Executive summary

Councillors will be aware that in October 2015 Council approved the creation of the 2020 Partnership Joint Committee (joint committee), the delegation of GO Shared Services (GOSS) and ICT from the date of its creation and, following Cabinet decisions on 9 February, the subsequent delegation to the joint committee, of revenues (including council tax), benefits and customer services.

In October Council also delegated to the joint committee employment matters for all partner council staff including HR policies and procedures, pay and grading policy and total reward policy (including financial and non-financial benefits). Along with the other partner councils, CBC requested a further report during 2016 on the business case for a local authority company.

On 30 September 2016 the joint committee met and approved a company structure and governance proposals. Those proposals include for CBC to become a member of a support services company (limited by guarantee) from which it would receive GOSS and ICT.

Having previously delegated revenues, benefits and customer services to the joint committee Cabinet has reviewed the position and determined to withdraw those services and to return them to the direct management of CBC, rather than commit them to the company.

The updated business case at Appendix 2 now based on these arrangements shows that the support services company proposal will generate additional savings of £66k pa. However the option to remain as a conventional (s101) shared service is not a realistic one, and the alternative of reverting the GOSS and ICT to CBC has substantial on-costs. Whilst the extent of service provision through a company is less than originally envisaged CBC very much wishes to work in collaboration with the 2020 Partnership where it is of mutual benefit especially in the area of ICT enabled service transformation.

With regard to employment matters delegated to the joint committee these will remain as currently delegated until the joint committee is dissolved. If at some point this needs to change a further report will be brought back to Council for a decision.
This report also explains how revenues, benefits and customer services will be managed when withdrawn from the joint committee and, as a related matter, this report also signals the Head of Paid Service’s proposals with regard to future arrangements for this council’s s151 officer role and management responsibilities.

Recommendations in respect of the future provision of Audit and Counter Fraud services will be subject to a separate report to Cabinet in November 2016 following consideration by Audit committee.

**Recommendations**

**It is recommended that Cabinet**

1. Approves the updated 2020 Partnership Business Case at Appendix 2 in so far as it relates to Cheltenham Borough Council for the delivery of GOSS and ICT functions.

2. Approves the transfer of GOSS and ICT functions as outlined in Schedule 2 of the Inter Authority Agreement dated 11 February 2016 to a local authority support services company owned by Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council.

3. Agrees to withdraw this authority’s revenues (including council tax), benefits and customer services from the 2020 Partnership Joint Committee with effect from 14 November 2016.

4. Authorises the Head of Paid Service, in consultation with the Leader, Cabinet Member for Corporate Services, the s151 Officer and the Borough Solicitor to work with the Partnership MD to finalise and complete the Articles of Association, Members Agreement, Contract for Services and documents and to take all necessary steps to enable the support service local authority company formation.

5. Authorises the Democratic Services Manager, in consultation with the Borough Solicitor, to make such changes to the Constitution as are necessary to reflect and facilitate the implementation of the recommendations in this report.

**It is recommended that Council**

6. Approves the continued designation of Paul Jones as s151 Officer in an interim seconded capacity until 27 March 2017 and to note the inclusion of the management of revenues and benefits from the date of withdrawal from the 2020 Joint Committee.

7. Appoints the Leader of the Council as this council’s member representative of the support services company.
### Financial implications

As detailed in Section 8 of the report and the updated business case at Appendix 2:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Case Cost</td>
<td>£1.801m</td>
</tr>
<tr>
<td>Share of Transformational Challenge Award Grant</td>
<td>(£0.950m)</td>
</tr>
<tr>
<td>Net Business Case Cost</td>
<td>£0.851m</td>
</tr>
<tr>
<td>Business Case Benefit</td>
<td>£0.565m pa</td>
</tr>
</tbody>
</table>

Costs of the programme to date are included in the table above and have been fully funded by the Government’s Transformation Challenge Award Grant.

The council’s approved Medium Term Financial Strategy includes £0.900m of funding for the 2020 Programme. The revised business case ‘local’ cost for this council is £0.851m which covers our share of expert professional advice, programme management and project support, ICT including telephony and the cost of transformational change.

**Contact officer: Paul Jones, Head of Finance GOSS**  
[mailto:paul.jones@cheltenham.gov.uk](mailto:paul.jones@cheltenham.gov.uk), 01242 775154
<table>
<thead>
<tr>
<th>Legal implications</th>
<th>The new support services company is a local authority company limited by guarantee which complies with Regulation 12(4) Public Contracts Regulations 2015. This means that the authority may transfer services to it for delivery without the need to comply with the EU procurement legislation.</th>
</tr>
</thead>
</table>
| Legal Documentation | A key legal document is the Members Agreement (MA) (equivalent to a Shareholder Agreement) which sets out the relationship between the owners of the company and the company itself. This document includes, but is not limited to, the matters which will be reserved to the Members/Owners for decision, known as reserved matters, and these are set out in paragraph 4.6 of this report.  
A further key document is the Articles of Association. This document will set out the objects of the company and other procedural matters such as the process for decision making by the Board of Directors e.g. Chair, quorum, use of written resolutions and the ability to hold meetings remotely.  
The delivery of services from the new company to the authority will be set out in a contract for services/SLA. This agreement normally sets out the level of service provision, performance management and cost.  
The legal documentation referred to above is not available for consideration at the time of this report but some agreed principles are set out in paragraph 3.3 (Term) paragraph 4 and paragraph 5 (Service provision) below. The legal documentation will, therefore, be dealt with in accordance with the proposed delegated authority to the Head of Paid Service.  
In addition there will be a number of consequential matters arising such as the withdrawal of the revenues, benefits and customer services from the joint committee which will also be dealt with under the proposed delegation. |
| Contact officer: Shirin Wotherspoon, Head of Law (Commercial) | shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017 |
### HR implications (including learning and organisational development)

There are no HR implications arising from the updated 2020 Partnership Business Case so far as it relates to Cheltenham Borough Council for the delivery of GOSS and ICT functions. The officers who deliver these services are employees of Cotswold District Council and Forest of Dean District Council respectively.

The HR implications for this council following from the withdrawal of Revenues and Benefits and Customer Services from the 2020 Joint Committee are as follows:-

- Officers of these services employed by CBC will return to managerial direction of this council.
- Revenues and Benefits Services will report to the council’s designated Section 151 Officer
- Customer Services will report to the Director Resources and Special Projects

**Contact officer:** Julie McCarthy, HR Manager GOSS  
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### Key risks

The key risk for CBC arises from a situation where it is not agreed that it will become a member of a support service company from which it would receive the services provided by GOSS and ICT.

A further risk relates to the ability to find further savings to replace those foregone through the withdrawal of revenues, benefits and customer services from the joint committee.

### Corporate and community plan Implications

Approval of the recommendations will deliver the corporate plan objective for 2016/17 VFM1 – we will work with our 2020 partners to implement agreed shared services from April 2016 and specifically deliver the milestone - to consider a business case for a local authority company governance model.

### Environmental and climate change implications

None arising from this report

### Property/Asset Implications

Savings resulting from the rationalisation of accommodation through sharing of staff are likely to be less with limited involvement in the partnership.

**Contact officer:** David Roberts, Head of Property Services  
[mailto:david.roberts@cheltenham.gov.uk](mailto:david.roberts@cheltenham.gov.uk), 01242 774151
1. **Background**

1.1 Councillors will be aware that the 2020 Partnership (the partnership) comprises Cheltenham Borough Council (CBC), Cotswold District Council (CDC), West Oxfordshire District Council (WODC) and Forest of Dean District Council (FoDDC). The partnership ambition is “A number of councils, retaining their independence and identities, but working together and sharing resources to maximise mutual benefit leading to more efficient, effective delivery of local services”.

1.2 In October 2015 CBC approved the creation of the 2020 Partnership Joint Committee (joint committee), the delegation of GO Shared Services (GOSS) (finance, HR, internal audit, procurement, counter fraud) and ICT from the date of its creation and the subsequent delegation of revenues (including council tax), benefits and customer services following Cabinet decisions on 9 February 2016.

1.3 Councillors will also be aware that last October this council, along with the other partner councils, delegated to the joint committee employment matters including HR policies and procedures, pay and grading policy and total reward policy (including financial and non-financial benefits).

1.4 Along with the other partner councils, CBC requested a further report during 2016 on the business case for a local authority company or alternatively, continuation of the joint committee.

1.5 On 30 September 2016 the joint committee met and approved a company structure comprising three local authority companies together with governance proposals and agreed that CBC become a member of the shared services local authority company which would provide GOSS and ICT to CBC.

1.6 Having approved the delegation of revenues and benefits and customer services to the joint committee earlier this year the Cabinet has reviewed that position and concluded that the public is better served by withdrawing those services from the joint committee and to returning them to be directly managed by CBC, rather than commit them to the company.

2. **Initial company set up**

2.1 The joint committee has approved a company structure (**Appendix 2 – figure 8.1**) comprising of three teckal companies limited by guarantee (CLG).

2.2 Unlike a company limited by shares, a CLG has no share capital or shareholders, instead it has “members” who undertake to contribute a nominal amount towards any shortfall in the company’s assets to settle its debts in the event of it being wound up.

2.3 The 2020 programme has obtained specialist tax and legal advice as to the most appropriate legal form for the partnership companies and it is as a result of that advice that CLGs are being recommended.

2.4 The companies, their members and primary purpose will be:

**Support Services Company**

Members CBC, FoDDC, CDC, WODC

Primary purpose: to directly provide support services to members with limited trading (less than 20%) with other bodies/companies. This company intends to also provide services to Ubico Ltd, Cheltenham Borough Homes, The Cheltenham Trust.
Regulatory Services Company
Members FoDDC, CDC, WODC
Primary purpose: to directly provide regulatory services to its members with limited trading (less than 20%) with other bodies/companies

Co-ordinary Company
Members FoDDC, CDC, WODC
Primary Purpose: to directly provide core-co-ordinating services i.e. strategic advice, management services, commissioning (and other specific services) to its members with no significant trading with other bodies/companies.

2.5 CBC will only be a member of the support services company because it is being recommended that it only receives services from GOSS and ICT.

3. **Transfer of services to the companies**

3.1 The other partner councils have agreed that all their staff will transfer to one of the three companies. No CBC staff will transfer because neither GOSS nor ICT staff are CBC employees having transferred under the principles of TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006 to those shared services when they were originally established.

3.2 The updated business case has been predicated on the companies being established by April 2017, all companies operational during 2017-18 with GOSS and ICT transferring to the support services company during that year.

3.3 **Contract duration**

3.3.1 There are a number of factors affecting the potential duration of contracts between the companies and the member councils. Initially it is proposed that the contract durations are sufficient to enable the new companies to become established and to transform service delivery. Contract duration is also an important consideration with regard to the potential risk around pension exit valuation costs. Actuarial advice has been received that longer term contracts provide more certainty that a cessation valuation will not apply as active members of the pension scheme will remain.

3.3.2 The joint committee has endorsed a contract period for the support service company of 5 years with an opportunity to extend for two further periods each of 4 years.

4. **Leaders’ Statement**

4.1 The partnership has developed an overarching Leaders’ Statement, which was approved by the Joint Committee on 30 September, which outlines a set of principles on which the partnership will operate, as follows:

“We have a strong track record of over three years of being committed to working collaboratively in pursuit of our agreed shared vision as approved by all four councils in 2014:

“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.”
In October 2014, we all agreed a further set of desired outcomes that would govern our work going forward. These are:

- **Financial** - respond to current and future pressure
- **Efficiency** - value for money
- **Resilience** – increase pool of expertise, add capacity
- **Impact** - better outcomes for our communities
- **Democracy** – champion local needs

As the partnership continues to develop there have already been some notable early benefits. Cashable savings to date are on profile with savings already delivered during 2015/16 and 2016/17 approaching £2.5 million. There have also been some significant non-cashable benefits including:

- **Improved knowledge sharing and learning**
- **Increased resilience**
- **More stable and improved technology**
- **Smarter working practices introduced**
- **Reduced office space resulting in some spaces being re-let**
- **More consistent approach to HR with policies and procedures aligned**
- **Future costs avoided**

During that time we have worked together under different governance arrangements and despite some differences in approach and views on how best to achieve the vision and outcomes we have proceeded through a process of engagement, open discussion and debate to find solutions that meet individual requirements.

Following expert legal, tax and pension advice we are proposing to establish a group of three local authority owned Companies Limited by Guarantee (Appendix A) which are Public Bodies. We believe that this structure provides the appropriate balance between, delivering a consistent approach across the “common core” organisational functions such as HR policy, Finance policy, Audit, ICT strategy and Customer Services Strategy; delivering the benefits of operating under a company model; and recognising the commercial trading opportunities and management of risks in the future.

Whilst we have developed a model that is designed to be flexible for the future, we are not planning for, or considering any circumstances at this moment in time that might result in changes to this structure. Neither can we predict what external factors or new opportunities might cause us to re-consider this in the future. Should something change in the future that might cause us to collectively consider changes to the company structures it will be necessary to go through a thorough process, building upon our trusting relationships between partners, prior to shareholders being asked to approve any such proposals.

It is expected that any such process would involve discussions with the Shareholder Representative Board who would be extensively briefed by the Board of Directors on the reasons for any proposed changes and the benefits (measured against the outcomes) of any such changes. As a fundamental principle no changes will be made that would be detrimental to one or more of the partners even if of benefit to others. Furthermore, we will, as we have in the past, continue to work collaboratively to seek the agreement of all of the Partner Councils.

The Partnership has a demonstrable track record of being open and transparent and will continue to do so. As Public Bodies, the Companies will be required to meet their legal transparency requirements (such as responding to Freedom of Information requests). We would further anticipate that as appropriate, the company will make relevant information available to member Councillors to assist them in undertaking their democratic roles.
5. Governance

5.1 The Articles of Association and Member Agreement (MA) will be developed over the coming months and will set out the framework for how the company(ies) will be controlled by and accountable to the member councils. The joint committee approved the following key principles with regard to the company(ies) governance structure.

5.2 Member representative

5.2.1 The Leader of each council will be the member representative for their council responsible for taking member decisions on behalf of their council. At CBC the Constitution allows for the leader to delegate this responsibility to any other member of Cabinet should he choose to do so.

5.3 Voting rights

5.3.1 It is proposed that each company is established with equal membership and equal voting rights.

5.4 Members representatives board

5.4.1 As well as the companies’ Annual General Meetings to which the member representatives are invited, it is proposed to introduce a Members Representatives Board that will meet regularly to provide a forum for discussion of common areas of company business such as reserve matter decisions. This type of forum is not unfamiliar as it is along similar lines to the Shareholder Forum that CBC introduced when it reviewed the governance arrangements for Gloucestershire Airport Ltd. That particular forum has proved an extremely beneficial informal addition to the governance arrangements.

5.5 Reserved matters

5.5.1 The joint committee has considered those company decisions which it deems should be reserved decisions and the total member votes required to provide consent. These reserved matters are shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Reserved matters</th>
<th>Votes required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Permitting the registration of any additional Members of the Company.</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>2</td>
<td>Adopting or amending the Business Plan in respect of each Financial Year.</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>3</td>
<td>Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>4</td>
<td>Amalgamating or merging with any other company or business undertaking.</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>5</td>
<td>Entering into any arrangement, contract or transaction with either a capital or revenue value over £500,000 which is not included in the current approved Business Plan.</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>6</td>
<td>Agreeing the appointment and the appointment terms (including any remuneration terms) of all directors of the Company other than Shareholder Appointed Non-Executive Directors.</td>
<td>By not less than 75%</td>
</tr>
<tr>
<td>7</td>
<td>Agreeing any remuneration terms for Shareholder Appointed Non-Executive Directors.</td>
<td>By not less than 75%</td>
</tr>
</tbody>
</table>
5.5.2 The reserved matters take account of the current constitution of the joint committee. Some reserved matters are considered special resolutions under company law and therefore require a 75% majority vote.

5.5.3 Further protections will be built into the MA, for example, the process through which new members would be considered (including presentation of a business plan.) The Leaders' Statement above captures the fundamental principle that no changes will be made to the company structure that would be detrimental to one or more of the partners even if of benefit to others. The leaders' statement also captures the principle of the companies being open and transparent, including but not limited to the requirement to respond to Freedom of Information requests; also that the company will make relevant information available to member Councillors to enable them to undertake their roles.

5.5.4 It is recognised that it may be preferable to try and reach unanimous decisions on some member reserved matters. Therefore, in developing the detailed legal documentation, it is proposed that consideration be given to a deferral process protocol similar to that already established as part of the 2020 Joint Committee Constitution.

6. **Company directors**

6.1 Directors control the operation and management of the company subject to the control that the members have under the Members' agreement.

6.2 **Executive directors**

6.2.1 Executive directors are responsible for operational matters and are normally employees of the company and they will have employment contracts with the company(ies). The required skills and experience of executive directors will be established as part of the terms and conditions of their employment. The joint committee has proposed that the appointment of executive directors is a reserved matter - see above.

6.2.2 Clear standards of behaviour, ethical walls policy and escalation procedures to deal with potential conflicts of interest will be developed and introduced. These safeguards will be particularly important for those individuals who may have concerns about personal conflicts of interest.

6.2.3 It is proposed that initial appointments to the Companies at establishment will be from existing council resources where possible.

6.2.4 It is expected that when a future vacancy occurs the appointment of the executive director(s) would be through open external competition.

6.2.5 It is proposed that the Partnership Managing Director brings forward draft proposals for the number of directors to be appointed to the boards of the companies.
6.3 Non-executive directors

6.3.1 The joint committee has proposed that each member council will have the right to appoint a suitable non-executive director of the company. CBC is advised that this right can be exercised individually or collectively by other partner councils, ie, two or more member councils may agree to the appointment of the same non-executive director. However CBC will appoint a single non-executive director on its behalf, who is expected to be an elected member of this council.

6.3.2 Candidates for the roles of non-executive directors will be subject to formal terms of appointment and be subject to a rigorous process to ensure that they meet minimum level of skills and experience required to undertake the roles. This proposal is similar to that recommended and enacted by CBC when appointing the first board of trustees to The Cheltenham Trust and in more recent times the external appointment of the chair and vice-chair of Gloucestershire Airport Ltd.

6.3.3 For CBC, this appointment will be made in accordance with the usual process, namely, by the Leader if all Group Leaders agree (otherwise it will be a council decision).

6.3.4 Subject to the duty to the company as a Director, the authority appointed Director can liaise with and brief their authority as required prior to and following Board meetings.

6.4 Independent non-executive director

6.4.1 The joint committee felt it was important to jointly appoint one independent non-executive director to each board of directors. It may be the case that the independent director is chair of more than one of the companies.

7. Other Matters Covered in the Leaders’ Statement

7.1 In addition to the matters pertaining to governance, directors, and company decision making the Leaders’ Statement also provides for the following:

7.2 Service Performance

7.2.1 Current service plans and service levels are used for the service specifications for the companies.

7.2.2 Core service specifications and standards will be established. Additional services and standards can be specified at additional cost.

7.2.3 Partnership Board meetings are held between the Companies and relevant Service Portfolio Holder(s).

7.2.4 Each council has the right to summon a Company Director (or an appropriate substitute) to account to Overview & Scrutiny Committee.

7.3 Advice, Decisions and Timescales

7.3.1 It is considered that the external legal and tax advice already received is sufficient to enable the councils to make the decision to establish the companies.

7.3.2 It is proposed that any subsequent decisions necessary to implement the company model should be delegated to each council’s Head of Paid Service in consultation with the Leader of the Council, Cabinet Member (Corporate services), S151 Officer, Monitoring Officer and the Partnership Managing Director.

7.3.3 Transfer of services to the companies will take place by autumn 2017.
7.4 **Staffing Matters**

7.4.1 It is expected that when the company(ies) are established they will agree to Trade Union recognition.

7.4.2 It is proposed that the company(ies) apply to be an admitted body of the appropriate local government pension schemes with a closed scheme for existing shareholder council employees and also to provide a stakeholder pension scheme for new employees.

7.4.3 It is therefore proposed that the company(ies) will operate a total reward approach to reward and recognition for company employees.

7.5 **Exit Arrangements**

7.5.1 The principle of withdrawal with suitable notice at the cost of the exiting party is adopted.

7.5.2 Service contracts will specify the notice period to end a contract and any conditions.

7.5.3 The members’ agreement will specify the notice any conditions concerning the withdrawal from the company and any disposal or handing back of shares.

8. **Statutory Officers**

8.1 Each council is obliged under legislation to have independent advice from statutory officers, namely the monitoring officer, s151 officer and the head of paid service. CBC’s s151 officer is Paul Jones. Paul is an employee of CDC and has a shared s151 role. Paul is the permanent s151 officer for FoDDC and is CBC’s s151 officer under an interim secondment arrangement.

8.2 Statutory officers can either be employed by a council, or councils, and be seconded to the company(ies) or employed by the council(s) or company(ies) under joint employment contracts.

9. **Withdrawal of revenues and benefits and customer services**

9.1 Whilst Cabinet approved the delegation of revenues, benefits and customer services to the joint committee on 9 February the intention now after review is to withdraw these services from the joint committee and return them to direct management of the council.

9.2 Cabinet is mindful that this proposed change has made it an unsettling and difficult time for the staff involved and also the 2020 partners in terms of giving clarity on the direction of travel. Cabinet is also mindful that it approved a transformation project for the Regulatory and Environmental Services Directorate. As that project has begun to take shape the customer service transformation element, to bring about a "whole council" approach, has become more apparent and of significance. Cabinet also notes that services with similar synergies are being provided by CBH in some of its customer facing services. Importantly Cabinet’s view is that customer facing services do not lend themselves to shared management with other councils, due to the great sensitivity of these services, and high risk of reputational damage to the council, if services are not locally managed. Cabinet has concluded therefore that it is in the public’s best interests that they are directly delivered at this time.

9.3 However, collaborative working with the 2020 partnership is still of great importance particularly with regard to ICT infrastructure investment, investment in new technologies including telephony and customer relationship management systems. Access to knowledgeable and skilled IT professionals, together with investment in technology, have a key role to play in service transformation, eg REST, as well as leveraging benefit from economies of scale through shared procurement. As such, the council will continue to work with the partnership to develop a shared Customer Access Strategy to support the transformation of customer services, recognising that
any differing requirements will incur additional costs and may potentially impact on flexibility.

9.4 In terms of savings, whilst aware that the current 2017-18 Medium Term Financial Strategy (MTFS) savings target of £159k pa from these services was achievable, the view of Cabinet is that from a strategic standpoint it is not a saving that they feel it is in the best interests of the authority to take.

9.5 Cabinet has carried out a fundamental review of the council’s MTFS with the objective not only of setting a balanced budget for 2017-18 but also ensuring the future financial stability of the authority. A separate report outlining the Cabinet’s updated budget strategy is to be considered at this Cabinet meeting which includes proposals to achieve the savings foregone as part of the 2017-18 budget setting process.

10. **2020 Partnership Updated Business Case and financial implications**

10.1 The overall updated business case for the partnership moving into a teckal company is attached at Appendix 2.

10.2 The updated overall business case related to ICT and GOSS being included in the proposed support services company is shown in Appendix 2. A comparison of the updated overall business case financial projections with the business case projection at October 2015, i.e. based on the now more limited CBC involvement, is contained in tables 9.1 and 9.2.

10.3 A high level summary of the revised costs and benefits, extracted from the overall business case which relates to CBC, is summarised below.

10.4 Programme costs have remained at circa £10.14m. As a result of the council’s more limited exposure to the partnership, the share of programme costs has reduced from £2.173m to £1.8m, a reduction of £372k. Many of the costs of the programme are either already spent e.g. tax and actuarial advice and programme management including reimbursing CBC for the lead commissioner role support to the programme; funding of programme transformation costs to date (including CBC’s deletion of the post of Chief Executive) and the infrastructure to support the Joint Committee arrangements; or are required to fund future collaborative work streams e.g. ICT (business systems development/replacement) and customer service infrastructure improvements.

10.5 The overall business case savings have been updated to reflect the savings generated by moving from the Joint Committee to the teckal companies with CBC’s now proposed involvement. The overall cumulative savings are now estimated at £41m or £5.571m annually, over a 10 year period. The council’s share of the additional savings will be limited to those which arise from moving GOSS and ICT into a teckal company and savings arising from audit proposals, a total of £66k annually. The proposals for the Audit Service are subject to a future report to Cabinet.

10.6 The business case for Cheltenham moving GOSS and ICT into the teckal company is now primarily based on the avoidance of the cost of not doing so. A separate piece of work was commissioned by Activist to establish the cost and impact of this which looked at a range of options. The cost of one of the options i.e. withdrawing GOSS and ICT and delivering in house services would add an additional £360k per annum on top of the existing annual cost of services and would require c£2.18M of one-off costs to re-establish separate ICT infrastructure. This is likely to result in the risk of reputational damage; impact on other work e.g. delivery of other key council projects; negative impact on staff morale as well as a reduction in performance during any transition which may not return to previous levels.
11. **Managerial and financial implications of withdrawing revenues and benefits and customer services**

11.1 When Cabinet and Council agreed to create the joint committee last October the report contained a “package” of matters including a review of this council’s senior management structure together with savings in 2016-17 of £150.9Kpa. The proposal to delegate revenues, benefits and customer services to the joint committee had the benefit of freeing up the capacity within the executive board to enable greater focus on the delivery of key projects.

11.2 The withdrawal of these services from the joint committee requires their management to be provided for from the date of withdrawal. In considering the future management arrangements one of the key objectives has been not to add further significant recurring cost to the 2016-17 base budget and to lessen the impact, as far as possible, on the capacity of the executive board.

11.3 **Revenues and Benefits and the s151 Officer**

11.3.1 Members will be aware that on 22 June 2015 Council recommended that the then Deputy s151 officer, Paul Jones, be designated on an interim secondment basis to the role of s151 officer. The cost of this secondment is being met from government transformation challenge funding with the ongoing costs built in to the updated 2020 partnership business case.

11.3.2 It is necessary for members to be aware of the views of the Head of Paid Service on the future provision of this council’s s151 officer role in light of her proposals with regard to management of revenues and benefits when they are withdrawn from the joint committee.

11.3.3 Prior to the services being delegated they were managed by the s151 officer. The nature of the services means that there are natural synergies with the finance and s151 officer role, particularly with regard to responsibility for the Collection Fund, determining the local council tax setting scheme, business rates retention etc. These accountabilities now fall to the current s151 officer, Paul Jones, and thinking ahead to the reform of local government finance by 2020, the relationship between these services and finance will be particularly important over the next few years.

11.3.4 The Head of Paid Service’s view is that the secondment of Paul Jones as s151 officer has worked extremely well and therefore recommends to council that this designation continues, in an interim seconded capacity, until 23 March 2017. The Head of Paid Service intends to vary the current secondment agreement to allow Paul Jones to line manage the revenues and benefits service from the date of withdrawal of those services from the 2020 Joint Committee.

11.3.5 The Appointments and Remuneration Committee has been briefed on this proposal at its meeting on 3 October. On the basis that the continued interim arrangements have proved satisfactory the Head of Paid Service has indicated that it would be her intention to present a report to the Appointments and Remuneration Committee on 27 February 2017 and, subject to agreement, recommend the appointment of Paul Jones to the role of s151 Officer and that Council approve the designation at its meeting on 27 March 2017.

11.4 **Customer Services**

11.4.1 Whether customer services remained in the joint committee, and was subsequently delivered by a local authority company or not, there are three key outcomes that would be required:

- Re-thinking CBC’s customer service experience across the council as a whole and afresh with the potential for a whole system/whole council approach enabled through IT investment
- Supporting the accommodation strategy project
- Supporting the REST transformation project
11.4.2 In order to achieve the above outcomes, the proposal is that the current Customer and Support Services Manager be given a project remit to lead a new approach to customer services across the council working closely with the 2020 partnership and playing a key role on both the REST and Accommodation Strategy projects. This project role would be supplemented by “one off” external consultancy support which would be necessary as part of the REST transformation project. Whilst it is hoped that this one-off cost can be accommodated within the existing project cost for REST this cannot be guaranteed at this point, however, there is a commitment to achieve that outcome if at all possible.

12. The future of the 2020 Joint Committee

12.1 The joint committee is governed by a constitution and provides the following functions;

1) Provides strategic direction for the continued improvement and development of the 2020 partnership; and

   Direction, development and performance management of the 2020 partnership services delegated to it by the delegating authorities

2) Secure the delivery of the following functions and activities delegated to it by the partner councils;

   a) Human resources policies and procedures including pay and grading policy and total reward policy (including financial and non-financial benefits)

   b) ICT network infrastructure, applications, policies and procedures.

3) Providing strategic direction and oversee performance, development and continued operation of the 2020 partnership services on behalf of the councils and in accordance with the standards and specifications set out by those councils.

12.2 The joint committee does have a time limited life in terms of its service delivery role once those services currently delegated to it, e.g. GOSS and ICT are transferred to the local authority company(ies) and once the other partner council staff have transferred to one of the new local authority companies. Some residual functions of the joint committee will revert to CBC.

13. Performance management – monitoring and review

13.1 Current arrangements

13.1.1 Following the delegation of services to the joint committee each council has established its own client management arrangements. CBC’s client management is provided by officers within the Business Development Team. A client officer group has also been established which is a forum for all the client managers to meet with the joint committee Group Managers to challenge and monitor performance.

13.1.2 Service plans are being developed in consultation with the client officer and the Cabinet Member for Corporate Services. Overview and Scrutiny can call the Partnership MD or any other key officer to attend their meetings as necessary.

13.2 Future arrangements

13.2.1 Following the transfer of GOSS and ICT to the support services company, service performance will be reported to each authority in accordance with their normal performance reporting processes. Annual service plans and service budgets will continue to be developed for agreement by each authority as currently. The existing service plans will be used as the basis for
the service specifications for the new company. In addition, each company will prepare annually a rolling 3-year business plan and budget. Each company will also meet the company reporting requirements of an annual report and accounts for submission to Companies House.

13.2.2 A Partnership Board consisting of representatives from the company and the Cabinet Member and relevant officers of each client authority will be created. Each company will hold meetings to allow the Cabinet Member to discuss matters of service performance and development. In addition, each authority will have the right to summon directors and appropriate other officers to respond to questions from Overview and Scrutiny and all Councillors will have access to appropriate company staff to assist them in carrying out their democratic and representative roles.

14. Reasons for recommendations

14.1 As outlined within the body of this report.

15. Alternative options considered

15.1 As explained in paragraph 12.5, advice was commissioned to identify and assess the options for the provision of finance and ICT services were a decision to be taken to withdraw from the 2020 partnership completely. The alternatives and permutations considered were; (1) deliver the services in-house; (2) set up or join another shared service; (3) outsource the services.

15.2 The advice identified a number of significant transition challenges, namely, staffing, ICT, timing and performance. The advice also identified a number of key risks associated with the alternatives, specifically, risks associated with lack of resilience and expertise, recruitment difficulties, potential reputational damage, impact on other work, staff morale and implications for reduced performance.

15.3 As already outlined, the costs of delivering GOSS and ICT in-house, which are on top of the existing cost of service, are estimated to be c£360k pa additional revenue costs and c£2.18m one-off costs.

15.4 Were CBC to be able to find a shared service partner, which is not likely, then the one-off costs are estimated as likely to be similar to in-house, revenue costs would be higher for an initial period but it may be possible to reduce these once the service was established.

15.5 Were CBC to look to outsource, outsourcing companies look to make a profit by sharing staff and streamlining processes. The 2020 partnership has already done this so any outsourced provider may not see the resources available as part of CBC’s share as enough to make a good deal. Additional funding may also be needed for contribution to additional staff, cost of ICT infrastructure as well as project management, advisors and cost of procurement of the project itself.

16. Consultation and feedback

16.1 The 2020 programme has continued to engage with staff and trade union representatives throughout. The Cabinet Member Corporate Services attended Overview and Scrutiny on 12 September and employee sessions will take place during October to update them on the company proposals. A number of staff also volunteered to become engagement champions for the programme and they have received regular updates on 2020 as it has progressed.

16.2 The Head of Paid Service has kept local trade union and employee representatives updated through the Joint Liaison Forum and the Joint Consultative Committee has also received updates at its meetings.
16.3 A&R committee will have received, on 3 October 2016, a briefing note of the proposal with regard to the future direction of travel with councils s151 officer.

16.4 Partner organisations such as The Cheltenham Trust, Ubico Ltd and Cheltenham Borough Homes have also had meetings with the Partnership MD and each organisation has a client officer representative on the client officer group.

17. **Equality impact assessment**

17.1 Equality impact assessments were undertaken to support the transfer of the customer services and revenues and benefits services into the 2020 partnership. Those assessments remain valid and will be used by our in-house teams to ensure a high level of service accessibility and to continue the level of discretionary support that the services provides to those that need it most.

<table>
<thead>
<tr>
<th>Report author</th>
<th>Contact officer: Pat Pratley, Head of Paid Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><a href="mailto:pat.pratley@cheltenham.gov.uk">pat.pratley@cheltenham.gov.uk</a>, 01242 264100</td>
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<tbody>
<tr>
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<tr>
<td>3. 2020 Vision Memorandum of Understanding – Cabinet 14 April 2015</td>
</tr>
<tr>
<td>4. 2020 Vision Programme (information Paper) – Overview and Scrutiny 21 September 2015</td>
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<td>5. 2020 Vision – Cabinet and Council – 13 and 19 October 2015</td>
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## Risk Assessment

### Appendix 1

<table>
<thead>
<tr>
<th>Risk ref.</th>
<th>Risk description</th>
<th>Risk Owner</th>
<th>Date raised</th>
<th>Impact 1-5</th>
<th>Likelihood 1-6</th>
<th>Score</th>
<th>Control</th>
<th>Action</th>
<th>Deadline</th>
<th>Responsible officer</th>
<th>Transferred to risk register</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If a decision is taken to withdraw from the partnership completely then the council will face significant one-off costs and ongoing revenues costs as well as suffer reputationally</td>
<td>Pat Pratley</td>
<td>30.9.16</td>
<td>5</td>
<td>4</td>
<td>20</td>
<td>Reduce</td>
<td>Ensure that CBC members of the joint committee have sufficient information and support to help in their decision making</td>
<td>30.9.16</td>
<td>Pat Pratley</td>
<td></td>
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<tr>
<td></td>
<td>If savings to replace those foregone cannot be found then there is a possibility that the 2017-18 budget will not be balanced</td>
<td>Pat Pratley</td>
<td>30.9.16</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>Accept</td>
<td>Cabinet currently reviewing the 2017-18 budget proposals and the longer term medium financial strategy</td>
<td>1.3.17</td>
<td>Paul Jones</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If the council cannot agree a shared Customer Access Strategy it will incur additional cost in order to implement its own requirements</td>
<td>Mark Sheldon</td>
<td>30.9.16</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>Accept</td>
<td>Continue to collaborate with vision 2020 partners in order to influence the development of the Customer Access Strategy to meet CBC needs.</td>
<td>31.3.18</td>
<td>Judy Hibbert</td>
<td></td>
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### Explanatory notes

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close