Service Transformation. Implementation of the transformation objectives outlined in businesses case to drive savings through service redesign, efficiency and improvement. This is likely to include harmonisation of business processes where additional efficiencies can be made. Review any existing shared services with a view to ensuring they have delivered the required savings and exploring potential for income generation.
Workstream 6	Customer Service The development of a joint approach to customer service and the development of a single customer insight / information management approach. (NB workstream not to commence until the SNC relocation to the Forum has been completed)
Workstream 7	ICT Vision and Strategy To deliver the vision, strategy and harmonisation programme for the joint ICT service. Including savings targets and capital programme and any opportunities for income generation.
Workstream 8	Innovation Delivery of I-Lab, developing commercial skills (linking into OD workstream), innovation mentoring.
Workstream 9	Economic Development Collaboration Implementation of the Deyton Bell Report
Workstream 10	Communications, Engagement and Consultation Programme Communications Strategy, engagement best practice and ensuring compliance with consultation requirements. Implementation of Joint Councils Employee Engagement Committee (as set out in appendix E)
Workstream 11 <i>(Only to be undertaken if Members decide to further develop scenario 6)</i>	Confederation/Alternative Models of Service Delivery - Business Case Development Development of the next stage of this work, including: <ul style="list-style-type: none"> Setting out arrangements for Member leadership and engagement within any proposed alternative delivery structures. Setting out services to be delivered using confederation model Setting out organisational design and employment model Continuing the technical development of the model – see appendix D.

10.1.3 It should be noted that any moves to implement shared services within this scenario (scenario 5) will still be subject to the Member decision making (on the basis of full business cases) and the usual employee consultation as set out in the Organisational Change Policy.

10.2 Scenario 6: A two way confederation approach with all services in scope

- 10.2.1 Implementation arrangements for scenario 6 are similar as those for scenario 5 (outlined in 10.1 above). They require organisational development, transitional management, improved governance arrangements and a programme management resource.
- 10.2.2 The only significant difference is the addition of a workstream (see workstream 11 in table 12 above) within the transformation programme to develop the confederation/alternative service delivery arrangements using the additional technical information provided in Appendix D and the inclusion of alternative service delivery models and commercialisation within Member and Officer development plans.
- 10.2.3 Any moves to implement alternative service delivery arrangements will require incremental development as they would need to first operate within a shared service environment prior to being spun out. The decision to spin out would be subject to a specific business case to be considered by Members after it is clear that a shared service approach has been effective. It should be stressed that scenario 6 should be seen as a medium term outcome.
- 10.2.4 The Joint Committee and Member Transformation Joint Working Group would oversee this workstream. If the confederation model was to be progressed proposals will be developed to establish the company structures required, these proposals will be overseen by the Members leading the transformation programme and subject to further democratic decision making processes.

PART 5: CONCLUSION

11. Conclusion

11.1 Drivers for Joint Working

- 11.1.1 As set out in the introduction to this business case the financial drivers for broadening the approach to joint working have not changed. District councils should expect on-going financial constraints and a national policy framework that is strongly encouraging and incentivising joint working both in terms of shared services and the use of alternative models of service delivery.
- 11.1.2 The strong and effective working partnership between CDC and SNC makes the case for further development of joint working in both financial and operational terms. The desire to include additional partners likewise has clear financial merits. Whilst the timeframe for widening the partnership may necessarily be longer there are clear opportunities to progress with two way working whilst developing options for wider collaborative arrangements.
- 11.1.3 It is important to note that across the region there are moves to explore collaborative arrangements through the use of combined authorities. These moves are welcomed and as district joint working arrangements are developed they should take into consideration opportunities afforded through these new arrangements.

11.2 Benefits of the Proposed Approach

- 11.2.1 The proposed approach builds on the existing joint working arrangements between CDC and SNC by broadening the scope of services to be considered to include all services. The approach also provides a commitment to continue to work with additional partners in the future and to build in flexibility within joint working arrangements to enable this.
- 11.2.2 Expanding the existing joint working arrangements across CDC and SNC provides an opportunity to align services across the two Councils and realise savings whilst further developing options for collaboration and the use of alternative delivery models.
- 11.2.3 It is important to recognise the challenges ahead and the proposed approach seeks to support both Members and employees through this change by implementing an organisational development strategy and workforce plan.

11.3 Constraints

- 11.3.1 Risks associated with the proposed approach are set out in the original draft business case (considered by Council in December 2014) and the risk analysis is not repeated here.
- 11.3.2 Implementation costs associated with the proposed approach are set out in section 8.2 and would need to be funded by the two Councils. However, as set out in section

8.3 the average payback periods for the proposed approaches are between 0.99 and 1.04 years and as such represent payback well within the life of the medium term financial strategy.

11.4 Building in Flexibility

- 11.4.1 The proposed approach builds in the necessary flexibility to allow additional partners, including Stratford-on-Avon District Council, to join at a later date. The move towards two way joint working in all services across CDC and SNC will be done on a business case by business case basis to allow Members to consider the implications of each proposal. This provides the flexibility for additional partners to come on board as either partners or clients as business cases are developed and it will also provide Members with clear opportunities to decide not to progress a business case for joint working if the benefits are outweighed by risks.
- 11.4.2 The same approach would apply to the establishment of a two way confederation as specific service areas would be considered on a business case by business case basis. If Members decided an alternative model of service delivery was appropriate a business case for a shared service would be implemented prior to any alternative service delivery model (incremental implementation). Likewise Members will have the opportunity to decide not to progress an alternative service delivery model if they feel it is not appropriate.

11.5 Next Steps

- 11.5.1 This document develops the work undertaken in the draft business case which sets various scenarios to deliver savings through joint working. Whichever option(s) is/are agreed by the Councils implementation should begin as soon as is practicable to ensure savings can be realised in 2015/16 to help meet the requirements of the medium term financial strategies.
- 11.5.2 Following a Member decision the proposed governance arrangements should be put in place for the 2015/16 municipal year and the programme plan (based on the workstreams outlined in part 4) should be finalised and signed off by the Transformation Joint Working Group in March 2015.