A 2020 Vision for Joint Working

New Ways of Working for the GO Shared Services Partner Councils

Report and Outline Business Case

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Leaders' Foreword

This proposal has been developed on behalf of the 4 District Councils which collectively represent over 400,000 residents over a geographical area of 934 square miles from Coleford to Witney and Cheltenham to Tetbury.

The partner Councils have been consistent in their vision of **a number of councils, retaining their independence and identity, but working together and sharing resources to maximise mutual benefit leading to more efficient, effective delivery of local services.**

Our Councils already have a track record of developing innovative arrangements irrespective of traditional District, County or Regional boundaries. The approach set out in this proposal builds on that firm foundation and provides a very strong basis to support a new model for local government. It will provide efficient collective shared officer support arrangements able to provide distinct and bespoke advice to a cluster of independent Councils focused around existing District Council localities without the need to consider political mergers. This model is scalable not only in terms of numbers of partners but also in the scope of services, which could for example provide opportunities to devolve existing County services where there may be further efficiencies through establishing community budgets within localities.

The principal efficiency savings to be gained from amalgamating services are through reductions in operational costs arising from reduced management and staffing costs and not through the marginal reduced cost of democracy. By developing an integrated mixed economy of service provision at a scale sufficient to deliver economies of scale our Councils can concentrate on the needs of their communities and the outcomes they want to see delivered.

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Leader, West Oxfordshire District Council

1. Background

The proposition set out in this report represents perhaps the most radical joint working approach in local government today.

It is a proper, considered response to a challenge not only of how to best use a smaller and reducing public subsidy but how to make best use of technology; how to encourage and use a competitive market, and how to make smart use of managerial and other expertise.

Bold proposals do not come without risk and complication. Full implementation will require relentless execution, firm management of change and a sense of momentum. The proposals also require an acknowledgement of the costs of change.

However, our proposals should also be seen as a natural and logical progression along an innovative transformational agenda which the Councils have been delivering over recent years. We should take great encouragement from that which has already been achieved.

For example, a number of shared working arrangements involving the partners have developed over the last few years. These include:

- Shared Management and Shared Services between WODC and CDC
- GO Shared Services – Back Office Support Services Partnership between WODC, CDC, FoDDC and CBC, and undertaking work for Cheltenham Borough Homes and UBICO
- Joint ICT Services – CBC and FoDDC; WODC and CDC
- Ubico Ltd. – a "Teckal" Company for waste collection and environment services – owned by CBC and CDC
- Joint Waste Committee – CDC, CBC, FoDDC (and including TBC and Gloucestershire County Council).
- Audit Cotswolds – CBC, CDC and WODC

These are not the only joint working arrangements that the four councils are engaged in. Other shared services exist with other partners most notably involving Tewkesbury Borough Council (but not exclusively).

There is also a range of employment models being used for shared services:

- Informal arrangements between Councils on specific pieces of work where there is mutual benefit.
- Shared posts – based upon individual secondment agreements.
- Lead Authority– a team based in one Council provides the service for both Councils (e.g. ICT).
- Lead Employer – One Authority takes the responsibility for employing all employees (GO Shared Services, Audit Cotswolds).
- Jointly owned local authority company (Teckal Company).

The development of the GO Shared Services partnership has enabled a strong degree of trust and confidence to emerge between the four partners at a member level.

It is clear from the evidence and practices above that an alliance of shared working has developed around the nucleus of 4 Councils with Tewkesbury Borough Council partnering on a case by case basis.

It seems both timely and logical to build on these strong foundations and plan for further joint working arrangements developed around the existing partners and to that end forward planning would allow such potential future efficiencies to be developed. This will lead to more radical thinking in the delivery of transformational change.

It is recognised that each Council is unique and these proposals attempt to protect the cultural differences that exist with the nature and population differences between the Councils. Further work will however be required to ensure that these differences are not being eroded as a result of the proposition.

Clearly, there are other ways in which the councils of Gloucestershire, Oxfordshire and other surrounding counties could group together to create other configurations for joint working. But there is a strong desire among our local politicians to build on the existing arrangements. An opportunity exists to broaden and deepen the scope of the current arrangements whilst incorporating solutions to the particular issues that have emerged due to the uniqueness of the partnership to meet the particular challenges posed by our geography. It is likely that the benefits of joint working will be realised more quickly by building on existing arrangements.

2. Financial Context

Over the past 2 years there have been a number of significant changes to the external environment which impact significantly on District Councils moving forward.

Autumn Statement 2012 and Grant Settlement

The Chancellor of the Exchequer published his Autumn Statement in 2012 which identified that, amongst other issues; a slowdown in growth had led to the government missing its medium term targets for reducing the deficit. As a consequence the Chancellor set out his projections for the future course of public expenditure beyond 2016/17. In broad terms the outcome of the statement was that a further year of fiscal austerity would be required along the lines of the previous strategy which will end in 2016/17.

In December 2012 the Secretary of State for Communities and Local Government announced the grant settlement for 2013/14, which resolved a number of uncertainties around the new Local Government Resource Regime.

The essence of the new regime is to shift the formula grant distribution from being entirely formula driven to an approach which mixes both the top down distribution approach with more locally raised resources via a share of Business Rates and New Homes Bonus. The new approach provides an incentive for business and housing growth which could represent both an opportunity and a risk. Although some amendments to New Homes Bonus were not implemented last year, concern still exists about the long term stability of New Homes Bonus as a funding stream

Spending Review 2015/16

In June 2013 the Chancellor announced the details of the 2015/16 spending review which unveiled a further series of grant cuts for local authorities. Whilst our existing strategies anticipated a significant cut in external funding the cuts were more than anticipated and in addition a further reduction for 2014/15 was imposed to take account of an extended public sector pay cap.

Other Changes

In the grant settlement in December 2013 the government maintained the Council Tax capping limit at 2% for 2014/15 . At this stage it is not known whether the current approach to capping will be extended in the future.

All partners face substantial financial risk and cost pressure around future pension costs with a collective increase in employer contributions over the next three years. This is more severe in Gloucestershire due to more risk averse assumptions from actuaries.

Each council has published savings targets to be delivered over the medium term. West Oxfordshire DC has published savings targets from 2014/15 to 2022/23. The other authorities have used a four year basis (2014/15 to 2017/18). In summary, the savings targets to be delivered over the medium term are set out in the table below together with each authority's existing plans to deliver against the targets.

	CDC £000	WODC £000	CBC £000	FODDC £000
Total Annual Saving Target	1,275	1,200	4,300	1,600
Assumed Shared Services Savings	600	600	500	200
Other Identified Savings	675	300	2,600	200
Shortfall (Surplus)	0	300	1,200	1200

There remains a view that there will be huge uncertainties about the long term sustainability of some elements of District Council funding streams (for example, New Homes Bonus and Business Rates). Leaders from the partner councils are highly committed to seeking the most efficient operating models for the services and community outcomes that residents and businesses require.

Transformation Challenge Award

Last summer a bid was submitted to a Communities and Local Government fund to recognise and support innovative joint working initiatives. The Transformation Challenge Fund had around £14m to allocate to projects nationally. We have recently received an award of £500,000 as recognition of the innovative partnership working across the four councils on shared services. This grant award enables the councils to investigate a range of additional joint efficiency savings initiatives, as set out in this paper.

The government has recently announced further funding opportunities for the Transformation Challenge Award for 2014/15 and 2015/16. This funding is available to support English local authorities transform their operation, make changes to their business processes and work with the wider public sector to improve services for local people.

The government proposes to use a proportion of the £15 million available funding in 2014-15 to facilitate district councils, with a 2014-15 budget requirement of £15 million or less, and which currently maintain their own senior management team, including any chief executive, to move to share a senior management team, develop common information technology systems and share other resources and assets with one or more other councils before the end of 2014-15. Any such district council that wishes to make such a move can bid for 2014-15 funding of up to £200,000 per council to help with transitional costs associated with the change.

Furthermore there is in total £305m of funding, comprising £105m grant and £200m flexibility use of capital receipts available to support proposals to re-engineer business processes and re-design services in 2015-16 & 2016-17. The fund will provide incentives for authorities which already share a senior management team and any chief executive to go further with their plans to redesign their services.

3. Proposition

"Four Independent Councils determining their own policies, priorities and decisions supported by a small number of expert advisors who commission and monitor services either from the private and voluntary sectors or from local authority owned service delivery companies"

If approved, this could effectively lead to councils that do not directly employ any of their own staff, but rather, Councils will jointly own a local authority company which would provide services and deliver outcomes in line with the wishes of each individual council.

Independent Councils

At the core of the proposal is the retention of independent organisations able to fully exercise their democratic mandate and responsibilities. This means that each council will be able to set policies and make decisions in the best interest of their residents and communities. It will also mean that they will be able to set standards for local services whether they are statutory or discretionary and decide on the most appropriate delivery mechanisms.

Each Council will continue to communicate and inform; represent; and speak up for their residents and communities through formal county and regional structures; to other public sector providers; or through informal liaison at a community/town/parish level. Individual Councillors will continue to act as advocates for their communities championing their requirements, needs and expectations for District Council and other public services.

The independent Executive and Non-Executive Functions of each Council would be unaffected by the new operating model.

Expert Advisors

It is recognised that Councillors value and rely on a relatively small number of senior employees who act as expert advisors to enable them to fulfil their roles and responsibilities and manage the organisation and service delivery.

In the proposed model expert officers will continue to provide an advisory role for policy development particularly around setting the priorities of the Council; the Financial Strategy and Annual Budget; and the Local Plan. They will also advise Councillors on other strategies and policies pertinent to their District. Councillors also require advice to support their formal Council decision making processes made through various committees including Cabinet, Planning, and Licensing.

It is recognised that not all services are provided directly by the Council and expert advisors will therefore be required to act as an interface with Councillors so that other services can be designed to meet local requirements, specified, commissioned and procured through either the private or voluntary sector. Councils also require staff to act as intelligent clients or commissioners through the monitoring of contracts and agreements. There are potential efficiency, expertise, and resilience benefits in undertaking shared commissioning and some services could be jointly commissioned with other partners if this is agreed by individual councils.

Expert advisors may be independent and bespoke to a Council; may be shared with one or more Councils; or a combination of both. Detailed proposals will need to be developed and agreed by each council.

Councillors

This proposition has been developed around the premise of minimal change to the democratic and decision making functions of each Council. Set out in Appendix A is a diagram showing how the Executive and Non-Executive functions remain unchanged together with the relationship between advisors and service delivery.

There will be times when Councillors with specific responsibilities or who are decision makers wish to obtain briefings and expert advice on specific matters. To meet this need an agreed protocol will be in place to ensure Councillors continue to have appropriate access to all staff.

With a clearer separation between policy development/decision making and the delivery of services, there could be an enhanced and clearer role for Scrutiny. Nationally the Scrutiny function has been more effective when challenging performance of outside bodies than looking at internal performance where there is a potential conflict of interest both with members of the executive and not wishing to criticise staff.

The service delivery organisation would be subject to the same rigours and challenge as any other local public service provider

It is important to recognise the significant role of Ward Councillors and the part they play as advocates for residents and communities; and providing communication, advice and support. In addition to having access to expert advisors there will need to be clear protocols enshrined in the legal agreements to ensure that Ward Councillors have the necessary support to undertake their community leadership role.

Customers

Customers will not notice any difference in contact with their Council. Customer contact will be via existing channels. These channels will be clearly branded and identifiable with the Council that provides the service. A local presence will be maintained to deal with local contact.

4. Service Delivery Model

Further work is needed to investigate alternative service delivery models but key to this proposal is the intent to create some form of single employment vehicle for all staff. This will remove the current built-in quadruplication of effort incurred having 4 separate employment relationships.

This element of the proposition is undoubtedly the most difficult and complex aspect. As a result it will take a significant amount of time to evaluate all of the options and work through the various legal and financial challenges associated with the establishment of such a body.

Employment Models

There are a number of alternatives to the direct employment of staff for the delivery of direct services. These are generally referred to as arm's length arrangements and fall into the following categories:

- Local authority owned 'Teckal' company
- Local authority trading company
- Public service mutual
- Public/Private Joint Venture

The specific advantages and disadvantages of each type of arm's length vehicle will depend on the service being commissioned; each would have different investment, pension, and taxation issues. It is these issues that are likely to determine the appropriate arm's length vehicle for any given situation.

For example, the 'Teckal' company UBICO was established specifically to avoid the potential local government pension implications of in-sourcing a large number of employees from the private sector. However, the 'Teckal' company model has very limited ability to deliver services for others or trade. If external trading was the primary purpose of the company it would be more appropriate to establish a local authority owned trading company.

Employee-led public service mutuals are models that are being encouraged by the government. These can offer employee ownership or community ownership and models include Industrial and Provident Societies and Community Interest Companies.

In order to develop the new operating model it will be necessary to seek advice on the relative advantages and disadvantages of the alternative employment models both for 'Expert Advisors' and 'Service Delivery' staff. It is likely that the overall operating model will result in a combination of 'arm's length' employment vehicles and external commissioning arrangements being used to deliver services and community outcomes.

One model for employment vehicles is illustrated in Appendix B. This model is based on using an appropriate vehicle for the type of service and a group holding company. In this model the main employment vehicle would employ the majority of employees.

It is acknowledged that the suitability of any particular vehicle will depend upon the service being commissioned, the acceptability of the governance arrangements, investment, overheads, pension, and taxation issues.

In the model shown at Appendix B it is expected that the following would broadly apply:

Public Services Co.

- Bespoke specific services for individual Councils
- Shared direct and support services operating within local area
- Expert Advisors
- Flexible commissioning
- Flexible specification
- Unable to trade (except other local councils)

UBICO Type 'Teckal' Co.

- Bespoke shared services for individual Councils
- More restrictive contract based
- Some flexibility specification
- Able to operate outside of LA area
- Limited ability to trade with public/private sector

Commercial Services Co.

- Bespoke shared services for individual Councils
- Restrictive contracts/specification
- Able to operate outside of LA area
- Fully able to trade

It will up to each Council to individually determine which services it chooses to incorporate into the Service Delivery Company or whether it wishes to commission/procure services from other externally available routes (e.g. Charitable Trusts, Outsourced Contracts, other local authorities).

Some indicative provisional assessment has been discussed with leading Councillors so that indicative business case estimates can be provided.

Governance Arrangements

At this stage no detailed assessment of the joint governance arrangements required to manage the jointly owned company has been undertaken.

Whichever service delivery model is adopted, many of the same governance issues will need to be considered before the Councils are in a position to sign up to an agreement to introduce the new model. The key areas for discussion include:

- The duration of the arrangements. These could potentially be left undefined, provided provisions are made for the withdrawal or addition of partners; and the ending of the arrangements.
- The extent of the functions and services of the arrangements.
- The extent to which each authority is to contribute financial and other resources, any valuation issues and, most importantly, the mechanism for defining contributions to fund on-going costs.
- The funding of any increased costs, losses or shortfalls and the mechanisms for managing these, as well as for dealing with surpluses, under-spends and savings.
- The treatment of assets and liabilities of the authorities at the point of transfer of functions to the new arrangement.
- How employment issues, especially TUPE, will be dealt with during the migration to the new arrangements.
- The levels of service to be provided and any differences between the authorities, including how the levels of service will be determined and managed, and the extent of any planned changes.
- The new governance arrangements and how these will be accountable to each of the authorities and how decisions will be made on jointly delivered functions (i.e. by simple majority, or do some important issues require unanimity or special majorities?)
- Any provision to be made for the withdrawal of one (or more) authorities, including arrangements regarding outstanding liabilities to be met by the withdrawing authority.

A number of financial issues will also require early attention if authorities are to develop confidence in the business case. Most notably, a mechanism for allocating the appropriate share of whole system costs and savings to each authority needs to be developed so that each authority can carry out its own internal costs and benefits evaluation.

The development of a cost-sharing agreement is most likely to deliver a workable solution to this issue. This would essentially entail the development and agreement of a formula under which each element of the costs of the shared service would be allocated in as fair and transparent a way as possible. This approach does away with any need to agree the apportionment of savings, because savings are effectively the difference between each authority's historic costs and their share of the new, shared service costs. Cost-sharing offers a number of advantages that recommends it above the other options such as budget pooling:

- The historic cost base is not carried forward;
- The formula can be quite simple and very transparent, so that it can be seen to be fair;
- Savings are shared automatically;

- No incentive exists for 'cost loading' during transition; and
- Cross-subsidy between partners can be avoided.

However, although it is clearly important to ensure that the structure of the agreement is fair and transparent, it is equally essential that it is capable of delivering a consensus amongst the partners. This is likely to fall, at least in part, to whether each partner receives an outcome that is consistent with its expectations when the formula is applied to the new shared service costs. Consensus is most likely to be reached where partners take a pragmatic approach and consider the long term strategic benefits.

It is recommended that the underpinning principles of cost sharing, both for the delivery of the transformation project and, in the longer-term, for the apportionment of partnership costs, are addressed as a priority.

5. High Level Savings Analysis and Assumptions

Shared Services

The model that has been developed in existing shared services recognises and balances the political independence of councils and the potential efficiency opportunities from joint working. For each service area those services and officers that provide a location specific bespoke service to each council are identified together with a separate group of specialist functions and officers that provide services to more than one council. It is in this latter group where shared services and officers are delivering greatest efficiency savings. However the bespoke teams work together through sharing best practice and learning across the councils for mutual benefit which can also deliver efficiencies.

Total savings produced to date as a result of the various joint working initiatives are estimated to be in excess of £2.9m per annum.

A financial analysis of those services that have maximised shared service opportunities between just 2 Councils indicates that salary savings are on average in the order of 15%. The GO Shared Service between 4 councils and 2 independent organisations delivers around 23%. This range has been used in making some financial projections on the maximum that can be achieved by the proposed extensions to shared services as outlined. An assessment has been made for each potential shared service based on the degree of similarity of functions and whether they need to be location specific or not.

Assets

To date little financial benefit has been realised by releasing value from the existing asset infrastructure from which services are provided as inevitably accommodation changes take time to implement. It is considered that substantial efficiencies could be achieved through developing an integrated plan across all of the councils by maximising space in a smaller number of buildings overall. It is however recognised that each council will require office facilities to provide services that are location dependant. No assumptions have been made in the outline business case for any centralisation of employees and offices.

Commissioning/Procurement

From research undertaken elsewhere there is expected to be a small benefit (in percentage terms) from both a clearer separation between specifying services and provision of services; and in shared procurement across a larger financial base. A 2-3% efficiency gain has been assumed in the business case which does not include any decisions for further agreement to jointly procure and/or commission services which could generate substantially greater efficiencies.

New Employment Body

The creation of a new employment structure outside of the constraints of existing local government terms and conditions provides a unique opportunity to establish a modern, forward thinking and dynamic organisation focused on outcome-based reward and recognition systems.

A coherent pay and reward strategy has a central role in controlling employment costs, and can help improve efficiency and productivity.

Pay and reward systems need to be aligned with business strategy and objectives, and reinforce the desired working culture – namely that under-performance is dealt with effectively and where contribution to the organisation's success is incentivised, recognised, and rewarded. Equality, fairness, transparency, and tackling low pay issues are also central to any robust pay and reward approach. Together, these elements are seen as core aspects of any employer's approach to pay and reward.

There is a general awareness of the increasing costs associated with the defined benefits pension scheme currently available to council employees and increasing concerns about affordability. There is an opportunity for a new local authority owned company to introduce a new defined contribution pension scheme for new employees with capped contributions from the employer and being investment based rather than providing a defined benefit.

Any such scheme will require negotiation with employee representatives and Trade Unions and would take some time before the full financial benefits could be realised. A detailed piece of work has been commissioned to confirm realistic savings not just for the first 5 years but over a longer timescale.

Clearly, the extent to which any new employing body will be able to deliver a vibrant, efficient and effective service will be dependent upon its leadership and governance and so at this stage no assumptions have been made in the outline business case. However, there is significant potential for financial savings.

It should be aiming to innovate and use technology so that more effective, personalised and connected services can be delivered to the customer. There should be a commitment from all parties that an element of the implementation costs is put to exploring how things could be done differently by exploiting new technology, and that this aspiration should be built in from day one.

Commercialisation

Although there is an opportunity to trade, no assumptions have been made on the financial benefits associated with some services trading more commercially at this stage. Any opportunities will need to be balanced with legal and tax implications.

6. Outline Business Case

Set out below is a summary of the assumptions and their financial impact at the end of 5 years. Each of the partner Councils has delivered some of these potential efficiencies to varying degrees and this will determine the extent of future benefit to be obtained. These estimates should be treated with caution at this early stage of developing a proposition:

Assumption	**Annual Savings at Yr. 5 £m**
Between 15% and 25% savings on shared services depending upon degree of similarity and back office processes	4.9
A 2% efficiency gain for Depot type services	0.9
A 2-3% efficiency gain on procurement of supplies and services based upon a commissioning approach	0.8
A new pension scheme for new employees based upon a capped employer contribution (existing employee benefits protected)	1.0*
A 20% reduction in office based asset costs but no proposed centralisation of employees	0.8
No service or policy change savings	0
No assumed savings arising from standardisation of services	0
No assumed savings from a more efficient employment arrangement	0
Total Potential Savings	**8.4**
Savings already delivered	**2.9**
Future Opportunity	**5.5**

*After 10 years

For the purposes of this outline business case only this has been apportioned to each Council based upon their current size and the extent to which previous shared working savings have been delivered.

Council	**Joint Working Potential £000**	**Delivered to Date £000**	**Assumed in Plans £000**	**Additional Benefit £000**
CDC	1,950	800	600	550
WODC	2,100	800	600	700
CBC	2,700	600	500	1,600
FODDC	1,650	700	200	750
Total	8,400	2,900	1,900	3,600
Total Future Opportunity Savings				**5,500**

Set out below is a summary of the impact of the potential financial benefits upon each Councils' current financial strategies.

	CDC £000	WODC £000	CBC £000	FODDC £000
Annual saving target	1,275	1,200	4,300	1,600
Assumed Shared Services Savings	600	600	500	200
Other Identified Savings	675	300	2,600	200
Vision 2020 Additional Savings	550	700	1,600	750
Shortfall (Surplus)	(550)	(400)	(400)	450

It is recognised that in order to deliver such a fundamental change will require significant investment in new systems and would incur one off costs in its establishment. Much greater detailed evaluation of the financial business case will be required before any final decision is made.

Non Cashable Benefits

There is no doubt that employees operating in Councils with extensive shared service arrangements have develop a broader range of skills as a result of knowledge transfer, working with uncertainty and change. As a consequence those employees are more readily able to seek out innovative solutions and deliver improvements more quickly. This in turn creates a more dynamic and can-do culture within our organisations.

In addition to financial savings there is a considerable amount of formal and informal shared learning and improvement arising from joint working including opportunities for Councillors to share policy development ideas and learn from each other's experience.

Reducing Government subsidy has led to significant staff reduction in all partner authorities thus causing legitimate concerns over corporate capacity, especially at senior level and the ability to respond to any 'surge' such as a sustained response to a civil emergency.

One of the key non-financial benefits from shared services is the increased resilience for individual organisations both in terms of being able to access scarce expert and specialist knowledge and cover for specialist functions in unforeseen circumstances.

7. Legal Considerations

Some high level specialist legal advice on the proposition has been sought. Although there are a number of innovative employment models within local government, a model which has no council retained/employed staff will be ground breaking.

There do not appear to be any fundamental legal barriers to the development of this proposition. However, further detailed consideration will need to be given to the following issues:

- Restrictions on local authorities outsourcing statutory decision making functions;
- Role and employment of Statutory Officers (Head of Paid Service, Monitoring Officer, s151 Officer);
- Procurement compliance; and
- Potential conflicts of interests between commissioners and deliverers

8. Risks

There are considered to be two principal strategic risks associated with the proposition at this stage:

Employee Support

It is recognised that this proposition is potentially a major change for employees and many may see a move away from existing employment arrangements as a threat to future job security and employment conditions despite the protection that will be given to their existing terms & conditions. There is no doubt that such a change will require extensive consultation and discussion with Trade Unions and employee groups to consider all of the issues and options for implementation. If partner Councils are minded to approve the development of detailed proposals it is recommended that employees are consulted at an early stage.

Perception of "Takeover"

Evidence from shared management case studies suggests that there can be a concern for both staff and Councillors that depending upon key appointments a perception exists that one Council is being taken over by another and that as a consequence the independence of the council is threatened. In order to mitigate against this there is a value in ensuring independent and impartial advice around organisational structures and key appointments. The establishment of a jointly owned new employment entity will also assist in reducing this perception

Impact of Changes to the Partnership

It is recognised that the current partnership has been established as a result of a series of individual decisions and sharing arrangements which has led us to this point. As such there could be a desire to change the mix of partners either by adding in more Councils or by some Councils wishing (or being required through for example Local Government Re-organisation) to align themselves in a different arrangement. This is particularly so with Councils being from separate County areas.

The actual basis and terms for any partners joining or leaving could only be determined once the specific circumstances and the impact on the partnership are known. However, it will be possible to establish the broad principles and terms upon which partners can join and leave the partnership. Set out in Appendix C are some different scenarios and how these <u>could</u> be dealt with under the proposed model.

9. Next Steps

There is further work required to define the 2020 Vision Programme and enable a Transformation Challenge Award funding bid to be submitted in October 2014. It is assumed that by July the programme vision and outline business case will have been approved, and the 2014/15 Transformation Challenge Award funding bid together with the 2015/16/17 Expression of Interest will have been submitted.

In order to progress the programme it will be necessary to:

- Identify transitional management arrangements and other ‘quick wins’;
- Define the2020 Vision programme; and
- Prepare the Transformation Challenge Award funding bid

Identifying transitional management arrangements and ‘quick wins’

To ensure clear focus on the delivery of the programme whilst maintaining business as usual and service delivery it may be necessary to put in place interim or transitional management arrangements. This will inform the programme design and the development of a more detailed business case. In addition any ‘quick wins’ such as projects that are already being developed need to be identified and considered for inclusion.

Defining the programme

The process of defining the programme has several key elements; design of the programme infrastructure, confirming the vision, analysis of options, development of a ‘blueprint’ for the future state of the organisations, all resulting in a more detailed business case for strategic commitment.

Design of the programme infrastructure will involve establishing the programme governance arrangements, member programme board, programme team and identifying resource requirements.

Confirming the vision will involve engaging with key stakeholders to confirm that the vision meets the Council’s requirements and is achievable.

The analysis of options will involve determining the preferred operating model taking into account relevant, HR, Legal, Finance and Pensions advice etc.

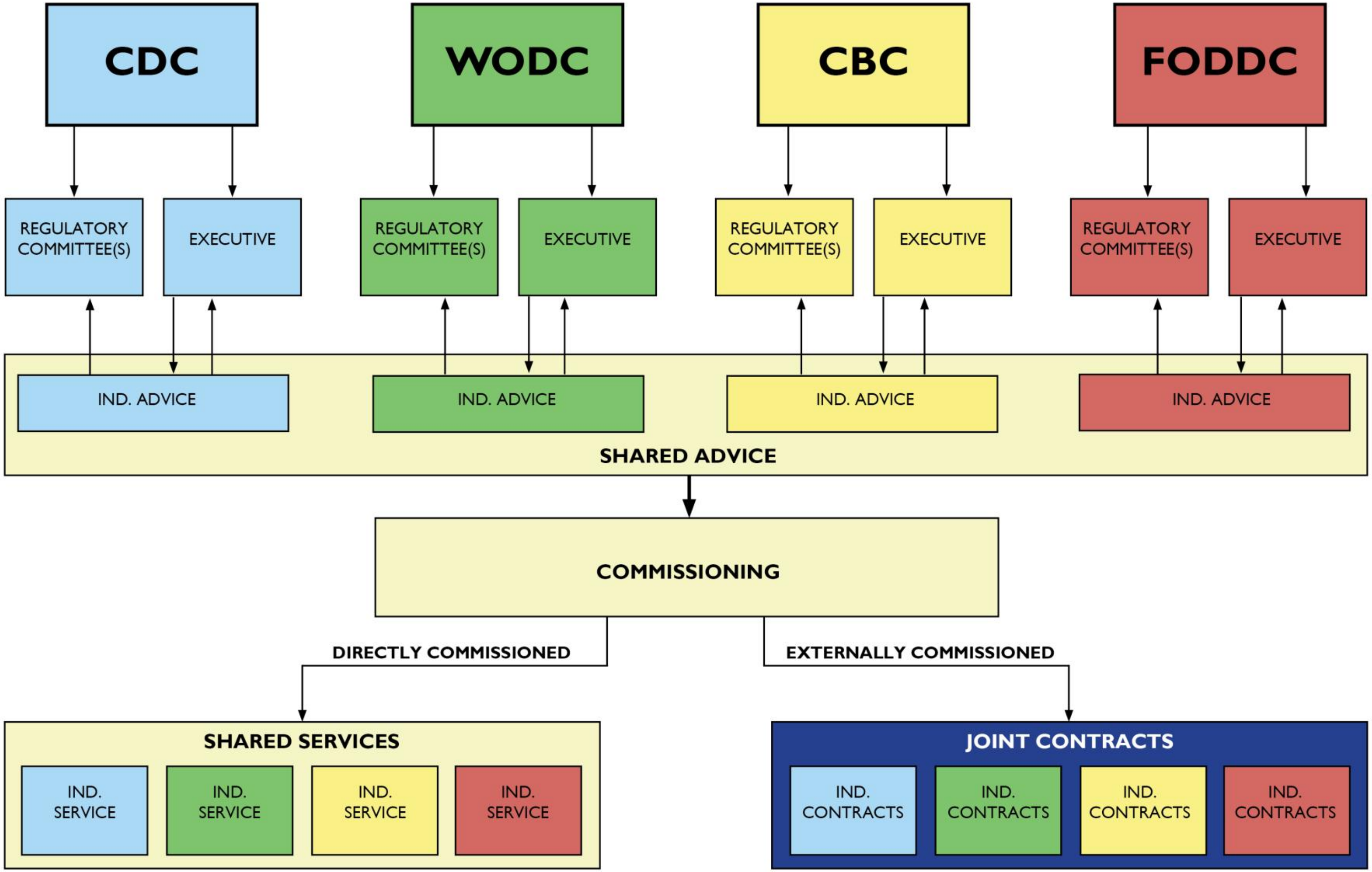
Development of the ‘blueprint’ will provide a detailed description of what the future state of the organisations will be like.

A more detailed business case can then be created taking account of both the estimated future operating costs/savings, any ‘quick wins’ and also the one-off programme transition costs. This business case will be sufficiently robust to enable a decision to proceed to be made.

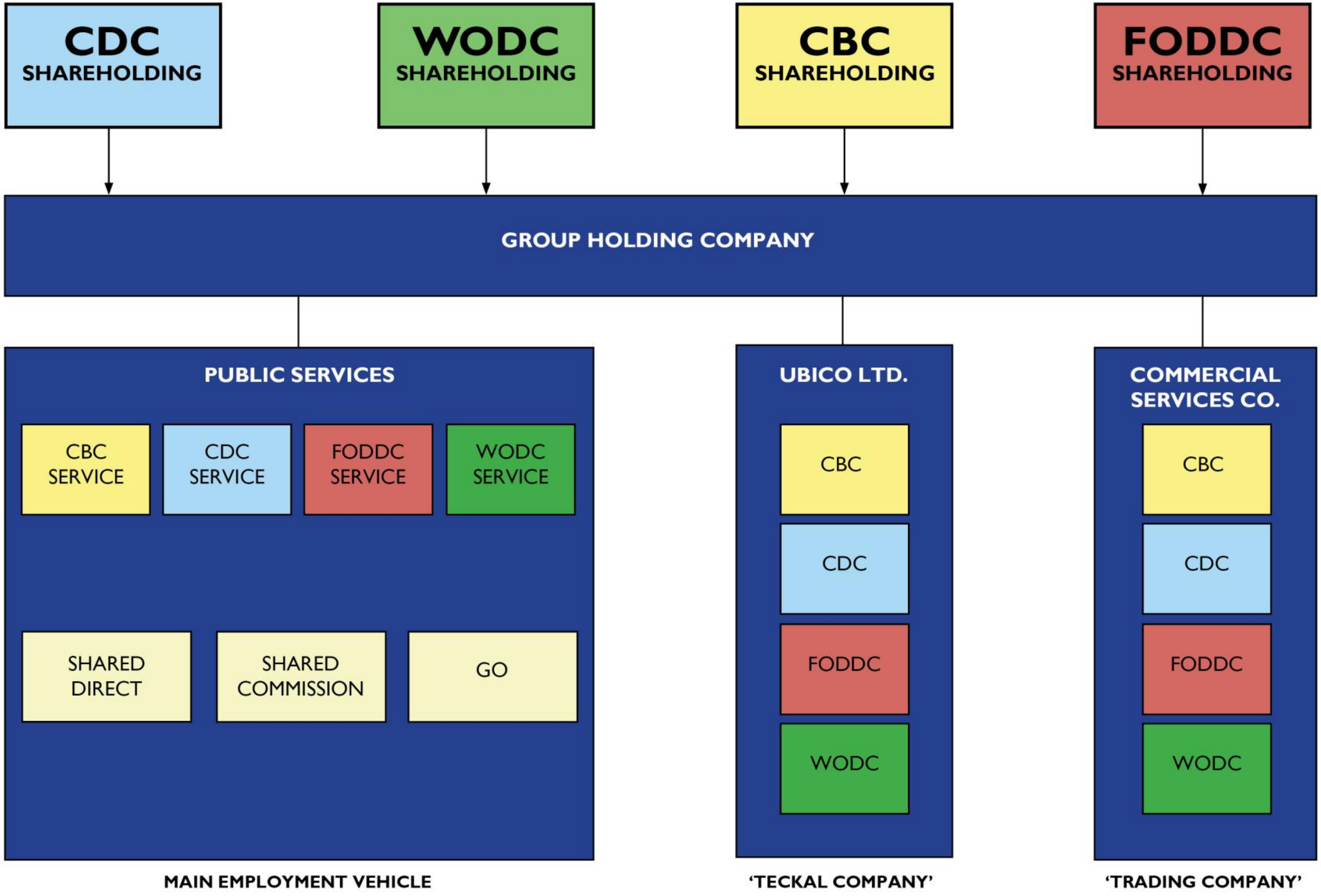
Preparing the Transformation Challenge Award funding bid

The Transformation Challenge Award funding bid will require an estimate of the programme resources, timescales and business case for inclusion within the bid. Whilst in October the programme definition stage as described above will not be fully completed there should be sufficient work completed to enable a bid to be submitted.

FUNCTION (PROPOSED)



EXAMPLE SERVICE DELIVERY MODEL



Joining and Leaving Scenarios

The following possible scenarios are illustrative only. The actual basis and terms for any partners joining or leaving could only be determined once the specific circumstances and the impact on the partnership are known. However, it will be possible to establish the broad principles and terms upon which partners can join and leave the partnership.

<u>Associate Partner - Taking Some Minor Services</u>

A new partner wishing to receive some minor services (e.g. single service <£250k p.a.)

The partner could contract with the service providing company for an agreed price. This would not affect the Shareholding Council's Teckal exemption providing that the contract value remains below approximately 5% of the company turnover. The joining partner would need to deal with their own procurement issues.
Under this scenario the new partner would not take a stake in the company and the existing shareholding and governance arrangements would be unaffected. However, the new partner would be involved in managing their contract through client/contract monitoring meetings

<u>Minor Partner - Taking Significant Services</u>

A new partner wishing to receive significant value or multiple services (e.g. multiple or service >£1m p.a.)

In this scenario it is likely that the new partner would take a proportional stake in the service providing company. This would reduce any risk of the Teckal exemption being breached for the Shareholding Councils and reduces any procurement risks for the new partner. The new partner would own a proportion of the service company appropriate to the value of services commissioned and could have a stake in the governance of the company appointing a representative on the Company Board.

Depending on scale and the structure of the service company(s), a new partner could take a share in a single subsidiary or multiple subsidiary companies.

Full Partner - Taking All or Majority Services

A new partner wishing to receive all or majority of services (e.g. multiple services >£5m p.a.)

In this scenario it is likely that the new partner would become a full partner and take a stake in the holding company in addition to any service providing company(s). This would eliminate the risk of the Teckal exemption being breached for the Shareholding Councils and the procurement risks for the new partner. The new partner would own a proportion of the companies appropriate to the value of services commissioned and would have a stake in the governance of the companies appointing representatives to the Companies' Boards.

If appropriate a full partner need not take a stake in every subsidiary company if they do not wish to receive services from that company. (E.g. If depot services are currently outsourced by the new partner there would be no requirement to receive services or take a stake in Ubico)

Partners wishing to leave partnership

If an associate partner that only received contracted services wishes to leave the partnership this would be in accordance with the terms of their contract. An associate partner wishing to leave the partnership would therefore have no adverse impact on either the partner or the partnership.

If a minor or a full partner with a shareholding decides to leave the partnership this would need to be in accordance with the shareholding agreement and articles of association of the company(s). Whilst these have not yet been developed it is expected that there would be provision for leaving the partnership and giving up any shareholding. Whether the shareholding would have any value (positive or negative) would need to be determined. However, it would be expected that a fair and equitable basis would be developed. Therefore if the company shares had a net positive value then the leaving shareholder would receive a proportion of that value in accordance with their proportion of the shareholding. Whereas if a result of the partner withdrawing that had a negative impact on the company(s) then the converse might apply.

In the event that multiple partners wished to withdraw from the partnership this could trigger the cessation of the partnership and winding up of the company(s). In this event the company(s) would be wound up with any liabilities being discharged in proportion to the shareholdings.