

Cheltenham Borough Council
Cabinet – 26th July 2011

GO Shared Services

Accountable member	Cabinet Member for Corporate Services, Colin Hay
Accountable officer	Director of Resources, Mark Sheldon
Accountable scrutiny committee	Economy and Business Improvement O&S
Ward(s) affected	None
Key Decision	Yes
Executive summary	This report outlines the proposals from the GO Programme Board for the arrangements for shared service delivery for Finance, Procurement, Human Resources, and Payroll services.
Recommendations	<p>Cabinet is requested to:</p> <ul style="list-style-type: none">a) Approve the revised GO Shared Services business case and appendices which reflect the provision of advisory and transactional services that will be delivered from GO Shared Services and which are expected to deliver an annual saving of £285k to Cheltenham Borough Council from 1 April 2013.b) Delegate to Cotswold District Council (CDC) its Finance, Procurement, HR and Payroll services (including the transfer of staff under TUPE) as set out in this report in accordance with s101 Local Government Act 1972 and s19 and s20 Local Government Act 2000.c) Delegate authority to the s151 Officer in consultation with the relevant Executive Director and Cabinet Member for Corporate Services to enter into the following agreements on terms approved by the Borough Solicitor, subject to all GO partner councils entering into similar relevant agreements at the same juncture:<ul style="list-style-type: none">(i) Revised GO Programme collaboration agreement(ii) Agreement under s101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 with Cotswold District Council (CDC) in respect of Finance, Procurement, HR and Payroll services as set out in this report.d) Nominate the Cabinet Member for Corporate Services as the elected member representative to the GO Shared Services Joint Monitoring and Liaison Group (JMLG.)e) Delegate authority to the s151 Officer in consultation with the relevant

Executive Director and Cabinet Member for Corporate Services to enter into an agreement with Cotswold District Council (CDC) and Cheltenham Borough Homes Limited (CBH Ltd) under the Local Authorities (Goods and Services) Act 1970 for the provision of transactional services to CBH Ltd on terms approved by the Borough Solicitor.

<p>Financial implications</p>	<p>The implementation costs of the GO Programme were set out in the business case approved by the GO partner councils in the autumn of 2010. Although the contingency funding within the business case is now anticipated to be fully utilised, overall the Programme costs remain in line with the approved budget of £1.4m. Further expected savings have arisen as a result of the delivery arrangements proposed in this report, and are detailed in Sections 13, 14, 15 of this report and in Appendix C.</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242</p>
<p>Legal implications</p>	<p>The legal implications are covered in Section 18 of this report.</p> <p>Contact officer: Shirin Wotherspoon shirin.wotherspoon@teWKesbury.gov.uk, 0168 272 017</p>
<p>HR implications (including learning and organisational development)</p>	<p>The HR Implications (in particular TUPE implications) are covered in detail in Sections 9, 10, 11 and 12 of this report.</p> <p>Contact officer: Julie McCarthy, julie.mcarthy@cheltenham.gov.uk, 01242 264355</p>
<p>Key risks</p>	<p>The GO Programme maintains a risk log of all risks. High level risks, ie those risks scoring 6 or above, are included at Appendix 1 to this report. This includes a description of the risks and the actions being taken to mitigate them. Risks that have high residual risk rating are also transferred to the each partner Council's Corporate Risk Register (CRR). The risk rating approach adopted by partners for the Programme differs from the Council's own method of scoring and rating risks, but where risks are transferred to CBC's CRR, they are re-scored.</p>
<p>Corporate and community plan Implications</p>	<p>Contributes to the corporate aim of delivering cashable savings, improved customer satisfaction overall and better performance through the effective commissioning of services.</p>
<p>Environmental and climate change implications</p>	<p>The overall impact of the programme as this stage is seen to be neutral in terms of energy, water, and transport. The move to one integrated computer system which replaces several may have a positive environmental impact. A further assessment may be needed post go-live.</p>

1. Background

- 1.1 For Cheltenham Borough Council, the GO Programme has its origins in that early work to holistically review support services – the Sourcing Strategy. Agreed in 27 October 2009, the Sourcing Strategy project was committed to supporting the delivery of excellent outward facing services recognising that good quality behind the scenes services were essential to support efficient and effective front-line services; additionally in the current financial climate driving out savings in support areas can help protect valuable front line services. The Sourcing Strategy objectives were agreed as cashable savings, customer satisfaction, effective performance underpinned by a *platform for excellence and partnership*. Cashable savings were seen as the most important objective - critical to securing the Council's long term financial future. These same objectives now lie at the heart of the GO Shared Services Programme.
- 1.2 The (implementation phase – v3.0) business case for the GO Programme was approved by each GO partner council in the autumn of 2010. The GO partner councils authorised the GO Programme Board to proceed with implementation of the ERP and to develop the proposals for sharing transactional and some professional services. At the same time, s101 delegation arrangements were approved to enable the creation of the IT & Hosting Centre of Excellence (CoE). It was stated that Member approval would be sought for the establishment of the two remaining CoEs covering Finance/Procurement and HR/Payroll once details had been worked up.
- 1.3 The ultimate vision of the GO Programme, as stated in the approved business case, was to share all finance, procurement and HR services but it was recognised this may not be 100% achievable due to local requirements of each GO partner council. The approved business case was based on sharing of transactional services and some professional services, called level 3.5.
- 1.4 Since approval of the GO business case, work has been proceeding on the system design and hardware procurement for the IT & Hosting CoE. In addition, two project teams were set up to manage the specification, selection process and approval of the Finance/Procurement and HR/Payroll CoEs.
- 1.5 The Local Government funding settlement announced in December 2010 resulted in higher than anticipated cuts in government grants over the next 2 years. This economic reality has resulted in the need to increase the savings anticipated from the GO Programme.

2. Development of the business case

- 2.1 In view of the requirement to increase savings from the GO Programme, Officers have revisited the decisions previously made about the services in scope for the GO Shared Services, and the concept and number of CoEs that would be required to deliver shared services across the partnership.
- 2.2 The GO Programme Board has taken into account the political aspirations for greater savings than projected in the original business case and has therefore considered the feasibility of moving the business case on from sharing transaction services plus some advisory services (referred to as level 3.5 in version 3 of the GO Programme business case) to sharing all transactional and advisory Services (level 4 and the ultimate aspiration in the version 3 business case).
- 2.3 Implementing three CoEs (Centres of Excellence), as originally planned, would require individual management structures to manage both the staff and the services delivered

to each GO partner council. In addition, lead authorities would need to be identified for each of the CoEs and separate delegation agreements prepared and approved. Moving to a combined shared service for Finance, Procurement, HR and Payroll will reduce the management overhead significantly. In addition, only one set of delegation agreements would be needed, reducing the complexity and time needed to prepare the necessary documents.

- 2.4** Many of the posts in current Finance, Procurement, HR and Payroll functions provide both transactional and advisory services. Sharing services at level 4 avoids the need to segregate out level 3.5 transactional and advisory services, the required restructuring to create level 3.5 shared services and advisory services, followed by a further reorganisation when moving to level 4 services. The revised business case (version 4.0), which includes the savings from sharing advisory services, is attached at Annex A to this report. The transactional, professional and advisory services to be provided by the GO Shared Services are shown in Appendix A of the Business Case. This Appendix also sets out details of strategic services which will remain the responsibility of each of the GO partner councils.
- 2.5** The GO Programme Board has concluded that savings can be increased by implementing a single combined Shared Service for Finance/Procurement and HR/Payroll, instead of two separate CoEs. The IT & Hosting CoE will still be needed owing to IT and infrastructure requirements.

3. Development of the governance arrangements

- 3.1** The current delivery model for the GO Shared Services, as approved by each authority in the autumn of 2010, is a s101 Lead Authority (employing council) delegated arrangement (as per the agreements for the IT Support & Hosting CoE) supported by a Collaboration Agreement between the councils.
- 3.2** The GO Programme Board is aware of the requirement to deliver further efficiency savings over and above the savings set out in version 4.0 of the Business Case. These savings will require further action to be taken either to market the GO Shared Services to attract new partners or to expand the scope of services provided by the partnership to include more Council services such as ICT, Internal Audit, Revenue and Benefits or other services. Following establishment of the GO Shared Services, which is expected to be completed by October 2012, an options appraisal will be carried out to explore the options for expanding the GO Shared Services with indications of the level of savings available. The options appraisal will include a review of the governance options.
- 3.3** At a meeting in January, SPMB members indicated a preference for a governance mechanism that would allow the GO Shared Services to trade with external bodies. As a result, the GO Programme Board has reviewed the governance options available for the GO Shared Services.
- 3.4** Discussions have taken place regarding the advantages and disadvantages of the different options and the GO Programme Board concluded that, for trading purposes, setting up a Local Authority Company (LAC) would be the most appropriate solution, subject to an assessment of potential procurement requirements. The GO Programme Board also considered various private sector and third sector models and has discussed whether these private sector and third sector models should be considered in more detail, but have concluded it would not be appropriate at this stage. The main reason for coming to this conclusion is the fact that these models require allocating some of the shareholding, and a degree of control, to outside bodies, whereas the LAC model meets the fundamental requirement of allowing the GO Shared Services to trade whilst being wholly owned by the GO partner councils.

3.5 The GO Programme Board is therefore recommending that the GO Shared Services is established using a s101 delegation arrangement for an initial two year period (1st April 2012 to 31st March 2014). During that time (by 31 October 2013), an options appraisal for developing the GO Shared Services will be carried out which will include a review of the governance options.

3.6 When April 2014 is reached, there are 3 potential scenarios:

a) The GO Shared Services becomes another legal entity

b) The GO Shared Services continues under the existing Lead Authority (employing council) and the s101 arrangement is extended

c) The GO Shared Services continues under a new Lead Authority (employing council) and a new s101 arrangement is implemented.

Scenarios a) and c) above would involve a second TUPE of staff.

3.7 It is the GO Programme Board's view that option c) above is a highly unlikely situation for the new GO Shared Services. The Lead Authority (employing council) will have been operational for two years by April 2014, and been subject during that time to regular monitor and review by the GO Joint Monitoring and Liaison Group (JMLG) made up of Members and Senior Officers of the GO partner councils. It would be difficult to envisage a set of circumstances that would justify a move away from the existing Lead Authority (employing council), but it must be acknowledged that the option does exist for the GO partner councils.

4. The Lead Authority (employing council) Relationship with the Joint Monitoring and Liaison Group (JMLG)

4.1 The role and responsibilities of the JMLG are set out in Appendix B of the GO Business Case at Annex A to this report, and more fully in the GO Collaboration Agreement.

4.2 The lead authority (employing council) will have the same representation on the JMLG as the other GO partner councils (one Member and one Senior Officer). Therefore, the lead authority (employing council) will have no greater say in the future development of the GO Shared Services than any other GO partner council.

5. The Delegated Responsibility for the Go Shared Services

5.1 Each GO partner council is being requested to delegate authority to enter into the s101 agreement to the appropriate Members and Officers.

5.2 The details of the functions to be delegated to the GO Shared Services are set out in Annex A of the GO Business Case at Appendix 2 to this report. Annex A also details the responsibilities that will remain with each GO partner council.

5.3 The JMLG will monitor the performance of the GO Shared Services using key performance indicators (KPIs) included within the finalised s101 agreement. The aim is to minimise the number of KPIs but ensure that they remain at a level that establishes the performance of the GO Shared Services (highlighting under or over delivery against

performance standards) and delivery of benefits as per the business case. Some illustrative examples of KPIs include:

- Costs to GO partner councils compared to benchmark
- Transactional costs for payroll, accounts receivable and accounts payable services
- No of days to pay non-disputed invoices
- The outcome of customer satisfaction surveys for advisory services

6. Selection of the Lead Authority (employing council)

6.1 As agreed by the SPMB a mutually agreed process was followed for the selection of the lead authority (employing council). The broad areas for the selection of the lead authority (employing council) were defined by the GO Programme Board as:

- Capacity; particularly the ability to provide strategic support for the GO Shared Services
- The ability, in the future, to be able to provide services to the new waste company being considered by some of the GO partner councils
- Policies which support and enable shared services
- Experience of shared services
- Demonstration of ability to deliver efficiencies from shared working
- Political support for the concept of shared services and this programme
- Effective member/officer relations
- Alignment with vision for the lead authority
- Alignment with other shared services
- An embedded risk management culture and processes
- A clear line of accountability and management of the GO Shared Services

6.2 Two authorities, Cotswold District Council and the Forest of Dean District Council expressed an interest in being the lead authority (employing council) for the partnership.

6.3 The Chief Executives of all the GO partner councils considered the expressions of interest on 11th May 2011 and it was mutually agreed to recommend Cotswold District Council as the lead authority (employing council) for the GO Shared Services.

6.4 In order to provide Members with some assurance over the selection of the lead authority (employing council), Audit Cotswolds, working in conjunction with the South West Audit Partnership, have carried out a due diligence review and concluded that Cotswold District Council in general meets the criteria for the due diligence and can be considered for the lead authority (employing council). This is based on the evidence identified and considered in the time available for the due diligence exercise. However, there were observations noted by Internal Audit that will need resolving prior to the appropriate milestone.

7. Lead Authority (employing council) Risks

7.1 Following the political approval of the GO Business Case in the autumn of 2010, each GO partner council entered into a Collaboration Agreement and a s101 agreement for the ICT Support and Hosting CoE. Within the Collaboration Agreement is a "hold harmless" clause. This effectively means that each GO partner council will not sue its partners over the negligent performance of the GO Shared Services. Instead, the GO

partner councils will work collaboratively in order to find a resolution to the problem. This gives the lead authorities for the Support and Hosting Centre of Excellence and the GO Shared Services some comfort regarding the level of risk that those Councils are being exposed to.

- 7.2** The key risks to the lead authorities for the Support and Hosting CoE and the GO Shared Services relate to being the employing authority. There is the potential for some financial risk should the funding level of the Gloucestershire Local Government Pension Scheme (LGPS) worsen. This risk has been minimised as the pension fund deficit contribution is now paid as a lump sum by each of the GO partner councils. Should pension fund contributions become a financial burden to the lead authorities in the future, this can be resolved using the charging principles which are discussed in the Financial Implications section of this report at section 13 of this report.

8. Risks to the GO Programme

- 8.1** Risks are reviewed by the Programme Board fortnightly, and significant risks are included on the corporate risk registers at each GO partner council. The programme significant risks at the date of this report are included at Appendix 1 of this report.

9. Delivery of the GO Shared Services

- 9.1** When considering how the GO Shared Services will be delivered, there are 3 levels of function envisaged that can be expressed as, Strategic, Tactical and Operational functional levels as follows:

- 9.2 Strategic Function** - the term "strategic" refers to the management of the GO Shared Services, not to any strategic professional advice from within the tactical or operational functional areas. Effective strategic leadership for the GO Shared Services needs to be in place during the tenure of the Lead Authority (employing council) for the interim period (April 2012 – March 2014) in order to provide clarity of accountability to the JMLG and to ensure delivery of key accountabilities during the period which are envisaged as:

- Construction and delivery of a business case during 2013 including options for future GO Shared Services governance arrangements (i.e. local authority limited company, continuation of s101 or other arrangement) and future savings/income targets
- Management of an effective transition to an agreed GO Shared Services governance structure beyond April 2014.
- Accountability for the delivery of the agreed savings targets for the period October 2012 – March 2014.
- Accountable to the JMLG for the GO Shared Services performance during the interim period as per the s101 agreement.
- Accountable for ensuring that the ICT Support & Hosting Centre of Excellence provides an effective service to the GO Shared Services in accordance with the s101 Agreement.
- Responsibility for leading the work on the definition of the future vision for the GO Shared Services and getting agreement from the JMLG for the same. This is likely to include assessing opportunities for additional business and engaging potential customers in order to ensure the business case delivered during 2013 is realistic and deliverable.
- Leading the development of the GO Shared Services as an entity, creating and then embedding a suitable culture for the service.
- Stakeholder engagement, communication and management (includes Cheltenham Borough Homes Ltd)

- Sound financial and business leadership of the GO Shared Services
 - Ensure JMLG is engaged and kept fully informed on a regular basis of GO Shared Services performance, risks, issues and benefits realisation.
 - Management of tactical functions – this will include line management and ultimate accountability for delivery.
 - Finalisation of costs, structures and arrangements for 1st April 2012. It should be noted that this element of the role is planned to be in place at the latest by end December 2011.
- 9.3** It is the view of the GO Programme Board that it is a key requirement for a single person to be accountable for the strategic functions, even if the workload is shared between more than one individual.
- 9.4 Tactical Function** - this is the day to day management of the services, (also providing support for the strategic function) and includes:
- Management of operational functions (including responsibility for day to day performance, charging, client liaison with the Support and Hosting Centre of Excellence)
 - Driving the ongoing development of ERP system (including system upgrades)
 - Project management
 - Operational enhancements to GO Shared Services (e.g. common banking arrangements)
- 9.5** Strategic professional advice delivered by officers within the GO Shared Services, will sit within the tactical function backed up by operational and advisory resources. With regard to officers who currently undertake the role of deputy s151 officer, they will also sit within the tactical function but will be seconded back to their previous authorities to formally undertake that role.
- 9.6** It should be noted that elements of the Tactical functions will need to be provided from late 2011 and that the individuals performing these roles will need to be in post prior to April 2012 if a smooth and effective transition to GO Shared Services operations is to be achieved (see section GO Shared Services management below).
- 9.7 Operational Function** - this comprises all the day to day operational and administrative support and includes:
- Transactional [what was called “level 3”] (e.g. Payroll, Accounts Payable, purchase ordering etc)
 - Professional & Advisory [what was called “level 4”] (e.g. HR Advisor, General accountancy)
- 9.8** It is the view of the GO Programme Board that in terms of actual resources required for the Tactical and Strategic functions above, the minimum will be the equivalent of 3 FTE (excluding any requirements for strategic professional advice provided by officers at the tactical level). Furthermore it is also considered essential by the GO Programme Board that the strategic resources are contained within the GO Shared Services and s101 arrangement.
- 9.9** The arrangements for the delivery of the strategic function has formed a key part of the due diligence process performed on the proposals of the intended Lead Authority (employing council).
- 9.10** As Cotswold District Council are proposing to split the role of an existing member of their Strategic Management Team it will be necessary to second the resource into a

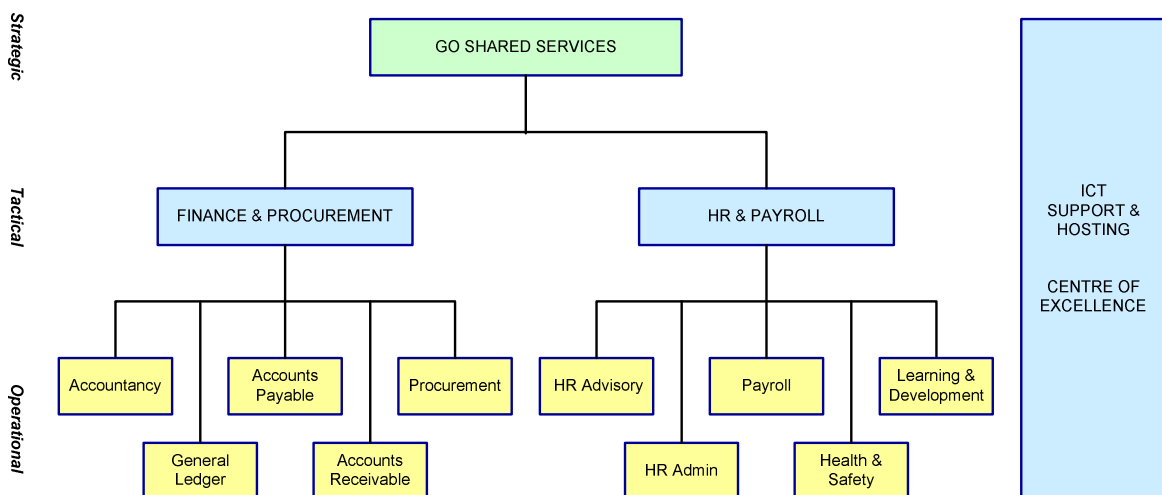
defined role within the GO Shared Services to meet governance requirements and to demonstrate separation from the Lead Authority (employing council) management structure. It should be noted that the individual concerned may, by virtue of employment law, in particular TUPE, acquire the right to transfer to a Local Authority Limited Company in 2014 if this is the direction that is agreed in 2013.

9.11 It should also be noted that due to the timescales involved, it is the working assumption of the GO Programme Board that the operational structures for April 2012 will be as defined by projects GOPA and GOPB (and thus having GO Programme Board approval). The due diligence process has reviewed the suitability of the strategic structure and some elements of the tactical roles to give an independent view of proposals.

9.12 The GO Shared Services is proposing to use a business partnering model for the advisory elements of the HR and Finance services. Details of business partners and which services and authorities they will support will be determined in the period between April 2012 and October 2012 when the full GO Shared Services will be implemented. In the period between “go-live” and the full GO Shared Services being in operation, officers at each authority will retain their existing access to HR and Finance officers. Administrative (transactional services) delivery arrangements will also be determined during the same period, with GO partner councils committed to ensuring best use is made of their collective accommodation going forward.

10. GO Shared Services management

10.1 There are a number of posts in the proposed GO Shared Services that it is proposed need to come into operation in advance of 1st April 2012 go live date to begin to help shape and create the new services. It is envisaged that 3 full time equivalent capacity is required at strategic (overall accountability for performance and leadership of the GO Shared Services) and tactical levels (key roles to lead the Finance & Procurement, and Human Resources & Payroll operational levels) as described below:



10.2 Cotswold District Council will provide capacity for the strategic leadership of the GO Shared Services. The strategic lead role will need to be supported by the tactical lead roles. It is recommended that capacity for these key roles is set in place as soon as possible after a decision is made on the governance arrangement in order to help lead arrangements for the new service, effect a smooth transition, plus provide some certainty for employees on the future management of the service. It is proposed therefore that the lead authority (employing council) moves as quickly as possible to

secure the required capacity and have this in place no later than end December 2011. If new roles are conceived, these will need to be described, evaluated, and recruited to, and ideally offered in the first instance to those within GO partner councils' existing employee base and potential TUPE ring fence.

11. Human Resource Implications – TUPE

- 11.1** The Transfer of Undertakings (Protection of Employment) Regulations 2006, are envisaged to apply in the creation of the GO Shared Services, as part of each GO partner council's business or undertaking will transfer as a going concern to the lead authority (employing council) under the s101 agreement.
- 11.2** Under TUPE all the employees who spend more than (as a guide) 50% of their work time on work transferring to a lead authority (employing council) will, unless they object, automatically transfer to the employment of the lead authority (employing council) under their existing terms and conditions of employment, along with continuity of service.
- 11.3** If any employees object to the transfer then they do not move across to the lead authority, but equally they do not stay - instead the transfer itself terminates their employment and they usually have no rights against anyone in consequence. A refusal to transfer will usually mean that the employee has in effect resigned, i.e. no entitlement to redundancy.
- 11.4** Work will need to commence to comply with TUPE regulations. Key steps to be taken are as follows:

- a) Identify which employees will be affected by the transfer. This group includes not only all the transferring employees but also anyone whose work will be affected by the transfer (e.g. remaining employees who may be taking on additional work, those at CDC who will not transfer under TUPE but may be impacted the transfer of others into CDC employ). Impacted employees are currently estimated as follows for each authority:

b)

	No of employees	FTE
Cheltenham Borough Council	33	28.9
Forest of Dean District Council	20	14.0
West Oxfordshire District Council	25	20.2
<i>No TUPE transfer but impacted by the GO Shared Services:</i>		
<i>Cotswold District Council</i>	19	14.3
Totals	97	77.4

- c) There is a statutory requirement for full and proper consultation with employees, their representatives and any recognised trade unions. Consultation with representatives and employees impacted directly and indirectly needs to take place regarding the TUPE transfer. Consultation must take place in good time before the transfer, and is planned to commence towards the end of 2011, through to March 2012). Due diligence in passing employee information (see below) to the new employer must take place; any failure to carry out this step could cost up to 13 weeks' gross pay per affected employee. Note that it is no defence that full information or consultation would make no difference to the end result, or that the staff suffered no loss as a result. There is no specified minimum period over which consultations must be conducted prior to a transfer taking place and it is important to note that there is no link between TUPE and redundancy provisions.
- d) GO partner councils will need to give the lead authority (employing council) certain employee liability information about the transferring employees, essentially detailing the financial, legal and contractual information that comes with each. The information must be given no later than 14 days before the transfer and must include:
- each transferring employee's name, age, terms and conditions
 - information on any grievances they have lodged
 - any claims they have brought or disciplinary action taken against them.

This is legally required by TUPE (to ensure all possible cost liabilities are known pre-transfer) therefore there are no data protection issues as it is covered by the legal obligation exemption in respect of the disclosure of this information (see The Employment Practices Data Protection Code). Wherever practicable information handed over to the new employer will be anonymised. Employees will be advised that their employment records are to be disclosed to the new employer before transfer. Each council will need to obtain formal assurances regarding the use and safekeeping of the information and its return if the transfer does not in the event proceed.

There is a penalty of a minimum of £500 in respect of each employee for whom the required information was not provided or was defective, in addition to which the lead authority (employing council) can bring proceedings to recover any loss arising from its reliance on poor or incomplete information.

- e) It is worth noting that if any employee is dismissed for reasons connected to the transfer, this dismissal may be automatically unfair. The new entity may, however, dismiss them post-transfer from some other reason not connected with the transfer (e.g. for economic, technical or organisational reasons).
- f) All relevant employees will transfer into the new GO Shared Services with effect from 1 April 2012, the date that it is envisaged that the TUPE transfer will take effect, and will fall under the new management arrangements described above. No immediate staffing changes, with the exception of the management arrangements, are envisaged before this date, nor on transfer. Any variations to operational arrangements post 1st April 2012, for example to ensure the savings envisaged are realised, will be subject to separate discussions and consultation. The new ERP system will be implemented as per the planned programme, however it is envisaged that existing management arrangements will continue until the TUPE transfer is effected (which takes account of ERP implementation in two phases).

12. Accommodation

- 12.1** The GO Partnership aims to make best use of its collective accommodation across the partnership, locating services to best meet service needs and that is most cost-effective and efficient.

- 12.2** Overall the service needs to accommodate 97 individuals (77.4 FTE). An initial assessment has shown that no single GO partner council has sufficient accommodation to locate all services on one site. The types of services in-scope for GO Shared Services also indicates some services to be more fixed location dependent than others (e.g. accounts payable/payroll, versus advisory). There is the potential to provide some services across the GO partner councils corporately, whilst other services could work on a more geographic (East/West), or service group basis (e.g. advising all GO partner councils' community services or built environment). A key additional factor will be where employees are currently located, and that accommodation does not create unnecessary staff turnover which would destabilise the services in its first year of operation.
- 12.3** More work will need to be done to resolve the accommodation issues, working from the principles of ensuring the delivery model does not overly add to cost and reduce performance and capacity (e.g. redundancy, excessive travel).

13. Financial Implications

- 13.1** The implementation costs of the GO Programme were set out in the business case approved by the GO partner councils in the autumn of 2010. Although the contingency funding within the business case is now anticipated to be fully utilised, overall the Programme costs remain in line with the approved budget of £1.4m.
- 13.2** The general charging principle is that the GO Shared Services will recharge all costs on a cost recovery basis. In the interim period, up to 31st March 2014, costs will be recharged in proportion to the original baseline staffing position. This will ensure an equitable level of savings for all GO partner councils in line with the original Business Case. The long-term aspiration will be that transactional services will be recovered on a unit cost per transaction basis by April 2014 and other posts will be shared on an agreed equitable basis. For the period 1st April 2012 to 30th September 2012, while the GO Shared Services is being established, costs will be recharged to the pre-transfer authority on a full cost recovery basis.
- 13.3** Each authority will provide a baseline staffing position for each GO Shared Services area (Accounts Payable, Accounts Receivable, Payroll, Accountancy, HR transactional and HR advisory). This will reflect the full establishment of each service by person, post, grade and budget. The Baseline costs will be measured against the service costs once the GO Shared Services has been fully implemented, the difference being the savings to accrue to each respective authority.
- 13.4** It is anticipated that the savings from the GO Shared Services will increase from £394,456 per annum (as per the original business case) to £619,042 per annum. The Business Case at Appendix 2 has been updated to include additional savings of £224,586 per annum.

	Original	Revised
	Savings	Savings
Cheltenham Borough Council	131,632	221,856
Cotswold District Council	82,364	116,940
Forest of Dean District Council	74,300	113,495

West Oxfordshire District Council	106,160	166,751
Total	394,456	619,042

- 13.5** The additional savings generated from moving to a full shared service by 1st April 2012 are £90,224 when compared to the Business Case approved by Cabinet in September 2010. In addition to this figure, a saving of £16,300 has been realised in advance of the full shared service going 'live' through the deletion of the systems and business improvement manager post in 2011/12.
- 13.6** However, the medium term financial strategy already accounts for the deletion of the post of Assistant Director – Human Resources and Organisation Development from 1st October 2012 with assumed savings of £69,000 which therefore reduces the additional cashable saving from moving to a full shared service to £37,524. It does mean, however, that the organisation will retain access to strategic HR support which under the existing arrangements would have needed to have been 'bought in' as and when required with no base funding identified.
- 13.7** Any additional savings arising from any future restructures will be shared in proportion to the original baseline staffing position. Any new income generated by the GO Shared Services will be shared equally by the GO partner councils.
- 13.8** The programme payback period in the original business case was 5.5 years. Taking into account the revised savings figures the programme payback period has improved to 4.35 years. For this council, the payback period has improved from 4.98 years to 3.75 years.

14. Pension Liabilities

- 14.1** Advice to date from Gloucestershire's LGPS Actuary indicates that staff transferring to the lead authority (employing council) will transfer with fully funded pensions as any deficit on those staff will remain with their original employing body. This means that the councils who are not the lead authority (employing council) will have less employees to spread the recovery of that deficit over. However, this is not likely to have a significant impact on recovery rates given the relatively small number of staff transferred and the change by the Actuary to recover deficits as a fixed sum rather than as a percentage of total pensionable pay.
- 14.2** The possible move to a Local Authority Company (LAC) in the future would have different pension implications and will be appraised subject to a business case for this option. However, staff that transfer to a LAC must be offered protection for their accrued LGPS future pension rights going forward. On this basis the lead authority (employing council) may wish to caveat the s101 agreement to ensure that no GO partner council is disproportionately disadvantaged should the GO Shared Services change its operating vehicle (e.g. LAC) in the future.

15. VAT

- 15.1** The supply of GO Shared Services to the GO partner councils will be via a s101 agreement under the Local Government Act 1972. This enables the service to be provided as a non-business supply, which means that VAT is not chargeable from the lead authority (employing council) to its partners.
- 15.2** Each local authority is required to prepare a partial exemption calculation for VAT accounting purposes. The partial exemption calculation substantiates each local

authority's right to reclaim all VAT input tax back from HMRC. Although, there will be a small impact upon this calculation, it is not anticipated that any authority will be unable to fully recover VAT input tax as a direct result of the use of the delegated authority.

16. Other considerations / changes required

- 16.1** The Business Solution Design documentation for the ERP system has now been signed off by the GO Programme Board. A significant amount of work has been carried out to standardise processes to enable the GO Shared Services to deliver the maximum efficiencies. However, as a result of standardising processes, each GO partner council has identified changes that will be required to documents such as Financial Procedure Rules, Contract Procedure Rules, Constitutions, HR policies etc. that need to be approved by Members prior to the implementation of the new ERP system. Reports will be taken to each GO partner council during the remainder of 2011, to seek the necessary approval for any changes.
- 16.2** There is likely to be an impact on the retained organisation at the Council in terms of certain roles not identified as being in scope. These are – ICT training (0.5fte) which will need to be located on the retained organisation side, and the lead accountability for delivery of member training, which was taken on by Human Resources last year and which would return to Democratic Service. The s151 role will be retained by each partner council retained organisation, with those officers fulfilling the Deputy s151 role being seconded back to partner councils for the purpose of fulfilling this role.
- 16.3** A Joint Waste Local Authority Company (LAC) is intended to be established between Cotswold BC and Cheltenham Borough Council. It is envisaged that the HR, Finance, Procurement and Payroll services will be provided by the GO Shared Services to the LAC company. Work is currently underway to assess and cost the service requirements as part of a further report to Cabinet in the autumn.
- 16.4** The “client” interface between the Council and the GO Shared Services will need further exploration, as part of establishing the governance arrangements (Client Officer Group, and Joint Monitoring and Liason Group). It will be important to ensure that establishing an effective performance monitoring interface impacts positively on efficiency and does not negatively impact capacity and cost.
- 16.5** Significant process and behaviour change will be required across the Council to support the implementation of the ERP system (Agresso Business World), including management and employee self-service for certain processes. A £26k investment in business change has been allocated to support business change within the Council. Scoping for the programme overall has begun on this aspect. The Council's local implementation project (GO Project K) commences in July, with implementation for both Cheltenham and Cheltenham Borough Homes Ltd set for 1st April 2012.

17. ICT Implications

- 17.1** The GO Shared Services will be supported by the ICT Support and Hosting Lead Authority (Cheltenham Borough Council) to find a method of accessing ICT systems at all of the sites to enable staff, particularly in advisory roles, to perform their roles as efficiently as possible. For example, staff will need access to one system for accessing emails, electronic calendars etc. and will also need to access shared drives and intranets at all client sites.
- 17.2** More work will need to be done to resolve these ICT implications.

18. Legal implications

18.1 On 8 November 2010 the Council, together with the other GO partner councils entered into the following agreements:

- Collaboration Agreement
- S101 Support and Hosting Agreement with Cheltenham Borough Council (CBC) as the lead authority
- ERP System supply contract

18.2 In order to implement the next stage of the GO Programme as set out in this report it will be necessary to make some changes to the Collaboration Agreement and to enter into a new s101 Agreement for the delegation of the Finance, Procurement, HR and Payroll functions to CDC.

18.3 Although, in law, CDC will have these specific functions delegated to it, and the delegating councils will no longer undertake these functions, any decisions by CDC with relation to these functions will be governed by the Collaboration and s101 agreements. Therefore, in practice, CDC will effectively be an 'employing' body.

Collaboration Agreement

18.4 Members will recall that this is an overarching agreement between the GO partner councils to work together to deliver the GO Programme and to make the savings as set out in the business case. The main consequential changes arising from creating the single GO Shared Services are:

- References to Finance/Procurement and HR/Payroll Centres of Excellence will be deleted and replaced with references to GO Shared Services;
- Membership of the Client Officer Group (COG) will need to change. Membership is currently set out in the Collaboration Agreement as follows:
 - 1 Officer from each council with a Finance portfolio
 - 1 Officer from each council with an HR or Payroll portfolio
 - Heads of COEs (non voting)
 - 1 Officer with an audit portfolio (non voting).

For the GO Shared Services it is only necessary to have the following representation:

- 1 Officer from each council with (a Finance portfolio and/or HR and /or Payroll and/or IT Support portfolio)
- 1 Officer from Cheltenham Borough Homes Ltd
- 1 Officer with an audit portfolio (non voting)
- Head of GO Shared Services (non voting)
- Head of Support & Hosting COE (non voting).

Furthermore, as the GO partner council membership is 4, it would be appropriate to reduce the quorum from 5 to 4.

S101 Agreement

18.5 By entering into this agreement, the council delegates the services within the scope of the GO Shared Services to CDC. The Collaboration Agreement included a template s101 agreement. This template agreement will be used to draft the proposed s101 agreement but with the following changes:

- that the term will be 2 years not 10 years and
- unlike the s101 Support & Hosting COE, a number of staff will transfer to CDC as the Transfer of Undertakings (Protection of Employment) Regulations 2006 will apply. Therefore additional clauses will be added to reflect the operation of these Regulations.

19. Equalities Analysis

19.1 An Equalities Analysis will be completed prior to the start of the GO Shared Services. Indicative costings compiled for the business case suggest the GO Shared Services can be delivered at a lower overall cost. Once the GO Shared Services organisation is established it will need to consider how best to deliver the savings identified in the business case. Partner councils have been actively managing vacancies since 2009, wherever possible posts have been filled by agency or temporary staff.

20. Cheltenham Borough Homes Ltd

20.1 Cheltenham Borough Homes Ltd have joined the GO Shared Services as users of Agresso Business World under the Cheltenham Borough Council license arrangement. CBH Ltd will not be receiving the full range of services, as they are included in the governance arrangements as a "GO Organisation" to whom the GO Shared Services will deliver a level of service. A customised version of the full range of services (Business Case Appendix A) has been agreed with CBH Ltd, reflecting that they are taking transactional services only, not professional and advisory services. As CDC will be providing these transactional services, and not CBC, it will be necessary to enter into an agreement with CDC and CBH Ltd, under the Local Authorities (Goods and Services) Act 1970, for the provision of these services by CDC to CBH Ltd.

20.2 The governance structure in the Collaboration Agreement has been revised to reflect the arrangement, with CBH Ltd having voting representation on the COG (Client Officer Group).

21. Conclusion

21.1 The GO Programme Board proposes that Cotswold District Council is designated the lead authority (employing council) for the GO Shared Services partnership. The due diligence exercise carried out by Audit Cotswolds and South West Audit Partnership concluded that Cotswold District Council in general meets the criteria for the due diligence and can be considered for the lead authority (employing council). This is based on the evidence identified and considered in the time available for the due diligence exercise. However, there were observations noted by Audit Cotswold and South West Audit Partnership that will need resolving prior to the appropriate milestone.

21.2 It is proposed that staff from Cheltenham Borough Council, West Oxfordshire District Council, and the Forest of Dean District Council will transfer in accordance with the TUPE regulations to Cotswold District Council with effect from 1 April 2012. Consultation on the transfer will be carried out later this financial year and will be completed by the end of March 2012.

- 21.3** It is anticipated that the change from sharing transactional and some advisory services (level 3.5) to full sharing of services (level 4) will increase the savings to the GO partner councils by £224,586 per annum.
- 21.4** More work will be required to determine where employees will be located. No relocation of staff is planned as part of the proposed TUPE transfer arrangements. Further consultation would need to be carried out on any potential relocation after the TUPE transfer is complete. It is also envisaged that professional and advisory services will be provided by staff with an in-depth knowledge of the relevant GO partner council. These employees will forge strong and effective relationships with the relevant GO partner council.
- 21.5** The strategic and tactical roles need to be in place by the end of December 2011 to ensure a smooth transition to the new GO Shared Services and to undertake the TUPE consultation with affected staff.
- 21.6** Further work needs to be carried out on the ICT infrastructure to enable advisory staff to access systems which are essential for them to be able to deliver services as efficiently and effectively as possible. It is envisioned that staff in the wider organisation will communicate with the GO Shared Services by email, telephone, and work flow within the ERP system. Services will be provided with details of a named business partner in relation to advisory aspects of Finance and HR Services.
- 21.7** Performance of the GO Shared Services will be monitored by the JMLG against the performance standards contained within the s101 agreement.
- 21.8** Each GO partner council has committed to a hold harmless clause in the Collaboration Agreement. This means that the GO Shared Services will not be liable for negligent performance and in such circumstances the GO partner councils will use best endeavours to resolve performance issues by working collaboratively rather than by litigation.
- 21.9** The GO Shared Services will commence on 1 April 2012. Following this the GO Shared Services will consult on the structures necessary to enable financial benefits realisation from October 2012.
- 21.10** A timetable for TUPE consultation has been developed and will be used during staff information sessions.

22. Reasons for recommendations

- 22.1** That these proposals will realise further savings for Cheltenham Borough Council consistent with the approach approved in Autumn 2010.

23. Alternative options considered

- 23.1** Alternative options were considered as part of the Council's former Sourcing Strategy programme.

24. Consultation and feedback

- 24.1** E&BI were consulted on 23rd May 2011, with a further report on 18th July. Concerns were raised to ensure that business change was well managed, and anticipated benefits (including savings) were realised. These concerns have been addressed through the approval of a business case for the provision of £26k business change capacity funding within Cheltenham Borough Council, Programme business change

scoping work, and the development of a benefits realisation plan for the Programme. The performance reporting mechanism was also raised. The governance arrangements have been revised and updated in the GO Shared Services business case. Further work will be undertaken with the Client Officer Group to clarify the performance reporting process (e.g. what is reported where). E&BI reviewed this draft report on 18th July 2011. The Council's Strategic Commissioning Programme Board has commented on the need to ensure learning is captured, and to ensure clarity over the role of "client" at CBC. For the GO Shared Services Programme, "lessons learned" will form part of Programme closure phase (Stage C). The Client function is outlined in the Collaboration Agreement, and work will be undertaken at CBC to ensure clarity over the client role interface.

24.2 An update has been provided to the Audit Committee.

24.3 The Trade Unions have been fully consulted throughout and employee briefings held. A GO Shared Services website has been developed and regular newsletters produced.

25. Performance management –monitoring and review

25.1 Performance and review of the GO Shared Services will be monitored via the Governance arrangements detailed in the revised Business Case 6.0 i.e. monitored by the JMLG (Joint Monitoring and Liason Group) and the COG (Client Officer Group) against the performance standards contained within the s101 agreement. The Council will have representation on the JMLG (Chief Executive, and if approved the Cabinet Lead for Corporate Services), and the COG (either Director of Resources or Director of Commissioning).

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Appendices	<ol style="list-style-type: none"> 1. Appendix A Programme Risk Assessment 2. Appendix B GO Business Case v6.0 3. Appendix C Detailed financial projection for Cheltenham Borough Council. (Exempt)
Background information	<ol style="list-style-type: none"> 1. Previous reports - <ol style="list-style-type: none"> i) Cabinet - Sourcing Strategy, 27/10/2009 ii) Council – GO Shared Services 11/10/2010 iii) Cabinet - GO – ICT Support and Hosting 27/7/10 2. Due Diligence Report 3. GO Collaboration Agreement

Appendix 1 Go Shared Services Programme – Significant Risks

Description	Gross	Residual	Target	Actions	Owner	Status
Resourcing : Availability of critical resources during the implementation and post implementation period Officers involved in project unable to provide day to day delivery of service to their authority	8	8	3	Project structure and reporting defines resource requirements and will highlight any issues. UPDATE Risk score has been increased (9/3/11) due to local workload in most partners increasing due to factors external to the programme but having the same net effect as original risk. Situation will continue to be monitored closely by Programme Board	RW	OPEN
Due to financial constraints it has been necessary to proceed without appointment of Business Change manager - There is a risk that necessary change (both within the retained organisations as well as within the shared service) does not take place to the required level, compromising the savings being delivered.	8	8	3	Programme Manager to maintain a close watching brief of Business Change tasks - Update (20/4/11) Risk raised from 6 to 8 as it is felt that mitigating action is insufficient for the task. Other possible mitigations are being investigated (1-Jun-2011) Business Change scoping document being prepared - local funding available (CBC and FoDCC)	RW	OPEN
Required data for process projects (including Interface data) is not made available in required timescale	8	8	6	To be monitored and actively managed through effective project management of process projects. Update(06/04/11) - Concerns exist about the (local) resource available for required data cleansing & preparation activities. No additional mitigation is possible at this stage. Risk raised from 6 to 8	RW	OPEN

CSR settlement efforts will consume resource required for GO Programme	7	7	3	Monitor on a regular basis	PP	OPEN
Inability to get required data link installed (either capacity or timescale) at FoDDC due to geographical communication infrastructure issues	5	8	3	Monitor situation - Update 28/4/11 - Delays in getting network contract signed delay implementation and reduce contingency if supplier estimates re Forest of Dean prove incorrect. RW to work with relevant individuals to progress - Risk raised to 8 (1-Jun-2011) Order placed with Virgin Media	SM	OPEN
Due to sickness there is a risk that there will not be enough resources to support necessary tasks regarding Payroll and ABW implementation at CBC	9	8	2	Situation will be monitored closely. A recruitment approval has been gained and is currently being recruited. Update (06/04/11): Sickness ended for 1 individual giving temporary assistance to the situation (Risk reduced from 9 to 8) (1-Jun-2011) Maternity leave - two payrolls to go. Out for recruitment - drawn blank externally and within local councils.	AA	OPEN
The Waste Project between some of the GO partners has potentially very significant effects on the GO programme from both Governance and operational perspectives.	8	8	3	A set of fact finding tasks has been initiated and a meeting arranged on 3rd May to progress the matter further - Update 12/5/11 Two meetings have been held to discuss the issues involved. Progress has been made, although challenges remain.	PP	OPEN
Demands on PMO are exceeding capacity due to unforeseen issues such as the Waste Project and a number of current challenges	8	8	3	Partners will investigate what temporary project management resources might be available.(1-Jun-2011) Short term support to GOPA & B from SRO; joint interfaces / data migration (GOPH/I); specific ICT support from Mike Brown	RW	OPEN