

Information/Discussion Paper

Overview and Scrutiny – 21 September 2015

2020 Vision Programme

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed.

1. Why has this come to scrutiny?

- 1.1 At its meeting on 13 October, Cabinet will be considering a report regarding this council's engagement with 2020 Vision. The report is then due to be considered by Council on 19 October.
- 1.2 In order to inform the recommendations Cabinet is asking Overview and Scrutiny to consider and comment on the proposed recommendations for this council's involvement in 2020 Vision but also to give a view on whether Cabinet should consider alternative options for sharing with the 2020 Vision partner councils, as explained in this report.

2. Background

- 2.1 Members will be aware that 2020 Vision is a partnership between this council, Cotswold District Council (CDC), West Oxfordshire District Council (WODC) and Forest of Dean District Council (FODDC).
- 2.2 2020 Vision sets out an ambition for the authorities to become more efficient and effective by working together. The vision is:

“A number of councils, retaining their independence and identities, but working together and sharing resources to maximise benefit leading to more efficient, effective delivery of local services”.

- 2.3 Following the Activist report in December 2014, Cabinet endorsed a number of recommendations to progress 2020 Vision including a recommendation for the

“establishment of a shared services partnership venture in early 2015, between the 4 authorities, managed by a Joint Committee operating under a Memorandum of Understanding (MoU) for an interim period pending a further report being considered in the autumn of 2015”.

- 2.4** The programme is being governed by a Member Governance Board (MGB) of the Leaders and relevant Cabinet Members for 2020 Vision. On 21 August, the MGB considered a number of key documents and the financial case for 2020 Vision.
- 2.5** The MGB endorsed a number of recommendations for onward consideration by the partner Councils, the main ones being:
- To establish the 2020 Vision Joint Committee by April 2016 and the delegation of GOSS and ICT on its creation;
 - To approve the business case;
 - To enter into the shared services partnership structure and appointment of a Partnership Managing Director;
 - To receive a report and business case during 2016 for the establishment of a local authority company.
- 2.6** The MGB Council report and appendices is attached at Appendix A.

3. Proposed role of the 2020 Vision Joint Committee

- 3.1** The Joint Committee would be governed by a constitution which is attached to the MGB report. The recommendation is that the committee would have 2 principal roles; (1) policy and procedure formulation (HR, ICT and finance/procurement rules) and (2) strategic direction and oversight of the partnership venture and overseeing its performance, development and operation.

4. CBC financial context

- 4.1** The medium term financial strategy (MTFS), agreed by Council in February this year, identified a funding gap over the next 4 years of c £3.7M which was reduced by a programme of initiatives to £1.5M. 2020 Vision has, therefore, a significant role to play in enabling this council to deliver a balanced budget in the short to medium term.
- 4.2** In considering the potential options open to the council, members will need to be mindful of the need to deliver a balanced budget. Members will also be aware that the external auditor will be providing a value for money (VFM) conclusion on the council's financial statements.
- 4.3** The MTFS is currently being updated to re-forecast the council's funding gap. A number of uncertainties have been identified which will impact upon the residual gap, namely:
- Income from recycling is anticipated to see a significant reduction due to global events such as a fall in the price of crude oil and other economic factors;
 - Whilst the town is seeing increasing levels of redevelopment this will have a short-term impact of reduced business rates income whilst schemes progress;

- Revenue for car parking has seen a reduction which needs to be stabilised in the short-medium term.

4.4 In the light of the council's financial context, it is important to note that, as currently configured, the 2020 Vision programme benefits from £3.8M Transformation Challenge Funding (TCF). It will be important, therefore, moving forward with any option, that this council is able to secure its share of that TCF funding, in particular to support investment in ICT.

5. Recap on the reasons for looking to share more services

5.1.1 Members will recall that in 2014 the 2020 Vision Programme Board commissioned Activist to develop a strategic business case. Members identified the following drivers for entering into the 2020 Vision partnership:

Financial: the need to respond to long-term financial pressures

Efficiency: continuing to find ways of delivering value for money

Resilience: each authority needing a wider pool of expertise and greater capacity

Impact: more depth in strategic capacity needed to drive service improvement and wider social and economic benefits in each locality

Democracy: sufficient resources to be able to exercise choice and community leadership and to champion local needs and priorities

6. 2020 Vision Business Case

6.1 Based on the updated projections in the business case the annual partnership savings are estimated as being £5.7M p.a. by 2019-20 (based on forming a local authority company).

6.2 Savings to this council at this point total £581K. Primarily these savings arise from reduced management and administration costs, and from the recommendation to share new services, e.g. customer services, revenues and benefits including council tax and property services.

6.3 Further savings of £227K for this council could potentially be achieved through the establishment of a local authority company.

6.4 Savings from the programme therefore have a significant role to play in closing this council's updated MTFS funding gap in the short to medium term.

7. Gateway Reviews and Quality Assurance

7.1 CIPFA and Proving Services carried out a quality assurance review of the business case looking at both the robustness of the savings and also the deliverability of the 2020 Vision programme. They concluded that a valuable but relatively low set of financial savings could confidently be realised from this next phase of sharing. They also believed there to be more substantial savings from a deeper collaboration.

- 7.2** The assessment of the overall achievability of the programme is assessed as moderate to high, risks were identified as a result of this council's concerns with regard to the proposed role, responsibilities and extent of remit of the Partnership Managing Director, and the differences in vision, culture and operating model (commissioning) of this council to its partners.
- 7.3** The programme has conducted gateway reviews in line with Prince 2 MSP (Managing Successful Projects) to confirm the soundness of the recommendations being made. The Head of Audit Cotswolds has confirmed that all the programme gateway reviews have been concluded successfully.
- 7.4** Cheltenham Borough Council also conducted its own quality assurance process through an "informal" CBC gateway review. The review acknowledged the risks identified by CIPFA and recommended these be addressed by the MGB and programme team as a matter of priority. The risks have been recognised in this council's corporate risk register update.

8. Options

- 8.1** Whilst the MGB has recommended the creation of the 2020 Vision Joint Committee, in order to inform the Cabinet and council recommendations Overview and Scrutiny is being asked to:
- 8.1.1** Consider and comment on the MGB recommendations as outlined in the attached report;
- 8.1.2** Provide a view on the options for this council's engagement with 2020 Vision.
- 8.2** The options for consideration are:
- Option 1 - Full membership of the Joint Committee (as recommended by the MGB)
Option 2 - "Arms-length" customer of the partnership venture
Option 3 - "Preferred partner" engagement with the Joint Committee
Option 4 - No engagement with the 2020 partners for sharing new services
- 8.3** Of the 4 options being proposed for consideration, 3 include this council engaging to some degree, either full or partial, with 2020 Vision. The fourth option would involve no engagement with the 2020 partners for sharing new services. Options 2 and 3 will be reliant upon agreement being reached with the other partners as to the precise nature of the engagement.
- 8.4** The main issue at hand is around the level and degree of engagement that this council feels appropriate with 2020 Vision and how this impacts on the outcomes that this council agreed it wanted to achieve, financial and non-financial, from further sharing of services.
- 8.5** It must be stressed that the prospect of undoing the GOSS and ICT shared service arrangements has not been considered because these are established shared services which have, and will continue, to deliver savings to this council. To undo these shared services would be a retrograde step and it would not be possible to justify in terms of time and expense. The presumption is therefore that this council will continue to receive services from GOSS and ICT shared service. It will be necessary to discuss how this will be achieved with the other partner councils

depending on the recommendations to Cabinet and council.

8.6 A high level assessment of the 4 options has been made against the drivers in **section 5**.

9. Options Assessment

9.1 Option 1 – Full Membership of the 2020 Vision Joint Committee (MGB Proposed Approach)

9.1.1 The MGB report explains the reasons for recommending this approach. In their original report Activist recommended a new partnership venture be established, under a Joint Committee, which should operate as an initial stage before the partners decided whether they wish to retain a Joint Committee or proceed to create a local authority company.

9.1.2 The savings attributable to the Joint Committee approach are as outlined in the business case.

9.1.3 The Joint Committee approach, with a further business case for a local authority company, was the basis of the December 2014 Cabinet report and was agreed by all 4 partner councils as the approach that the partnership should take to deliver the drivers and outcomes being sought from 2020 Vision.

9.1.4 Under the MGB recommended approach heads of paid service would act as lead commissioners for the partnership venture services and the partnership would look to share client arrangements where possible and more efficient to do so; for example, currently each council client manages ICT and GOSS individually. The prospect for sharing commissioning knowledge, skills and capacity is also something that the partnership wishes to investigate in the longer term. Any new sharing of services would always be the subject of a business case which had been approved by Cabinet as is required by this council's constitution.

9.2 Option 2 - “Arms-Length” Customer of the Partnership Venture

9.2.1 Under this arrangement the council would be, in essence, a customer of the partnership venture. The relationship would be a semi-contractual one governed by a s101 agreement similar to that as for GOSS and ICT now.

Option 2 – “Arms-Length” Customer of the Partnership Venture	
Drivers	Risks/Issues
Financial	<ul style="list-style-type: none"> - Potential adverse impact on short-medium term savings - Impact on potential longer-term savings through arms-length relationship, e.g. from the creation of local authority company if the business case is made - Discussions with partners necessary regarding TCF funding - Potential impact on external auditor VFM conclusion + Partners have a track record of delivering savings + Fast start-up (no procurement processes)
Efficiency	<ul style="list-style-type: none"> - Ability to deliver efficiency savings (policy development and services) lessened as loses the economies of scale of 4 partners

	- Ability to share client arrangements not possible
Resilience	- Depending on impact on savings levels other service reductions will be necessary - Shared commissioning and client arrangements lost in this relationship
Impact	- Reliance on a more contractual relationship with the service provider as opposed to a collaborative approach - Ability to access a broader pool of talent and skills from across the partners potentially lessened - Risk of loss of exposure to a range of ideas and creativity that partners bring
Democracy	+ Separate identity of authorities protected + Direct accountability to electorate for decisions maintained

- 9.2.2** As an “arms-length” customer of 2020 Vision, this council would commission new services on an individual basis and would look to develop an outcomes framework, service level agreement and service standards with the partnership venture. New arrangements would be based on a business case which would consider alternative options to deliver the outcomes. The timescales and resources for this will need to be considered.
- 9.2.3** The council would need to “client” the arrangement with the partnership venture. The council would not benefit from sharing client monitoring arrangements and would need to make financial provision for client management in any business case presented. It would need to provide for client resilience from within its own capacity and financial resources.
- 9.2.4** A Liaison Board could be created comprising, say 2(3) CBC Members, and 1 CBC senior officer and the Partnership Managing Director, meeting twice a year, giving Members an opportunity to make suggestions, give feedback in relation to the services and consider wider issues relevant to the agreement between this council and the partnership venture. This Liaison Board would not have any formal decision making powers as these would be reserved to the Joint Committee.
- 9.2.5** This council’s normal scrutiny arrangements would apply.

9.3 Option 3 - “Preferred Partner” Engagement with the Joint Committee

- 9.3.1** Under this option whilst the relationship would still be a semi-contractual one again under s101 arrangement, the council would have secured a “preferred partner” arrangement with the other partner councils.
- 9.3.2** The key elements to this arrangement that the council might seek to secure would be an “observer” status on the Joint Committee and the ability to be a founding member of a local authority company if that option was agreed by this council.
- 9.3.3** CBC is a founding partner of GOSS and ICT shared service and, therefore a “preferred partner” status would seem a reasonable request. Such an arrangement could provide a number of opportunities. Firstly, it would enable CBC Members to see how the Joint Committee works in practice. Secondly, it would enable informal relations with Members and officers to continue to develop in the Joint Committee

setting. And, finally, it would provide the other partners with a degree of comfort as to the potential for further sharing in the future.

Option 3 – “Preferred Partner” Engagement with the Joint Committee	
Drivers	Risks/Issues
Financial	<ul style="list-style-type: none"> +/- Potential impact on short-medium term savings will be less under this arrangement +/- Opportunity to benefit from longer-term savings from the creation of a company could be possible as a “preferred partner” +/- Possibly less impact on TCF funding as closer alignment to original purpose for the bid +/- Risk of qualified external auditor VFM conclusion may be lessened + Partners have a track record of delivering savings + Fast start-up (no procurement processes)
Efficiency	<ul style="list-style-type: none"> - Ability to deliver efficiency savings (policy development and services) lessened as loses the economies of scale of 4 partners
Resilience	<ul style="list-style-type: none"> - Depending on level of savings foregone, other service reductions likely - Shared commissioning and client arrangements not available in the short-term + Longer term prospects to share client arrangements if a local authority company is created
Impact	<ul style="list-style-type: none"> - No direct influence over the development of the partnership venture - No access to a broader pool of talent and skills + Opportunity as an observer on the Joint Committee to be exposed to the range of ideas and creativity that partners bring
Democracy	<ul style="list-style-type: none"> + Separate identity of authorities protected + Direct accountability to electorate for decisions maintained

9.3.4 Under this option the client and liaison arrangements for Option 2 would still be relevant. What would be different in the medium term would be that CBC would, subject to agreeing the business case and the agreement of partners, be involved in the creation of the local authority company. Following on from this, it would seem sensible that if a company were created that the councils would look to have some arrangements for shared client management and this could then lead to the potential to look at shared commissioning arrangements in the longer term.

9.3.5 The council would seek to agree with the other partner councils that it would benefit from any new joining fees as a founding partner as well as reductions in overhead costs as has been the case with Ubico when new partners have joined the company.

9.3.6 The council’s normal scrutiny arrangements would apply.

9.4 Option 4 - No Engagement with 2020 Partners

9.4.1 Under this option the council would not look to share any new services with the 2020 partners. The council would be reliant upon securing further cost reductions through,

in-house service transformation, entering into shared service arrangements with other councils or out-sourcing its service provision.

Option 4 – No Engagement with 2020 Partners	
Drivers	Risks/Issues
Financial	<ul style="list-style-type: none"> - Major impact on the ability of CBC to set a balanced budget in the short-medium term with increased need to cut discretionary services - Ability to deliver more savings through restructures not possible without accepting reduction in service - Strong possibility that discretionary service cuts required to balance the budget - Strong possibility that external auditor VFM conclusion will have an “except for” conclusion with regard to 2020 Vision savings + Opportunity to develop new strategic relationships to deliver longer term savings - Risks with regard to the use of TCF funding not being used for its original purpose
Efficiency	<ul style="list-style-type: none"> - Inability to deliver further efficiencies without another strategic local authority partnership - Efficiency savings reliant upon investment in technology which would need to be funded from council budgets
Resilience	<ul style="list-style-type: none"> - Smaller services lead to less resilience - The ability to respond to new initiatives, e.g. devolution will be impacted
Impact	<ul style="list-style-type: none"> - Reputational impact on the council if services need to be cut or reduced - No access to a broader pool of talent and skills to enhance community leadership - Potential loss of exposure to a range of ideas and creativity that partners bring
Democracy	<ul style="list-style-type: none"> + Separate identity of authorities protected + Direct accountability to electorate for decisions maintained

9.4.2 Where shared services arrangements were put in place the commissioning and client arrangements would be as explained in para 9.2.2. Where an option to outsource services was to be pursued the client arrangements would need to be carefully considered as these would depend on the sourcing option chosen, e.g. generally speaking an out-sourced arrangement will require a much more robust client management focus.

9.4.3 Under this arrangement CBC would presumably no longer be the accountable body for the TCF monies and this would therefore need to be dealt with.

10. Summary of evidence/information

10.1 The main source of evidence is the 2020 Vision Member Governance Board council Report plus appendices attached at Appendix A to this report.

11. Next Steps

- 11.1 Members of the Committee are requested to give their feedback to the report and its contents so that these may be considered by Cabinet in formulating its recommendations.

Background Papers	2020 Vision Member Governance council Report 21 August 2015
Contact Officer	Pat Pratley; Deputy Chief Executive 01242 775175 Pat.pratley@cheltenham.gov.uk
Accountability	The Leader - councillor Steve Jordan
Scrutiny Function	Overview and Scrutiny

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