Appendix 2

Report on the Updated Business Case

and

Next Stage Development of the 2020 Partnership

(Original June 2016 - Updated for Joint Committee 30 September 2016)

September 2016

1. Background

1.1 In June 2014 the four GO Shared Services Partner Councils approved a "Report and Outline Business Case for a "2020 Vision for Joint Working"". In that report there was an agreed proposition:

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

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

1.4 Subsequently, in December 2014 the four 2020 Partner Councils approved a "Report on Options for Future Delivery Models and Interim Management Arrangements" prepared by Activist Ltd. In the report Activist carried out an option appraisal of the long-listed sourcing options, evaluating each option against the outcomes framework set out below:

Table 1.1: Outcomes Framework

Outcome	Contributory outcomes
Savings	• Delivers realistic and sustainable revenue savings. • Provides a positive return on investment in the medium to long term. • Enables us to make further savings through partnership and better asset management. • Enables opportunities for income generation.
Influence	• Respects our separate identities as individual authorities. • Ensures our decision making will remain locally accountable. • Strengthens our ability to exercise community leadership on behalf of our localities. • Allows us to retain strong local knowledge in our 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 us to nurture our partnerships and take advantage of new ones. • Creates organisations that 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 our commitment to a public service that responds to and empowers our local communities. • Fosters and rewards an innovative, can-do approach to delivering services.

1.5 The report was not designed to be a definitive final assessment of the merits of each option and acknowledged that more work should be conducted to confirm the final preferred option based on a business case which is both robust and realistic.

1.6 The overall results of the option appraisal carried out by Activist are shown in the table below and suggest a clear advantage for either a sharing option or a local authority company.

Table 1.2: Summary of Option Appraisal of Long-listed Sourcing Options

Options	Outcomes				Shortlist?	Key Issues
	Savings	**Sovereignty**	**Quality**	**Creativity**		
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	• Poor ROI • Long lead-in.

1.7 The report concluded that whilst there was no significant difference in terms of the outcomes, based on the financial assessment the approach recommended was to establish a shared services arrangement under a Joint Committee and then move to a Local Authority owned company model, both dependent upon business cases.

1.8 It is noted that the report set out the key differences between the shared service under a Joint Committee and the company model as follows:

- The generation of income through profits made on trading.
- A move to a stakeholder pension scheme for new starters.
- Having a single employer would reduce complexity.

1.9 It was therefore recognised that the Joint Committee option was limited as it cannot deliver potential longer-term savings that a company model makes possible.

1.10 In August 2015 the full “2020 Vision for Joint Working Business Case” was prepared. The business case was approved by each Council’s Section 151 Officer and was independently reviewed and validated by CIPFA working in association with Proving Services based at the Cranfield Business School.

1.11 That business case based on the original proposition, forecast to return cumulative savings totalling £38m over a 10 year period in return for a proposed total investment of £10.1m over the same period with annual revenue savings of £5.7m after 5 years.

Table 1.3: Financial case for the overall programme (August 2015)

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	April 2020-March 2024 £000	Total £000
Programme Costs	**430**	**2,774**	**3,715**	**1,873**	**1,308**	**40**	**0**	**10,140**
Funded by:								
TCA Grant	430	2,774	596	0	0	0	0	**3,800**
Council Contributions	0	0	3,119	1,873	1,308	40	0	**6,340**
Total	**430**	**2,774**	**3,715**	**1,873**	**1,308**	**40**	**0**	**10,140**
Savings Annual	**0**	**491**	**1,827**	**952**	**1,419**	**474**	**580**	**5,743**
Savings Cumulative	0	491	2,318	3,270	4,689	5,163	22,084	**38,015**

1.12 Consequently, the business case was agreed and approved by the four Councils in September/October 2015 along with a number of joint strategies including a Commissioning Strategy.

1.13 Subsequently the 2020 Joint Committee was established and became operational in February 2016 with a number of shared services being established from April 2016.

2. Introduction

2.1 This report considers the business case for the next phase of the development of the partnership taking into account the decisions taken and further work completed to date. This September update of the 2016 business case approved in June 2016 takes account of the financial implications as a result of the revised position of Cheltenham Borough Council.

2.2 The business case therefore focuses on updating the original financial assumptions based on;

- a proposed company structure,
- considering the potential for additional shared services and trading,
- the proposed new Commissioning Framework.

2.3 In addition, the business case is compared with the new baseline costs of continuing with shared services under a Joint Committee.

2.4 It is not considered necessary to do any further work on the broader outcomes against the Outcome Framework as sufficient work has been completed already to prove that both options (Joint Committee and company model) work sufficiently well to meet the required outcomes for partner Councils.

2.5 Any changes in outcomes required by Partner Councils can be considered as part of the commissioning and specification of services at the appropriate time in accordance with the new commissioning framework.

3. Partnership Benefits Delivered to Date

3.1 As the partnership continues to develop it is notable that some early benefits have already been developed. These include both non-cashable benefits in addition to the cashable savings set out in the business case and are summarised below.

- Cashable savings to date are on profile with savings already delivered in 2015/16 and 2016/17 of £2,306,000.
- Improved knowledge sharing and learning.
- Increased Resilience.
- Technological improvements.
- Smarter working.
- Reduction in office space.
- More consistent approach to HR, alignment of policies and procedures.

- Cost avoidance in procurement. E.g. Non cashable savings due to market presence of Ubico Ltd., valued at £900k for FoDDC achieved through the introduction of an enhanced service as part of the waste contract renegotiation.

4. New Commissioning Framework

4.1 The original high level Commissioning Strategy for the 2020 Vision Partnership approved in September/October 2015 builds on the recommendations of the Activist Report. This outline framework covers:

- Commissioning Principles
- Approach to Commissioning
- Service Design Principles
- Long Term Strategy & Framework Development

4.2 This strategy stated that if, in the future the partnership moves, as planned, to a Teckal company model rather than a Joint Committee the proposal would be to discuss the formation of a distinct shared commissioning function that in the longer term could take a more 'joined up' approach to commissioning to ensure that opportunities for collaboration are fully exploited.

4.3 Longer term the plan involved the development of a Commissioning Strategy covering commissioning arrangements across all partners. That strategy would include the design of a flexible commissioning framework which operates across all partnership organisations. The organisation of commissioning activity within the partnership would also require consideration and would be designed in accordance with the shared principles agreed by each Council.

4.4 Consequently a project to consider the options for creating a shared Commissioning Framework that could be operated across the partnership was completed.

4.5 It was recognised that given most partners' commitment to put all services (in due course) into a company structure, doing nothing is not an option. Equally, although a single shared commissioning support service could be created in theory, the differing approaches to commissioning across the partnership render this undeliverable in practice.

4.6 The recommended way ahead, therefore, is to:

- Create a 3-way shared commissioning support team (Forest, Cotswold & West Oxfordshire) within a co-ordinating company.
- Agree that, subject to the above, a shared commissioning support team can be augmented on a case-by-case basis by internal and external specialists, including CBC commissioners.

5. Further Shared Services

5.1 The shared services proposition is to deliver financial savings through the efficient management of more flexible skilled and resilient shared staff resources – while still delivering the agreed outcomes for each partner council and with no detriment to the customer. In terms of financial efficiency it is assumed that the greater the number of staff that are shared, the greater the potential financial benefits.

5.2 Since the establishment of GOSS and Ubico Ltd. in 2012, confidence has grown in the partnership's ability to generate financial efficiencies through shared services. As a result we are now in the position where most of the partner Councils will consider sharing all of their staffing resources.

5.3 Consequently the re-fresh of the business case re-confirms the earlier assumptions made about the level of sharing of staff resources whilst taking account of specific feedback from individual Councils about any specific limitations.

5.4 Following the Joint Committee meeting in June 2016 the business case has been further updated to reflect the anticipated position of Cheltenham Borough Council limiting their involvement in shared services to only ICT and GO Shared Services.

6. Commercialisation & Trading

6.1 CIPFA and Proving Services were engaged to consider the opportunities for commercial trading across the four Councils. For this high level process, a number of individuals across the councils were interviewed to assess their perspectives on the councils' options and abilities to move towards a more commercial approach. CIPFA & Proving Services also used their own expertise and experience to consider how to maximise any advantages identified, both in general and for specific services.

6.2 The interviewees recognised that staying still is not an option, but felt that the councils currently lack clarity on the direction services should pursue, including which areas will generate the best returns in respect of finance, performance and social value.

Opportunities for greater commercialism

6.3 The ability to enhance council services by trading outside traditional markets is limited in many cases and is also faced with local competition. There are opportunities but these are often small scale and should not be seen as 'quick wins' or generators of huge income. Starting commercial services on a small scale may however lead to larger gains and a stronger foothold in the market in the future. Therefore this option is worth further investigation.

6.4 Providing services to other councils may be an option worth pursuing for many services i.e. offering a better product than is currently the case, at a competitive price.

6.5 Some members have expressed an interest in moving into new markets where Local Authorities can be seen to have a role. These include things such as energy provision or supply (solar farms) or house building with a Council purchasing land and developing it itself for both commercial and social benefit. These rewards are possible and if a council decides to pursue this, further specialist skills and knowledge of these particular sectors is critical for success.

6.6 Regardless of external trading opportunities a more commercial focus on the Councils' services and costs is very likely to lead to higher efficiency savings for the partner Councils.

Commercial opportunities - staffing and skills

6.7 The move towards a more commercial outlook in services is recognised within the current council cultures. However, there is varying opinion as to whether all current staff have the skills and the mind set to make this a permanent and successful movement. There needs to be a focus on managing this change with a proactive programme which involves commercial skills training and commercial awareness.

What is already planned to build the foundations of a more commercial approach?

6.8 The councils are already focused on a number of areas which will build the foundations of a more commercial approach. These are:

- Undertake a fundamental review of the Councils' approach to employing, retaining and developing staff with a sharper focus on developing/acquiring the necessary commercial skills and approach.
- Developing shared services and creating business relationships with partner Councils.
- Investigating a company structure which optimises tax and pension positions and provides maximum flexibility to expand services in the future for the benefit of the partner councils and allows for expanding into new market opportunities should the right proposal be identified.

What more can be done to become more commercial?

6.9 The CIPFA report also recommended that the Partnership should consider developing:

- A much better understanding of cost-competitiveness compared with other providers, particularly for support services which impact not only on other support services but on all direct service provision be it a shared service or a retained service.
- Further service redesign in support service areas.
- Reviewing other partnerships- including joining existing partnerships in other councils- to determine further opportunities either to collaborate or take advantage of achieving better value for money.

Commercialisation conclusions

6.10 Whilst there are commercial opportunities available the business case takes a prudent approach to the initial benefits. As stated above more work would need to be done to prepare services to be more competitive and identify the most beneficial potential markets within which to compete. As part of the development of the partnership's People Strategy emphasis will be given to developing a more commercial approach.

6.11 However it is recognised that the optimum corporate company structure should be introduced to enable trading opportunities to be fully exploited. This is an important factor in determining not only the overall corporate structure but also the optimal way in which to group functions into one or more companies.

6.12 For example, based on the initial assessment of the available trading markets, it is possible to conclude that the current markets for generic ICT and financial support services are very mature and competitive. Therefore it is unlikely that the partnership would wish to compete in these markets.

6.13 In contrast however, the current market for local authority regulatory services is underdeveloped with very few suppliers. Therefore this is a market with greater opportunity for successful trading and may prove attractive to the partnership.

6.14 The availability of trading opportunities and the potential partners in any service delivery company are key factors in grouping and establishing the service companies.

7. Company Structure Framework

7.1 A technical report on the legal and tax implications of possible corporate structure formulations for the companies has been completed by Trowers & Hamlins and KPMG. Their advice is set out in their report (commercial in confidence) dated March 2016 and was presented to the Members of the Joint Committee in April 2016. Further advice was provided dated August 2016.

7.2 The key criteria for the 2020 partnership are to develop a company structure framework that delivers the flexibility to meet both current and future needs and can be implemented incrementally over time. Once such a framework has been agreed it will be for the partner Councils to determine which staff and services they wish to transfer into companies and when.

7.3 The preferred corporate formulation for the partnership has optimal features that;

- Allow new Local Authorities to join (or leave) tax efficiently;
- Minimise the on-going tax liability of any entities to be established (by considering available reliefs);

- Allow other Local Authorities to ‘buy-in’ to the structure on a piecemeal basis, if desired, to participate in only some services rather than to take a share in the overall model;

- Allow scope for trading and income generation from third parties in the future; and

- Allow transfer of staff from the Local Authorities to companies.

7.4 To enable consideration of the appropriate company framework it is first necessary to consider the services, functions, and staff that Councils are prepared to transfer to a company in order to help define the purpose(s) for that company (or companies).

7.5 ***Current Retained Services – (Non-shared/Non-traded Services)***

- These retained services are currently provided by each Council’s directly employed staff, primarily for the sole benefit of a single Council and are not shared. These services could be provided discretely by autonomous divisions within the company model. For any statutory roles or non-delegable functions dual employment contracts would be required. Each Council may have a different view of which of their services can be readily accommodated within the proposed framework and may prefer to retain direct employment of these staff.

7.6 ***Shared Services – (Non-traded Services)***

- These are the services that are currently shared or could be shared across two or more of the partner Councils primarily for the benefit of the partner Councils but with the potential for some limited external trading. In terms of the company framework these services would be delivered to the founding Councils on a cost sharing basis and any external trading with third parties could be carried out within the 20% Teckal exemption.

7.7 ***Shared Services – (Traded Services)***

- These services would be provided primarily for external third parties with limited service provision for two or more of the partner Councils. In terms of the company framework these services would be delivered on a profit making basis and there would be no limit on external trading. These services would generate income and profit for the shareholding Councils.

Proposed Company Structure

7.8 The further legal and tax advice received from Trowers & Hamlins and KPMG in August 2016 has concluded that the most appropriate and tax efficient company structure would be the establishment of a number of companies limited by guarantee. Based on this advice a proposed company structure that best meets the requirements of the partnership and the criteria given in 7.3 above has been determined. The framework is flexible and can be developed and implemented overtime as required.

7.9 It comprises the core building blocks of a Teckal Co-ordinating Company, Teckal Non-Traded Services Companies and potential for Traded Services Companies. This approach would allow the Councils to maximise employment within a company model, whilst managing and ring-fencing risk within different entities, with the flexibility for new partners to join as required.

7.10 The way companies are established and structured will be developed over time as the need arises and based on appropriate business cases as required. The framework provides a basis for these future decisions that will reduce potential risk duplication and cost.

Local Authority Companies and 'Teckal'

7.11 The partner Councils already have experience of both successfully establishing and operating Ubico Ltd. as a 'Teckal' company.

7.12 The Teckal exemption (named after the EU case that established the principle) provides for an exemption to EU procurement rules in certain circumstances.

7.13 The exemption applies where the Council(s) exercise a similar degree of control as they exercised over their own departments (this test is satisfied where the Council(s) has a controlling interest in the Company) and where the essential part of the Company's activities is performed for those controlling Councils.

7.14 In order that the Councils can rely on the Teckal exemption, the 'control' test (as explained above) will need to be satisfied. Each Council will have a shared ownership and votes, which will be set out in the companies' constitutional documents. The Councils as owners will have control over the Company through a governance structure of directors sitting on the Company Board, which will form the operational management and decision making body for the company.

7.15 A contract or service level agreement will be in place between each Council and the Company, setting out the required service specification and standards. The Company and its directors are not able to alter the service and standards set by the Council.

8. Proposed Initial Companies Set Up

8.1 In terms of the company structure's financial efficiency it is assumed that the greater the number of staff that are transferred into a company and the greater number of staff that are shared, the greater the potential financial benefits.

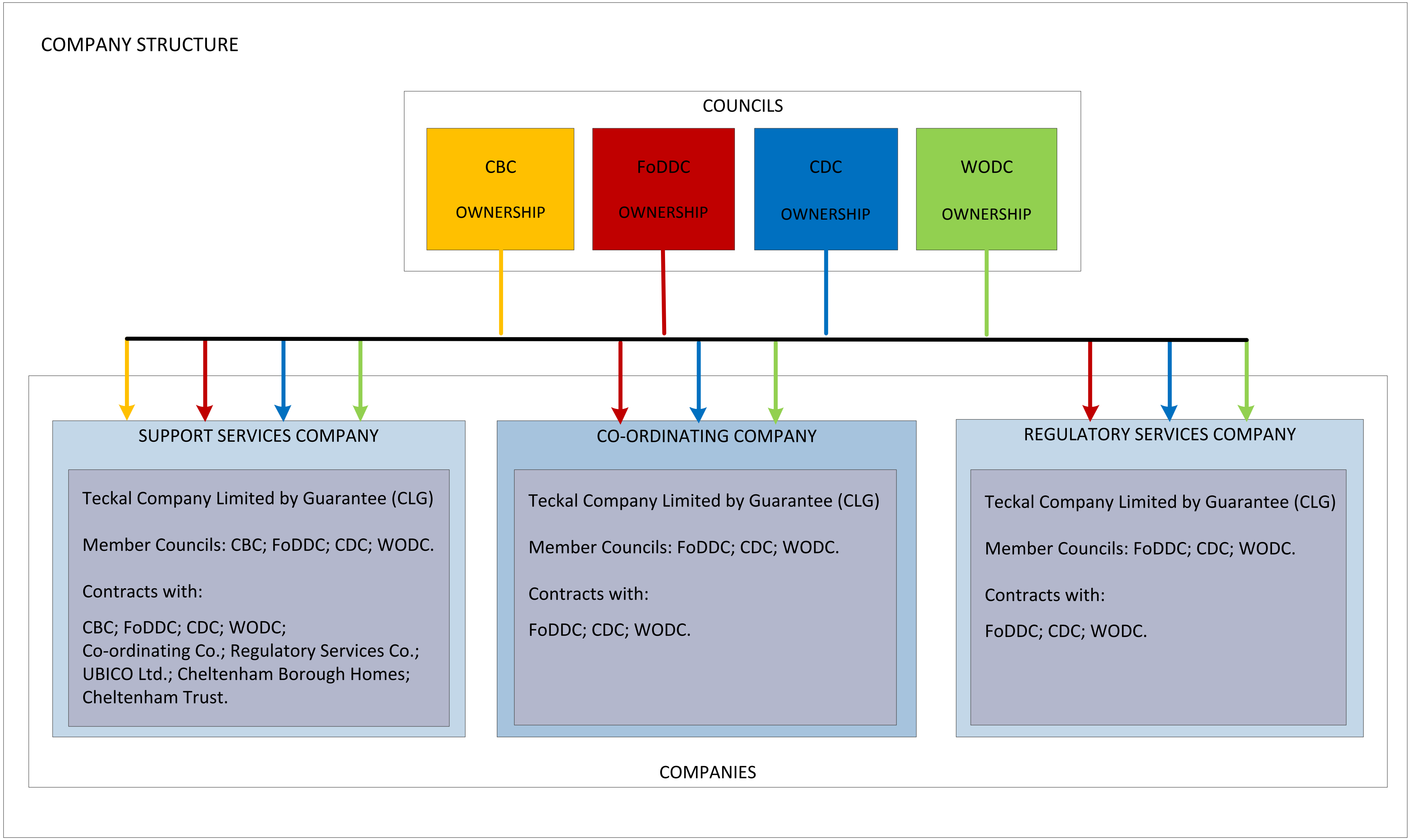
8.2 Consequently, the Partnership Managing Director proposed an initial company set up that groups services and staff based on the advice received and taking into account the new Commissioning Framework and the potential for commercialisation. This initial company set up has been used as the basis for the refresh of the business case.

8.3 For the purposes of the updated business case the financial benefits have been modelled for the expected scenario described in paragraph 9.11 and illustrated in Figure 8.1.

8.4 The business case shows that based on the current shared services there is sufficient critical mass and benefits to enable the company structure to be adopted and the first companies established. However, it will be for each Council to determine the level of benefit they would wish to deliver by taking advantage of the company structure by becoming shareholders in the companies.

8.5 Once this company structure has been agreed more detailed work would be carried out as part of the implementation stage on establishing appropriate governance and management structures for the companies although it is expected that these would be largely based on the current partnership structures.

Figure 8.1: Companies Structure



9. Updated Business Case

9.1 As set out in the background to this report the “2020 Vision for Joint Working Business Case” approved in 2015 has been updated.

9.2 The 2015 business case based on the original proposition, forecast to return cumulative savings totalling £38m over a 10 year period with annual revenue savings of £5.7m in return for a proposed total investment of £10.1m over the same period.

9.3 In comparison the refreshed 2016 business case approved by the Joint Committee in June 2016 showed increased cumulative savings totalling between £40m and £41m over a 10 year period with annual revenue savings of between £5.95m and £6.2m after 5 years, depending on which Scenario is adopted, in return for a proposed total investment of £10.1m over the same period.

9.4 This update of the June 2016 business case reflects the financial implications as a result of the proposal by Cheltenham Borough Council to limit involvement to the single shared services company for GOSS and ICT services. This new scenario results in revised cumulative savings totalling £41m over a 10 year period with annual revenue savings of £5.57m after 5 years in return for a proposed total investment of £10.1m over the same period.

Finance update for refresh of the financial case

9.5 The financial business case has been updated for the following:

- The salary baseline position has been moved to 2016/17;
- Savings delivered in 2015/16 and 2016/17 have been incorporated;
- Shared services have been reviewed to reflect current political views;
- Savings assumptions have been reviewed to ensure they remain valid (i.e. any shared services savings already delivered are appropriately reflected in future targets);
- Assumptions regarding pension exit valuations and crystallisation of liabilities have been discussed with actuarial specialists and are not considered to be a barrier to progress (see separate section below);
- While the outcome of detailed actuarial modelling is still pending, the existing pension savings assumptions have been maintained. The only exception to this is that the level of savings for Cheltenham Borough Council have been reviewed in proportion to the reduced number of employees that may transfer to the company model;
- The overall programme costs have been refreshed to reflect current anticipated costs. Some budgets, especially expert advice, are expected to exceed the current provision. However, the increased costs are expected to be funded through savings elsewhere in the programme budget and the overall cost envelop for the programme is expected to remain within £10.1m;

- The operational costs associated with the proposed company models have been reviewed and are still found to be in line with the previous business case. The share of costs has been updated to reflect the number of shareholders in each company;

- Initial VAT and Corporation Tax advice from KPMG has been reviewed; there are no VAT or Corporation Tax implications to include in the financial case at this stage.

Assumptions used with the business case

9.6 The following assumptions have been used within the business case:

- Shared service savings of between 0% - 15% have been applied to each service. The % saving varies according to the degree of sharing which is already taking place within the service;

- The costs and savings from the Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council shared Public Protection service remain in line with the business case for the shared service. The costs and savings will be updated once the project is complete;

- Savings already delivered reflect actual budget adjustments incorporated into 2015/16 and 2016/17 budgets;

- Employee savings from a more commercial approach have been incorporated at 3% of back office service budgets (although delivery of the savings should arise across all service areas) and 10% of development control budgets;

- An allowance has been made for employee salary increases of 5% reflecting additional responsibilities associated with joint working;

- An allowance of 3% has been made to reduce savings from holding vacant posts empty;

- Pension’s savings assumptions are as per the previous business case with employee turnover of 10% assumed and employer contributions to a new stakeholder pension scheme of 5%. Some of the pension potential savings have been excluded from the business case to fund potential cost increases from the review of employee Terms and Conditions and the reward package.

Programme Costs

9.7 The original business case included a programme cost of £8.7m. The update, in the autumn of 2015, indicated that the programme budget would need to increase to £10.1m. However, as there was great deal of uncertainty over provisions for redundancy costs and ICT costs, it was decided that the increased programme costs would be recognised as a risk by the (then) Member Governance Board and the Councils would not be asked to formally agree an increase in contributions to the programme at that point in time.

9.8 The programme budget assumptions have been reviewed with the Group Managers, Section 151 Officers, and the Programme Team and reflect the proposed limited involvement by Cheltenham Borough Council. The budget for external expert advice needs to be increased. However, at this point in time these costs can be met within the £10.1m programme cost.

9.9 The split of the partner council funding has been reviewed to take account of the expected involvement of each Council reflecting the proposed change by Cheltenham Borough Council. The cost of creating the companies has been reflected in the contributions for the respective councils.

9.10 Table 9.1 below shows the breakdown of programme costs.

Financial Benefits

9.11 The financial benefits have been updated for the expected scenario of the creation of a co-ordinating/commissioning company owned by CDC, FoDDC and WODC. A shared regulatory services company would also be created for these same shareholders with a view to trading the services being provided. A third shared-services company would be created to provide shared services to all four partner councils and limiting the involvement of Cheltenham Borough Council to ICT and GO Shared Services.

9.12 Table 9.2 below shows the expected financial position and the comparison between the original 2015 business case, the updated 2016 business case approved by the Joint Committee in June 2016, and the current anticipated financial implications based on Cheltenham Borough Council's anticipated decision to limit their involvement to ICT and GO Shared Services.

9.13 Table 9.3 below shows the split between savings deliverable under a Joint Committee arrangement and the additional savings deliverable under the companies' scenario.

Table 9.1: Programme cost breakdown

2020 Programme Costs	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL	TCA Grant	Net Council Contribution to Programme
Expert Advice	130,000	102,000	521,000	20,000	0	0	**773,000**		
Programme Management / Project Support	98,000	865,000	775,000	1,017,000	724,000	310,000	**3,789,000**		
ICT	106,000	477,000	1,080,000	1,050,000	400,000	0	**3,113,000**		
Cost of Transformational Change	45,000	945,000	182,000	638,000	501,000	154,000	**2,465,000**		
	379,000	2,389,000	2,558,000	2,725,000	1,625,000	464,000	**10,140,000**	**(3,800,000)**	**6,340,000**
Cheltenham Borough Council	75,000	473,000	685,000	390,000	158,000	20,000	**1,801,000**	(950,000)	851,000
Forest of Dean District Council	122,000	671,000	691,000	778,000	489,000	148,000	**2,899,000**	(950,000)	1,949,000
West Oxfordshire District Council	96,000	568,000	591,000	778,000	489,000	148,000	**2,670,000**	(950,000)	1,720,000
Cotswold District Council	86,000	678,000	591,000	778,000	489,000	148,000	**2,770,000**	(950,000)	1,820,000
	379,000	2,390,000	2,558,000	2,724,000	1,625,000	464,000	**10,140,000**	**(3,800,000)**	**6,340,000**

Table 9.2: Savings comparison between business case revisions

	Business Case Aug 15 £m	Business Case June 16 Approved by Joint Committee £m	Business Case Sept 16 Revised for Cheltenham BC proposed involvement
Estimated Costs	10.14	10.14	10.14
Transformation Challenge Award Grant	3.8	3.8	3.8
Estimated Net Cost	6.34	6.34	6.341
Savings	5.743	5.953 – 6.195	5.571
Payback Period (gross costs)	1.8 years	1.6 – 1.7 years	1.8 years
Payback Period (net costs)	1.1 years	0.9 – 1 years	1.1 years

Table 9.3: Savings comparison - Joint Committee v Companies

	CBC £000	CDC £000	FofDDC £000	WODC £000	Total £000
Joint Committee					
Shared Services	200	844	747	1,100	2,891
Other Efficiency Savings	299	550	431	182	1,462
Total Joint Committee Savings	**499**	**1,394**	**1,178**	**1,282**	**4,353**
Company					
Pensions	0	250	240	210	700
Commercial Approach	91	282	201	245	819
Company Overhead	(25)	(92)	(92)	(92)	(301)
Total Company Savings	**66**	**440**	**349**	**363**	**1,218**
Total Savings	**565**	**1,834**	**1,527**	**1,645**	**5,571**

9.14 The financial savings reflect cashable savings to each authority. In addition to the cashable savings, the 2020 Partnership will also lead to savings from cost avoidance. This has already been demonstrated in the procurement of a revised waste and recycling collection contract at Forest of Dean District Council. The AON Hewitt report in May 2014 identified a potential doubling of future benefit contributions into the LGPS over the next 20 years. By moving employees into a company model, these cost increases will be mitigated for new joiners.

Pensions Benefits update

9.15 The pension assumptions within the approved business case for 2020 Joint Working were based on an actuarial report from AON Hewitt "2020 Vision Actuarial Advice to Support the Joint Working Team" dated 30 May 2014. These assumptions are based on the proposition that the Councils would create local authority owned companies that would enable new staff to be employed without access to the Local Government Pension Scheme with an alternative stakeholder pension provided.

9.16 This report estimated through AON Hewitt's pension modelling that annual pension contribution rates could reduce by around £1.5m in 10 years' time rising to £3.5 m in 20 years' time.

9.17 The report also identified the risks of triggering an exit valuation by the pension body if a Council transferred all of their employees and a re-valuation of the fund. The business case assumed that exit valuation would be avoided and made an allowance for the cost of re-valuation.

9.18 AON Hewitt suggested a number of ways of avoiding triggering an exit valuation by either avoiding crystallisation of the pension deficit by continuing to employ one or more members in each Local Government Pension Scheme (LGPS), or applying for a Direction Order under Schedule 3 of the LGPS Regulations.

9.19 Since the original report discussions have been held with both the Gloucestershire and Oxfordshire pension providers to understand the implications of the company proposals. The feedback has been that provided each council continues to employ its statutory officers through dual employment contracts then an exit valuation will not be applicable and therefore a crystallisation of outstanding liabilities is unlikely to occur.

9.20 The actuaries are in the process of modelling the detailed financial implications of the move to the company model, therefore some level of risk remains. However, the risks highlighted in the AON Hewitt report are significantly reduced and are considered low and manageable.

9.21 The risks of triggering an exit valuation can be mitigated by ensuring that each Council continues to employ some members of the LGPS; these employees may have dual employment contracts with both the Council and the local authority owned company.

10. Next Steps

Timescales & Implementation

10.1 A detailed implementation plan for the establishment of the companies would be developed based on the feedback from each Council on the timing of transfer of services and staff into a company model.

10.2 Following approval of this business case to develop the next stage of the partnership, all of the actions necessary within the Programme to deliver the next stage of the partnership would be planned and agreed. These would include plans for the implementation of the new Commissioning Framework, the necessary governance and management structures for the Company, process redesign work, ICT and People Strategies.

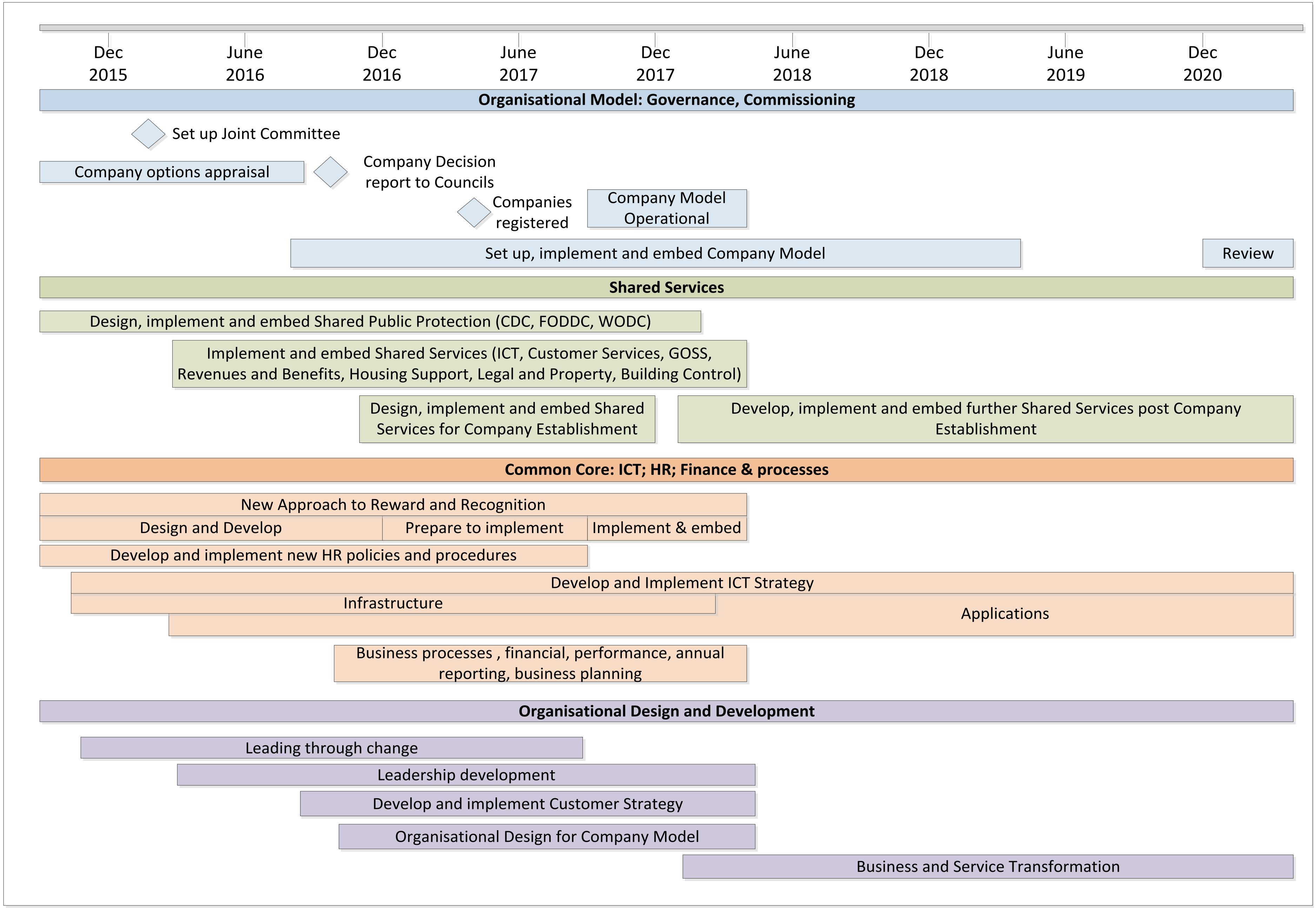
10.3 The implementation would continue to use the current programme management approach and resources as set out in the programme plan and the revised business case.

10.4 The indicative timetable for implementing the 2020 Vision is provided in Figure 10.1 below. The approach to delivering the 2020 Vision is evolutionary and subject to a series of decision points. The plan will be regularly reviewed and updated as decisions are taken.

Engagement & Communication

10.5 A comprehensive communication and engagement plan will be produced to reflect the decisions made as a result of this report. It will cover staff, elected members, Trade Unions, staff representatives and all other major stakeholders, both internal and external.

Figure10.1: Indicative timetable for delivering Vision 2020



Future Development

10.6 Further work will be undertaken to design the future approach to Customer Services under the company model. This will need to take account of the new service delivery model whilst providing a seamless transition for customers. Customer contact will remain via existing channels and a local presence will be maintained to deal with local contact. The proposal would be to maximise the use of technology in allowing 24-hour self-service wherever possible. This ‘channel- shift’ will help to reduce customer demand and increase our capacity to resolve remaining face to face customer contact ‘right first time’.

10.7 It will also be necessary to undertake work on branding and identity. Both to protect the identity of the Councils but also to establish an appropriate brand for the new companies.

10.8 There is great potential to improve the customer experience through the customer-focussed redesign of services. The re-design of services is also an essential component of the efficiency savings. Consequently a programme of targeted service redesign will be developed and resourced as part of the next phase development of the partnership.

10.9 Once the company structure has been finalised and agreed, work will be completed on the governance and management of the partnership. This will ensure that a strategic approach is taken to the delivery of each Council’s objectives with clear accountabilities and responsibilities.

10.10 Work will also be undertaken to consider how property assets can be managed more effectively across the partnership with a view to developing a Property and Assets Action Plan to drive future property benefits.