

# **Cherwell District Council and South Northamptonshire Council**

## **Joint Commissioning Committee**

**9 February 2017**

<p><b>Update on the Establishment of a Joint Revenues and Benefits Teckal Company and Sister Trading Company</b></p>
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### **Report of Assistant Director - Transformational Governance**

This report is public

#### **Purpose of report**

To update members on progress with regards to the setup of joint local authority owned companies.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the progress on activities that is taking place with regard to the establishment of the companies, the communication plan activity, the sequence for the company establishment and transfer of revenues and benefits provision.
- 1.2 To agree that final sign off of the articles and shareholder agreement/ memorandum of understanding and the business plans of the revenues and benefits teckal company and sister trading company be delegated to the Head of Law and Governance in consultation with the Chairman of Vice-Chairman of JCC, Chief Finance Officer and Assistant Director – Transformational Governance.
- 1.3 To request officers to bring a gateway decision report to the committee in September to decide on the transfer date and to review the business and financial plans. This report will also include an update on governance specifically in relation to shareholder arrangements.

#### **2.0 Report Details**

##### **Background**

- 3.1 The Revenues and Benefits Business Case was considered and approved by the Joint Commissioning Committee in May 2016 and Cabinet and Executive in June 2016. The business case set out the proposal to establish a Joint Revenues and

Benefits Service across Cherwell District Council (CDC) and South Northamptonshire Council (SNC). The new joint team would be established and fully resourced in time for the insourcing of the current CDC capita contract in May 2017.

- 3.2 On implementation the new joint service would deliver the current revenues and benefits functions for CDC and SNC (including managing the Capita contract at CDC). The capacity of the service would then need to be increased in preparation for the insourcing of the current CDC Capita contract. The proposal represents an opportunity for both Councils to deliver significant revenue savings of approximately £260,000 from 2017/18 onwards.
- 3.3 In addition to the financial savings, the business case provides an opportunity to maintain and improve performance, harmonise ICT and processes and integrate first point of contact delivery with the proposed Joint Customer Service team. The business case provides an opportunity for the Councils to create a service that is aligned to the Councils 'Confederation approach' and is capable of being delivered through an alternative delivery vehicle.
- 3.4 It was agreed in the business case that the additional staff that would need to be recruited to enable the joint service to deliver the CDC insourced service would be appointed by a wholly council owned company as part of the confederation model ahead of the implementation of this business case.
- 3.5 Following the insourcing of the Capita contract in May 2017, the remainder of the Revenues and Benefits service would transfer into this company structure (subject to separate decision and appropriate consultation with staff and trade unions).

### **Progress Update**

- 3.6 Since the last meeting there has been further progress in establishing the company to deliver revenues and benefits. There have been further regular meetings of the officer project team with a number of work streams, project plan and risk register established.

One of the key considerations of the project group is been to mitigate risks to service delivery during a period of major change. The nature of the change that is in sourcing a service, providing a service from newly formed unified team to both councils, harmonising to a single system whilst transferring the service to a newly formed standalone company.

In order to manager this risk, the project team are taking a cautious approach to the sequencing of this change with the object of ensuring that critical council services are not adversely impacted. Given this the project team together with the project sponsor have agreed the following route map:

- Companies (trading and teckal) set up (February 2017)
- New staff will be recruited to the companies with dual contracts of employment (March – April 2017)
- CDC Revenues and Benefits will be insourced from Capita to the councils; (May 2017 – September 2017)
- Staff will be supplied from the newly established trading company to the councils in order to manage the work levels with CAPITA used on a call off

- basis as necessary in order to ensure a smooth transition (May 2017 onwards)
- Service stabilised and incubated (May 2017- September 2017)
  - Discussion between Councils and Company board to refine service specification and adopt shareholder agreement/ Memorandum of Understanding (May 2017- September 2017)
  - JCC Gateway decision on when to TUPE council staff and revenues and benefits service to company (September 2017)
  - Company begins full service provision in October 2017 or April 2018

Based on the revised sequencing as set out above further time can be taken to develop the detailed business and financial plan for the Revenues and Benefits Teckal Company, using real data obtained during the first few months of service provision, the business plan and financial model will be brought back to the committee for agreement prior to the commencement of trading and following discussion with the board.

The only trading activity will take place through the sister trading company which will simply be the provision of revenues and benefits staff to the council to deal with the increased workload arising from the insourcing of the CAPITA contract. Whilst there will be some tax payable as a result of the provision of staff from the trading company to the council, this will not be significant and can be contained within the overall business case in terms of cost of service.

Progress in the various project work streams is outlined below:

#### Systems Integration

Work is progressing well on systems harmonisation in terms of ICT and business process design. This work stream includes managing the interface between the Revenues and Benefits service and the customer contact centre.

#### Pensions

Officers have been working with KPMG with regard to the procurement of an alternative pension scheme, a service specification has been created and an invitation to tender will shortly be procured. Discussions have continued with Northamptonshire and Oxfordshire County Councils with regard to admitted body/recognition of pension status for existing employees and a way forward has been identified and will be progressed once the companies have been incorporated.

#### Human Resources

Work on pay grades and a rewards package is nearing completion. At this stage the project team have not recommended performance related pay for the company employees. A flexible benefits platform will be offered to staff in the company.

#### Business Plan and Financial Model

A draft business plan has been prepared and the financial model for the company will be based on a 4 year cycle (to sit alongside the councils' commissioning framework).

- Year 1 (2017/18) will be based on the provision of staffing resources from the companies to the councils to support service delivery.
- Years 2 - 3 (2018/19 – 2019/20) will be based on the delivery of the full revenues and benefits service, including support services (from the councils to the company as per the recharging model)
- Year 4 will see a shift to a more commercial focus with the companies seeking further customers and review of the support charges on a more commercial basis.

This business plan will ensure a gradual shift to a more commercial provision of the service and the receipt of support services. The business plan for the teckal will develop over this period if additional services are transferred. The sister company will also develop a business plan which reflects this delivery model.

### Service Specification

A service specification document has been drafted ready to form the basis of the service contract between the council and the company. It will come into use when the service is finally transferred to the teckal. The provision of support services to the company will be managed via a suite of service level agreements.

### Communications and Engagement

A communications plan underpins the delivery of the project. To date a series of events have been held with current revenues and benefits staff to keep them updated about the project and how the teckal arrangement will work operationally. We have reassured staff likely to be TUPE'd that whilst their employer will change their terms and conditions will not.

### Governance Structure

Trowers and Hamlins have continued to work on the articles for the company as well as the shareholder agreement/memorandum of understanding and service contract. Discussions have been held regarding the heads of terms and documents for discussion with the board when appointed. These will be provided in the coming days and consequently it is requested that the committee delegate the sign off of these documents as set out in recommendation 1.2.

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

- 4.1 The recommendations set out in this report are in line with the agreed recommendations of the Revenues and Benefits Business case, the legal and financial advice received and are necessary to ensure that the business case can be delivered and the associated savings achieved.

## **5.0 Consultation**

Consultation has taken place on the original Revenues and Benefits Business case with staff, trade unions and elected members. The transfer of staff into the company

structure will be subject to separate decision and appropriate consultation with staff and trade unions.

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

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

Option 1: To agree the recommendations as set out in the report

Option 2: To amend the recommendations as set out in the report

Option 3: To reject the recommendations as set out in the report. This is not recommended, as the recommendations set out what is believed to be the optimum operating model. In addition the councils' will reduce the potential to deliver the revenues and benefits business case savings unless a suitable employment vehicle is established.

## **7.0 Implications**

### **Financial and Resource Implications**

7.1 On-going work with Trowers and Hamlin and KPMG is funded through transformation budgets. The cost of delivering the service is reflected in 2017/18 budgets. Any tax incurred on the provision of staff from the councils owned companies to the councils for the revenues and benefits service will be minimal (and for a period of less than one year) and can be met within the tolerances set out in the business case.

Comments checked by: Paul Sutton, Chief Finance Officer - 0300 003 0106  
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### **Legal Implications**

7.2 The proposals set out in this report are in accordance with the legal framework and legal advice received from Trowers and Hamlins.

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### **Risk Implications**

7.3 Risk will be considered fully as part of the legal and financial work being undertaken. This report in itself is as a result of due diligence and the consideration of risk.

Comments checked by: Ed Bailey Corporate Performance Manager, 01295 221605  
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## 8.0 Decision Information

### Key Decision

**Financial Threshold Met:** No

**Community Impact Threshold Met:** No

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

Grow the District (SNC)

Sound budgets and customer focused council (CDC)

### Lead Councillor

Councillor Ian McCord, Leader of the Council, SNC

Councillor Barry Wood, Leader of the Council, CDC

### Document Information

Appendix No	Title
None	
<b>Background Papers</b>	
<b>Draft Report of KPMG – Tax Advice on group structure</b> Exempt from publication by virtue of paragraph 3 of Part 1, Schedule 12A	
<b>Report of Trowers and Hamlins</b> Vires for an LLP - Exempt from publication by virtue of paragraph 5 of Part 1, Schedule 12A	
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