2020 Vision for Joint Working

Strategic Outline Case (SOC)

Version No: 1.0

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VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	05-11-2014	First Draft Version	Jenny Poole
Draft	12-11-2014	Second Draft updated for Public Protection changes to cost/benefit sharing as per final business case and incorporating feedback from CFOs.	Jenny Poole
Draft	21-11-2014	Third Draft updated following feedback from Programme Team and incorporating the preliminary options appraisal work from the Activist report.	Jenny Poole
Draft	24-11-2014	Updated to reflect final version of Activist report.	Jenny Poole
Draft	26-11-2014	Updated with feedback from Senior Managers and to reflect outcome of TCA bid.	Jenny Poole
FINAL	28-11-2014	Approved by Programme Board	Jenny Poole

CONTENTS

Structure and content of the document

This SOC has been prepared using HM Treasury's Green Book (a Guide to Investment Appraisal in the Public Sector) as a guide.

The approved format is the Five Case Model, which comprises the following key components:

- The **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme;
- The **economic case** section. This demonstrates that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM);
- The **commercial case** section. This outlines what any potential deal might look like;
- The **financial case** section. This highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme;
- The **management case** section. This demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

1. Executive summary

1.1 Introduction

This SOC seeks approval to invest an estimated £7.8m in the 2020 Vision Programme. The Programme aims to deliver annual revenue savings of £5.2m whilst retaining the link between local people and their existing local authorities.

1.2 Strategic case

1.2.1 The strategic context

The strategic drivers for the programme are as follows:

- **Financial**: the need to respond to long-term financial pressures on the four Councils;
- **Efficiency**: the need to continue to find ways of delivering value for money (even if the Councils were not facing the current financial pressures);
- **Resilience**: each authority needs a wider pool of expertise and greater capacity to respond to events;
- **Impact**: more depth in strategic capacity is needed to support the drive towards service improvement and wider social and economic benefits in each locality;
- **Democracy**: each authority needs to have sufficient resources to be able to exercise choice and community leadership so that it can champion local needs and priorities.

1.2.2 The case for change

The 2020 partners have long experience of working together, including:

- GO Shared Services in which the four partners share Finance, HR and procurement services, enabled by integrated ERP software;
- Cotswold's and West Oxfordshire's shared management structures and teams;
- Ubico, the environmental services company jointly owned by Cheltenham and Cotswold;

- Audit Cotswolds, which provides audit services to Cheltenham, Cotswold and West Oxfordshire (among others);

- The shared IT service for Forest of Dean and Cheltenham, and Cotswold and West Oxfordshire.

The partners also have a number of shared service partnerships with other authorities outside the 2020 partners, e.g. Forest of Dean's participation in South West Audit Partnership; Cheltenham's participation in One Legal with Tewkesbury Borough Council; and the three Gloucestershire partners' participation in the Gloucestershire Joint Waste Partnership with the county and other district councils.

However, there are many services which continue to be provided individually on behalf of each partner council. By joining up these services, the Councils would be able to realise efficiency gains as well as improving capacity and resilience.

The related business needs are as follows:

Despite, all of the savings generated by sharing services to date, the partner councils continue to share a challenge in adapting to the year-on-year reductions in central government grant to local authorities. Each of the Council's medium term financial strategies require significant savings requirements - even before any further reductions in funds for local government that are expected to materialise after the General Election in 2015.

All four councils face a longer-term challenge - how to deal with the increasing costs of funding the employers' contributions to the Local Government Pension Scheme. Even though the scheme has recently been renegotiated to make it more sustainable, it is a growing burden.

On the basis of this analysis, the potential scope for the scheme is as follows:

- Achieving **economies of scale**: through centralising common functions within each authority; sharing services and management with other bodies; or outsourcing to another provider.

- **Re-designing the service**: finding new ways of delivering a service; making more use of technology; streamlining processes; or redesigning jobs.

- **Re-defining the service**: this could include making reductions in service levels; cutting non-statutory services; or transferring responsibilities to communities.

1.3 Economic case

1.3.1 The long list

In June 2014 each of the four councils' cabinets agreed to set up the 2020 Vision Programme Board to develop a programme plan; business case; and consider any efficiency savings that could be delivered for 2015/16 with a further report to partner Councils in Autumn 2014.

Following formal support for the Programme, the Councils commissioned Activist Group to provide independent advice to the 2020 Vision Programme Board on two principle issues:

- The **options for the delivery models** that would be needed to make the vision possible.
- The **interim management arrangements** that will be needed to make the transition to the models if the partners decided to go ahead.

The following options for delivery models were considered:

Type	Potential Option
Make	As is (or suggested as "in-house transformation")
Buy	Private sector joint venture
Share	Arms-length company (Teckal) jointly owned by partner authorities (i.e. a public sector joint venture) Jointly owned trading company Shared services model (lead authority or joint committee)
Divest	Spin out to mutual or charitable trust

Full details of each of the options considered are contained within the Activist report (section 6).

1.3.2 The preferred way forward

The preferred and recommended way forward is as follows:

- Traditional Sharing (s101 and s102) of the Local Government Act 1972;
- Teckal and Trading Companies.

The main benefits to stakeholders, customers/ users are as follows:

Both options have the merit of being able to deliver significant savings, but without the delays incurred through an expensive procurement exercise. They also have the merit of using partnership models that are tried, tested and trusted already among the partner authorities (e.g. GOSS, SWAP and Ubico).

Given the partners' interest in being able to expand the partnership and to trade, a Teckal company route is likely to provide the most effective and flexible approach. It would also open up the potential to employ new starters on different terms and conditions, including a stakeholder pension scheme rather than the LGPS. However, at this stage, further work is required to confirm the approach on pensions, including establishing a consensus within all four authorities and confirming the financial affordability of such a move.

1.3.3 The short list

On the basis that the preferred way forward is agreed, the following options are recommended for further, more detailed evaluation within the Outline Business Case (OBC):

- **option 1** – Traditional sharing (s101 and s102);
- **option 2** – Teckal and Trading Companies.

Consequently, the preferred option will be identified and recommended for approval within the OBC.

1.3.4 Indicative economic costs

A preliminary option appraisal has been carried out on all of the options for delivery models. Full details of the option appraisal are contained within Appendix D of the Activist report.

1.4 Commercial case

1.4.1 Procurement strategy

The two shortlisted options do not require extensive procurement, although there will be a procurement element within certain projects (e.g. Forest of Dean leisure services). Procurement will be carried out in accordance with the authority's Contract Procedure Rules.

1.4.2 Required services

The Programme will include a review of all authority's services to determine those which will remain under the retained control of individual authorities and those where there are opportunities to share services.

1.4.3 Potential for risk transfer and potential payment mechanisms

The main risks associated with the scheme are set out in the Activist report (Section 7) and include risks associated with:

- Strategic risk;
- Operational risk;
- Financial risk;
- Legal risk.

Ultimately risk will remain with the partner authorities although the Programme Board will work together to mitigate risk collectively.

1.5 Financial case

1.5.1 Summary of financial appraisal

The indicative financial implications of the proposed investment are as follows:

	Year 0 £000	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Year 5 £000	Year 6-10 £000	**Total Years 1-10 £000**
Preferred way forward Estimated Costs:								
Capital	315	305	75	125	125	125	0	755
Revenue	585	2,160	1,725	1,860	675	670	0	7,090
Total	**900**	**2,465**	**1,800**	**1,985**	**800**	**795**	**0**	**7,845**
Funded by:								
Existing TCA Funding	500							
TCA Bid 2014/15	400							
TCA Bid 2015/16		2,465	435					2,900
Council Contributions		0	1,365	1,985	800	795	0	4,945
Total	**900**	**2,465**	**1,800**	**1,985**	**800**	**795**	**0**	**7,845**
Savings Annual:	**0**	**695**	**1,455**	**1,325**	**845**	**140**	**715**	**5,175**
Savings Cumulative:	**0**	**695**	**2,150**	**3,475**	**4,320**	**4,460**	**24,450**	**39,550**

There is the potential for savings to be increased through projects such as the Cheltenham REST project and through sharing services which have are currently considered to be retained by individual councils such as planning and democratic services. The business case will be updated as information becomes available.

1.5.2 Overall affordability and balance sheet treatment

The proposed cost of the project is £7.8m over the 5 years of the expected lifetime of the programme implementation.

The Strategic Outline Case is seeking the organisations' endorsement of the funding required for the Programme. That funding to be provided for within each Council's Medium Term Financial Strategy.

Funding of core programme expenditure (i.e. of benefit to all partner authorities) will be initially funded from the £2.9m award of Transformation Challenge Award Funding 2015/16.

1.6 Management case

1.6.1 Project management arrangements

The proposed programme management arrangements are set out in the Activist Report (Chapter 7). The Activist Report suggests a 'classic' MSP programme structure incorporating a Programme Board, Programme Team and a group of Senior Managers who will lead by example and monitor projects and benefits.

The Activist report recognises the complexity of the programme. Therefore, while there would normally be a single Programme Manager, Activist propose splitting the Programme Management responsibility over a number of Programme Managers who would report to a single Programme Director.

The Activist report identifies key elements that will need to be managed and suggests that these can usefully be divided in to three separate streams:

- Programme Office;
- Strategic, Legal, Governance and infrastructure;
- Implementation.

1.6.2 Gateway reviews arrangements

The development of the business case to date has been in consultation with Senior Management Teams and Cabinets of all partner authorities. Formal Gateway reviews will be carried out before each of the "GO/No-go" decision points set out in section 4.8 of this document.

2. The Strategic Case

2.1 Introduction

This Strategic Outline Case (SOC) is for the 2020 Vision for Joint Working. The 2020 Vision represents an ambitious model for how district councils could work together effectively and is a proposed new approach to service delivery being developed by the four partners: Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council.

The four councils have worked together for a number of years to share services. GO Shared Services have been in operation successfully for over two years and the partners have a range of other partnerships through which they have shared their services together.

This has given them the confidence to explore taking a significant step further towards much deeper sharing of the staffing resources that enable each authority to function. This would represent the first time that four district councils have shared most of their services.

In June 2014 each of the four councils' cabinets agreed to set up the 2020 Vision Programme Board to develop a programme plan; business case; and consider any efficiency savings that could be delivered for 2015/16 with a further report to partner Councils in Autumn 2014.

Following formal support for the Programme, the Councils commissioned Activist Group to provide independent advice to the 2020 Vision Programme Board on two principle issues:

- The **options for the delivery models** that would be needed to make the vision possible.
- The **interim management arrangements** that will be needed to make the transition to the models if the partners decided to go ahead.

The Report and Outline Business Case considered by the Cabinets in June 2014 signalled the potential to transfer staff to a new employing body. While protecting the terms, conditions and pensions of staff transferred, new starters would be employed on new terms and conditions and would have a stakeholder pension scheme rather than access to the LGPS. The Councils engaged specialist advice on pensions from AON Hewitt to inform the business case. AON Hewitt confirmed that the projected savings in employer contributions were achievable. However, the actuary also identified and quantified the scale of financial risks, which all the Councils are already facing, in terms of future growth in pension fund contributions for existing employees. Other risks identified by the actuary related to the move to a new employing body, which could result in early crystallisation of pension liabilities. The data from the actuary has been used both to update the business case as well as informing the options for the delivery models.

Part A: The strategic context

2.2 Organisational overview

2020 Vision sets out an ambition for the authorities to become more efficient and effective by working together but without sacrificing sovereignty – in fact, the ability to take the decisions needed for their locality would be strengthened.

2.3 Business strategies

The strategic priorities set out in each authority's corporate plan are set out below:

Authority	Priorities
Cheltenham	• Enhancing and protecting our environment • Strengthening our economy • Strengthening our communities • Enhancing the provision of arts and culture • Delivering value for money services
Cotswold	• Freeze Council Tax until 2016 whilst protecting front line services that matter to our residents • Maintain and protect our environment as one of the best places to live, work and visit • Work with local communities to help them help themselves
Forest of Dean	• To provide value for money services • Promote thriving communities • Encourage a thriving economy • Protect and improve our environment
West Oxfordshire	• Protect and enhance the environment of West Oxfordshire and maintain the district as a clean, beautiful place with low levels of crime and nuisance • Work in partnership to sustain vibrant, healthy and economically prosperous towns and villages with full employment • Be recognised as a leading council that provides efficient, value for money services

The priorities demonstrate many similarities, including:

- The importance of value for money and efficiency;

- A commitment to the environment;

- Working with and supporting their communities.

There are some significant differences in emphasis and policies that are likely to be a reflection of differences in political control, but also in the nature of the locality. They also have differences in their size, population and prosperity. However, while there are differences between the authorities and the areas they serve, these are greatly outweighed by the similarities.

The four authorities share a focus on efficiency and on achieving value for money for council tax payers. This concern for efficiency goes hand-in-hand with the partner authorities' shared vision of a district council having a wider responsibility for what is often characterised as 'place-shaping'. The authorities play a community leadership role - looking after the long-term environmental, social and economic needs of their localities, their citizens and businesses - and must act as champions of their communities on behalf of their citizens.

A key shared challenge is in addressing the year-on-year reductions in central government grant to local authorities. Each of the council's medium term financial strategies require significant savings requirements - even before any further reductions in funds for local government that are expected to materialise after the General Election in 2015. Additionally, all four councils face a longer-term challenge - how to deal with the increasing costs of funding the employers' contributions to the Local Government Pension Scheme.

The authorities have made it clear that they would prefer not to make reductions in service levels or cut non-statutory services if at all possible.

2.4 Summary of Drivers for 2020 Vision

- **Financial**: the need to respond to long-term financial pressures on the four Councils.

- **Efficiency**: the need to continue to find ways of delivering value for money (even if the Councils were not facing the current financial pressures).

- **Resilience**: each authority needs a wider pool of expertise and greater capacity to respond to events.

- **Impact**: more depth in strategic capacity is needed to support the drive towards service improvement and wider social and economic benefits in each locality.

- **Democracy**: each authority needs to have sufficient resources to be able to exercise choice and community leadership so that it can champion local needs and priorities.

Part B: The case for change

2.5 Investment objectives

The investment objectives for the programme are as follows:

Outcomes	Contributory Outcomes
Savings	• Delivers realistic and sustainable revenue savings. • Provides a positive return on investment in the medium to long-term. • Enables further savings through partnership and better asset management. • Enables opportunities for income generation.
Influence	• Respects each Council's separate identity as individual authorities. • Ensures decision making will remain locally accountable. • Strengthens ability to exercise community leadership on behalf of localities. • Retains strong local knowledge in frontline services. • Each authority has impartial commissioning and client side advice from people they trust.
Quality	• Enhances and maintains good quality services to the public. • Allows Councils to nurture partnerships and take advantage of new ones. • Creates organisations which are flexible and adaptable to future changes. • Has governance and structures that are streamlined and easy to understand. • Is widely acknowledged to be socially responsible.
Creativity	• Empowers staff to be creative, collaborative and enquiring. • Supports commitment to a public service that responds to and empowers local communities. • Fosters and rewards an innovative, can-do approach to delivering services.

2.6 Existing arrangements

The 2020 partners have long experience of working together, including:

- GO Shared Services in which the four partners share Finance, HR and procurement services, enabled by integrated ERP software.

- Cotswold's and West Oxfordshire's shared management structures and teams.
- Ubico, the environmental services company jointly owned by Cheltenham and Cotswold.
- Audit Cotswolds, which provides audit services to Cheltenham, Cotswold and West Oxfordshire (among others).
- The shared IT service for Forest of Dean and Cheltenham, and Cotswold and West Oxfordshire.

The partners also have a number of shared service partnerships with other authorities outside the 2020 partners, e.g. Forest of Dean's participation in South West Audit Partnership; Cheltenham's participation in One Legal with Tewkesbury Borough Council; and the three Gloucestershire partners' participation in the Gloucestershire Joint Waste Partnership with the county and other district councils.

However, there are many services which continue to be provided individually on behalf of each partner council. By joining up these services, the Councils would be able to realise efficiency gains as well as improving capacity and resilience.

2.7 Business needs

Despite, all of the savings generated by sharing services to date, the partner councils continue to share a challenge in adapting to the year-on-year reductions in central government grant to local authorities. Each of the Council's medium term financial strategies require significant savings requirements - even before any further reductions in funds for local government that are expected to materialise after the General Election in 2015.

	CDC £000	WODC £000	CBC £000	FODDC £000
Total Annual Savings 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	1,200

Source: Report and Outline Business Case; June 2014

The four partner councils are currently updating their Medium Term Financial Strategies, whilst some have completed the process others will complete the cycle with the budget setting process for 2015/16. The revised savings targets will therefore be incorporated within the next update of this business case.

All four councils face a longer-term challenge - how to deal with the increasing costs of funding the employers' contributions to the Local Government Pension Scheme. Even though the scheme has recently been renegotiated to make it more sustainable, it is a growing burden.

2.8 Potential business scope and key service requirements

Given the financial challenges faced, there are three principal options open to each authority to make the savings needed:

- Achieving **economies of scale**: through centralising common functions within each authority; sharing services and management with other bodies; or outsourcing to another provider.
- **Re-designing the service**: finding new ways of delivering a service; making more use of technology; streamlining processes; or redesigning jobs.
- **Re-defining the service**: this could include making reductions in service levels; cutting non-statutory services; or transferring responsibilities to citizens and communities.

The authorities have made it clear that they would prefer not to make reductions in service levels or cut non-statutory services if at all possible. Making savings through encouraging greater citizen self-reliance is an objective for a number of councils, but this can involve a lengthy process of transition and can result in failure where a council withdraws too quickly before the local community has the capacity to take on a greater share of responsibility.

Service redesign can take many forms. Job enlargement, i.e. asking managers and staff to multi-task has already been pursued in each authority, but this has its limits. Asking managers and staff to take on broader spans of control is likely to produce savings but is also likely to dilute the expertise needed for complex, technical issues. Technology driven change has an investment cost which may be prohibitive if carried out by a single authority. Fundamentally, any worthwhile service redesign is likely to generate even greater returns if shared.

In the past, the starting point for councils to achieve economies of scale was to centralise back office functions. However, most support services have already been centralised and shared, e.g. through GO and shared IT, legal and audit partnerships. Few economies are likely to flow from sharing closely with a county council as they do not have services in common apart from support services and since most county councils' support services rely on sophisticated (and more expensive) enterprise resource planning (ERP) software (i.e. finance, HR and procurement) the cost of changing from GO's Agresso software is likely to be unaffordable. Sharing with a different group of district councils will also prove challenging due to these conversion costs.

Set against these constraints, each authority will need to decide whether there are alternatives to 2020 Vision that could provide savings on the scale required. Within the Councils Medium Term Financial Strategies, sharing is already anticipated to make a major contribution. The initial Report and Outline Business Case for 2020 Vision indicated that it had the potential to make a significant additional contribution, generating a surplus for three of the authorities, as set out below.

	CDC £000	**WODC £000**	**CBC £000**	**FODDC £000**
Total Annual Savings 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

Source: Original table from the Report and Outline Business Case June 2014

Once the partner councils have completed their updates of their Medium Term Financial Strategies, the table above will be updated to reflect the latest savings targets, savings deliverable from projects outside of the 2020 Vision and the projected savings from the 2020 Vision.

2.9 Main benefits criteria

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits.

Investment objectives	Main benefits criteria
Savings *the savings figures are from the latest version of the 2020 Vision business case which has been updated since the report to Cabinets in June 2014*	Delivers realistic and sustainable revenue savings. Provides a positive return on investment in the medium term. Cheltenham Borough Council savings to council tax payers £1.3m Cotswold District Council savings to council tax payers £1.3m Forest of Dean District Council savings to council tax payers £1.3m West Oxfordshire District Council savings to council tax payers £1.3m **Total estimated financial savings £5.2m** Enables further savings to be delivered through partnership and better asset management. Enables opportunities for income generation.
Influence	Respects each Council's separate identity as individual authorities. Ensures decision making will remain locally accountable. Strengthens ability to exercise community leadership on behalf of localities. Retains strong local knowledge in frontline services. Each authority has impartial commissioning and client side advice from people they trust.
Quality	Enhances and maintains good quality services to the public. Allows Councils to nurture partnerships and take advantage of new ones. Creates organisations which are flexible and adaptable to future changes. Has governance and structures that are streamlined and easy to understand. Is widely acknowledged to be socially responsible.

Creativity	Empowers staff to be creative, collaborative and enquiring. Supports commitment to a public service that responds to and empowers local communities. Fosters and rewards an innovative, can-do approach to delivering services.

2.10 Main risks

The main business and service risks associated with the potential scope for this programme are set out in the Activist report (section 7). The Programme Team and Programme Board will receive regular updates of the risk and issues log.

2.11 Constraints

The project is subject to the following constraints:

- Political decision making;
- Statutory legislative change;
- Pensions, amendments would be required to the LGPS Pension Regulations to enable the Councils to fully benefit from pension savings available through the Teckal or Trading Company option.

2.12 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

- That TCA 2015/16 is available from the Department for Communities and Local Government;
- That the partner councils approve the funding to enable the programme to continue;
- That the Councils are able to recruit/second officers to manage the implementation of the various projects underpinning the programme.

3. The Economic Case

3.1 Introduction

This section of the SOC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

3.2 Critical success factors

The factors critical to the success of this programme are:

(a) The commitment of all partner councils to the programme;

(b) The successful implementation of the ICT systems to support the efficiency gains envisaged in this business case;

(c) The successful realisation of the benefits of shared working to a level envisaged in the vision of the programme.

3.3 The long-listed options

There are numerous choices available for securing the sourcing model best able to meet the outcomes expected for 2020 Vision. Whereas in the past, the choice could be represented as a simple 'make or buy' decision, there is now a much greater variety of sourcing options in use by local authorities. Each model has particular strengths and weaknesses and the choice of model will depend on what the commissioner is trying to achieve.

Make	Buy	Share	Divest
• In-house transformation • Continuous improvement • Arms-length company	• Outsourcing to the private sector • Outsource to the third sector • Private-sector joint venture	• Shared services • Shared management • Public Sector joint ventures	• Transfer to community management • Mutualisation • Devolve to parish • Closure

From the spectrum of sourcing options summarised in the table above, a long-list of options was been identified in discussion with members and senior managers that are more likely to meet the needs of the partners, given the ambitions set out in 2020 Vision and the outcomes framework. Three of the main options above were easily eliminated:

- Large scale outsourcing for four authorities would be extremely time-consuming and expensive and would be unlikely to secure general support. The procurement process for services on this scale would also introduce a substantial delay and unacceptable risk to the delivery of savings;

- Transferring services to community management or devolving them to parishes would be too complex and impractical for the range of services under consideration;

- Closure is precisely what 2020 Vision is designed to avoid.

The Long-list of Sourcing Options for 2020 Vision is set out in the table below:

Type	Potential Option
Make	As is (or suggested as "in-house transformation").
Buy	Private sector joint venture.
Share	Arms-length company (Teckal) jointly owned by partner authorities (i.e. a public sector joint venture). Jointly owned trading company. Shared services model (lead authority or joint committee).
Divest	Spin out to mutual or charitable trust.

At this stage, a preliminary option appraisal to help identify the sourcing options most likely to meet the outcomes framework has been carried out. Each of the long-listed models has been evaluated for its contribution to each of the outcomes using a simple rating of high, medium and low; no weightings have been applied.

	Outcomes					
Model	**Savings**	**Influence**	**Quality**	**Creativity**	**Shortlist?**	**Key Issues**
In-house transformation	L	H	M	L	No	Lacks scale economies
Private sector joint venture	L	M	L	M	No	Poor ROI Long lead-in
Sharing	H	H	M	M	**Yes**	Tried and tested
Local authority company	H	H	M	M	**Yes**	Local experience
Spin-out to mutual or trust	L	M	M	M	No	Long lead-in Not at this stage

As a result of the shortlisting process, two broad strategic options are recommended for consideration on the shortlist:

- Traditional Sharing (s101 and s102).
- Teckal and Trading Companies.

Both options have the merit of being able to deliver significant savings, but without the delays incurred through an expensive procurement exercise. They also have the merit of using partnership models that are tried, tested and trusted already among the partner authorities (e.g. GOSS, SWAP and Ubico).

Given the partners' interest in being able to expand the partnership and to trade, a Teckal company route is likely to provide the most effective and flexible approach. It would also open up the potential to employ new starters on different terms and conditions, including a stakeholder pension scheme rather than the LGPS. However, at this stage, further work is required to confirm the approach on pensions, including establishing a consensus within all four authorities and confirming the financial affordability of such a move.

In the meantime and to avoid delays in making progressing on joint projects, it is recommended that the new partnership venture is established at an early stage under the control of a member-led joint committee which would operate as an interim stage before the partners are able to confirm whether and when they will proceed to a Teckal company model.

The interim joint committee would manage the partnership venture as a temporary arrangement, but one which embeds the new philosophy and approach wanted in the long-term:

- Managerial leadership: the joint committee would appoint an interim managing director and management team to lead and develop the partnership venture and prepare for the transition to the long-term model;
- Management culture: a more commercially-minded and entrepreneurial ethos would be fostered;
- Business development: a planned approach would be developed to pursuing opportunities to extend the partnership and secure new business.

As a result, it is recommended that the partners consider the following as a preferred way forward:

Step	Sourcing Model	Rationale
1 Short	The preferred **sourcing model for 2020 Vision** is a **partnership venture**. This would initially function as a	Members' direct oversight would be retained using a well-established local government governance model, allowing shared co-ordination and

Step	Sourcing Model	Rationale
	shared service arrangement operating under an interim **joint committee** made up of elected members from each authority.	control. Allows progress in delivering shared efficiencies to be made while key issues (e.g. pensions) are resolved. The need for a separate company for trading purposes will need to be considered if a move to company is not agreed or is delayed.
2 Medium	While the **partnership venture is maturing** and the benefits are being realised, the partner authorities would decide on whether to continue operating as a joint committee or moving to a company model.	Allows a joint decision by the authorities to be made on whether and when to progress to a different model. The new partnership venture operating under a joint committee would develop some of the characteristics needed for a more commercial, income-generating model.
3 Long	The **potential for conversion to a mutual** could be explored if the option commands support and the partnership venture has developed the expertise needed to win the contract in competition.	The move to a mutual model would be a major step involving significant risks. Any new shared entity needs time to develop its skills, systems, relationship management and initial customer base before it can compete confidently.

4. The Commercial Case

4.1 Introduction

In order to progress shared services savings quickly, it is proposed to initially operate them under a joint committee with the Councils continuing to act as employers. This will allow progress in achieving shared efficiencies whilst developing the detailed arrangements for the establishment of the new sourcing model.

4.2 Required services

The joint committee will focus upon:

- Overseeing the development of the detailed programme plans and the final business case for consideration by each partner authority.
- Overseeing any new sharing projects that the partners agree upon (on a case-by case basis), e.g. IT and public protection.
- Managing any services that are transferred to its management on an interim basis pending final decisions on the way forward.
- Negotiating the future agreements that will underpin the new partnership venture arrangements, including the financial protocols and charging arrangements.

The interim joint committee will report to the partner authorities in the autumn of 2015 on final proposals alongside implementation plans to take effect from 2016 onwards. As the plans for a move to a company model take effect, it may be helpful to create a shadow company board which would represent the company in negotiating the service contracts with the partner authorities. This will help to avoid the new company having to work to a contract that it had no part in negotiating and so had not been able to satisfy itself was realistic.

4.3 Potential for risk transfer

At this stage, the Programme risks will be overseen by the Programme Board or joint committee and will be escalated to the partner authorities as necessary. Ultimately all risks remain with the partner councils.

4.4 Proposed charging mechanisms

The Programme Board has approved the principles under which costs and benefits will be shared. The document is attached at Appendix A. As the programme progresses, the costs and benefits document will be further refined by the Programme Board or joint committee as appropriate.

4.5 Proposed contract lengths

It is recommended that the joint committee is established early in 2015 with the aim of reporting to the partner authorities in the autumn of 2015 on final proposals alongside implementation plans to take effect from 2016. Meanwhile the joint committee will operate under a Memorandum of Understanding.

4.6 Proposed key contractual clauses

These will be developed as part of the Memorandum of Understanding under which the joint committee will operate.

4.7 Personnel implications (including TUPE)

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment at this stage. Under the joint committee model, the staff will remain employed by their existing employers. Employment issues will be considered as part of the report to councils in the autumn of 2015.

4.8 Implementation timescales

Subject to agreement of the SOC, it is anticipated that the implementation milestones to be agreed for the scheme with the service provider will be as follows:

Phase	Timing	Summary	Key Activities
1	Autumn 2014	Preliminary Planning	Develop Strategic Outline Case Design Programme Plan Design detail of interim management arrangements **Go/No-go decision point for each authority to proceed to next phase: Nov/Dec 2014**
2	Winter 2014 – Spring 2015	Detailed Planning	Establish interim joint committee including legal agreements Implement interim management arrangements Develop Outline Business Case Initiate preliminary agreed projects
3	Summer 2015	Programme Initiation	Develop full business case Develop draft legal agreements Confirm whether to retain joint committee or move to company structure **Go/No-go decision point for each authority to proceed to next phase: September 2015**
4	Autumn 2015	Initial Implementation	Develop and manage transition plans, including statutory consultation. Consult on and implement permanent management arrangements. Refine and agree legal agreements, including any contractual requirements.
5	Spring 2016	Full go-live of partnership venture	Transition made to new organisations. Delivery of programme transformation project continues. **Go-Live of new arrangements April 2016**

4.9 FRS 5 accountancy treatment

There are no FRS 5 accountancy implications for this business case at this point in time. Any issues will be included in the Outline Business Case or Full Business Case as appropriate.

5. The Financial Case

5.1 Introduction

The purpose of this section is to set out the indicative financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case section).

5.2 Impact on the organisation's income and expenditure account

The financial case for the overall programme is set out below:

	Year 0 £000	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Year 5 £000	Year 6-10 £000	**Total Years 1-10 £000**
Preferred way forward Estimated Costs:								
Capital	315	305	75	125	125	125	0	755
Revenue	585	2,160	1,725	1,860	675	670	0	7,090
Total	**900**	**2,465**	**1,800**	**1,985**	**800**	**795**	**0**	**7,845**
Funded by:								
Existing TCA Funding	500							
TCA Bid 2014/15	400							
TCA Bid 2015/16*		2,465	435					2,900
Council Contributions		0	1,365	1,985	800	795	0	4,945
Total	**900**	**2,465**	**1,800**	**1,985**	**800**	**795**	**0**	**7,845**
Savings Annual:	**0**	**695**	**1,455**	**1,325**	**845**	**140**	**715**	**5,175**
Savings Cumulative:	**0**	**695**	**2,150**	**3,475**	**4,320**	**4,460**	**24,450**	**39,550**

The initial funding of £900,000 from the Transformation Challenge Fund has been utilised to fund the following:

- Advice on interim management arrangements;
- Actuarial advice on the Local Government Pension Scheme;
- Investment in the information technology infrastructure which will underpin the shared services;
- Resourcing the development of the public protection shared service business case;

The balance of the £900,000 will be used to fund transformation costs associated with the interim management arrangements, funding further investment in the information technology infrastructure and to provide resource for the programme management.

The financial case for **Cheltenham Borough Council** is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	**Total Years 1-10**
	£000	£000	£000	£000	£000	£000	£000
Estimated Costs							
Capital	0	0	0	0	0	0	0
Revenue	555	360	510	200	195	0	1,820
Total	**555**	**360**	**510**	**200**	**195**	**0**	**1,820**
Funded By:							
TCA Bid 2015/16	555	170					725
Council Contribution	0	190	510	200	195	0	1,095
Total	**555**	**360**	**510**	**200**	**195**	**0**	**1,820**
Savings Annual:	**310**	**445**	**180**	**130**	**40**	**215**	**1,320**

The financial case for **Cotswold District Council** is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	**Total Years 1-10**
	£000	£000	£000	£000	£000	£000	£000
Estimated Costs							
Capital	305	75	125	125	125	0	755
Revenue	325	405	320	75	75	0	1,200
Total	**630**	**480**	**445**	**200**	**200**	**0**	**1,955**
Funded By:							
TCA Bid 2015/16	630	95					725
Partner Council Contributions	0	385	445	200	200	0	1,230
Total	**630**	**480**	**445**	**200**	**200**	**0**	**1,955**
Savings: Annual	**60**	**375**	**430**	**190**	**35**	**180**	**1,270**

The financial case for **Forest of Dean District Council** is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	**Total Years 1-10**
	£000	£000	£000	£000	£000	£000	£000
Estimated Costs:							
Capital							
Revenue	650	480	550	200	200	0	2,080
Total	**650**	**480**	**550**	**200**	**200**	**0**	**2,080**
Funded By:							
TCA Bid 2015/16	650	75					725
Partner Council Contributions	0	405	550	200	200	0	1,355
Total	**650**	**480**	**550**	**200**	**200**	**0**	**2,080**
Savings: Annual	**265**	**295**	**285**	**245**	**35**	**170**	**1,295**

The financial case for **West Oxfordshire District Council** is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	**Total Years 1-10**
	£000	£000	£000	£000	£000	£000	£000
Estimated Costs:							
Capital							
Revenue	630	480	480	200	200	0	1,990
Total	**630**	**480**	**480**	**200**	**200**	**0**	**1,990**
Funded By:							
TCA Bid 2015/16	630	95					725
Partner Council Contributions	0	385	480	200	200	0	1,265
Total	**630**	**480**	**480**	**200**	**200**	**0**	**1,990**
Savings: Annual	**60**	**340**	**430**	**280**	**30**	**150**	**1,290**

5.3 Impact on the balance sheet

The proposed capital expenditure will reduce the capital receipts available for investment at Cotswold District Council. Investment in ICT will increase the value of intangible assets held across the partnership. Funding of one-off revenue costs will reduce the partner authorities' revenue reserves.

5.4 Overall affordability

The proposed cost of the project is £7.8m over the 5 years of the expected lifetime of the programme.

The Strategic Outline Case is seeking the organisations' endorsement of the funding required for the Programme. That funding to be provided for within the Councils' Medium Term Financial Strategy.

Funding of core programme expenditure (i.e. of benefit to all partner authorities) will be initially funded from the £2.9m award of Transformation Challenge Award Funding 2015/16.

6. The Management Case

6.1 Introduction

This section of the SOC addresses the 'achievability' of the scheme. Its purpose is to set out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

6.2 Programme management arrangements

The proposed programme management arrangements are set out in the Activist Report (Chapter 7). The Activist report suggests a 'classic' MSP programme structure incorporating a Programme Board, Programme Team and a group of Senior Managers who will lead by example and monitor projects and benefits.

The Activist report recognises the complexity of the programme. Therefore, while there would normally be a single Programme Manager, Activist propose splitting the Programme Management responsibility over a number of Programme Managers who would report to a single Programme Director.

The Activist report identifies key elements that will need to be managed and suggests that these can usefully be divided in to three separate streams:

- Programme Office;
- Strategic, Legal, Governance and infrastructure;
- Implementation.

6.3 Outline programme plan

Milestone activity	Timing
Develop Strategic Outline Case Design Programme Plan Design detail of interim management arrangements **Go/No-go decision point for each authority to proceed to next phase: Nov/Dec 2014**	Autumn 2014
Establish interim joint committee including legal agreements Implement interim management arrangements Develop Outline Business Case Initiate preliminary agreed projects	Winter 2014 – Spring 2015
Develop full business case Develop draft legal agreements Confirm whether to retain joint committee or move to company structure **Go/No-go decision point for each authority to proceed to next phase: September 2015**	Summer 2015
Develop and manage transition plans, including statutory consultation. Consult on and implement permanent management arrangements. Refine and agree legal agreements, including any contractual requirements.	Autumn 2015
Transition made to new organisations. Delivery of programme transformation project continues. **Go-Live of new arrangements April 2016**	Spring 2016

6.4 Use of special advisers

Special advisers have been used in a timely and cost-effective manner. Details are set out in the table below:

Specialist Area	Adviser
Financial	AON Hewitt – pensions advice
Technical	Activist Group, Eunomia Ltd

6.5 Gateway review arrangements

The development of the business case to date has been in consultation with Senior Management Teams and Cabinets of all partner authorities. Formal Gateway reviews will be carried out before each of the "Go/No-go" decision points set out in the Outline Programme Plan.