

# Cheltenham Borough Council

## Cabinet 19 December 2023

### Publica Review

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#### **Accountable members:**

Cllr Rowena Hay, Leader of the Council

#### **Accountable officers:**

Gareth Edmundson, Chief Executive

#### **Ward(s) affected:**

All

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**Key Decision:** No

#### **Executive summary:**

Since 2017, Cotswold District Council, along with Forest of Dean District Council, West Oxfordshire District Council and Cheltenham Borough Council (CBC) have worked in partnership with Publica, a teckal company owned by the Councils and created to deliver a range of services. Since 2017, Publica has delivered a number of efficiencies and savings but due to the pressures and the local aspirations that the councils are focussed on, an independent review was undertaken by an external provider Human Engine to look at whether Publica's company model was still able to meet the current and future needs of its council owners.

Despite having an equal shareholding in the company, CBC has a reduced number of services provided by Publica compared to the other three council shareholders. However, this does include key services such as ICT which supports and underpins a number of council services.

While none of the services identified within the independent review are those currently received by Cheltenham, as a shareholder, CBC will be involved in future shareholder decisions. In addition, the service changes proposed and recommended within the Human Engine report may result in significant alterations to Publica which may result in CBC having to review and take decisions on the future provision of existing services provided by Publica. This report recommends that an

appropriate review of the remaining services provided by Publica is undertaken to ensure risks are mitigated and that current and future services are both maintained, improved and meet the needs of CBC.

## Recommendations:

1. Cabinet notes report by Human Engine in **Appendix 2**. Cabinet also notes that the recommendations within the report do not immediately impact the current services provided by Publica to CBC within the scope of the proposed changes.
  2. Cabinet agrees that the Chief Executive and Corporate Director (Monitoring Officer) will undertake appropriate due diligence and risk mitigation on the proposed changes to Publica to support the Leader as shareholder to take the necessary shareholder decisions in partnership with Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council in implementing the recommendations of the report.
  3. In recognition of the fact that the Human Engine report (Appendix 2) proposes significant changes to Publica and the services it provides to predominantly Cotswold District Council (CDC), Forest of Dean District Council (FoDDC) and West Oxfordshire District Council (WODC), to mitigate risks and ensure that service provision is improved and maintained, Cabinet delegates responsibility to the Chief Executive and the Director for Finance, Assets and Regeneration to undertake appropriate service reviews of the remaining Publica services provided to CBC with a view to making recommendations to the Leader and Cabinet where necessary on the future delivery of those services.
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## Implications

### 1.1 Financial, Property and Asset Implications

None directly as a result of this report, however, as changes to Publica are made going forward this may result in financial implications for the council to consider. The current shareholders agreement between councils allows for costs to be appropriately apportioned between councils according to services received. If significant changes are made to Publica this may affect the future calculations on cost apportionment and may increase Cheltenham Borough Council's share of the corporate overhead costs.

If recommendations were brought forward to remove services from Publica into a different service model (as detailed in the examples in 3.7) an assessment of financial implications would have to be completed for each option. Any financial assessment would likely include, transformation costs, HR and TUPE costs, pension liability, financial model and cost apportionment of any future service model.

**Signed off by:** Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer),  
[gemma.bell@cheltenham.gov.uk](mailto:gemma.bell@cheltenham.gov.uk)

### 1.2 Legal Implications

None directly as a result of this report as Publica services provided to CBC are not currently in scope of the proposed recommendations within the Human Engine report but legal implications will be provided where appropriate for any decisions required as detailed in the report.

**Signed off by:** Claire Hughes Corporate Director and Monitoring Officer,  
[claire.hughes@cheltenham.gov.uk](mailto:claire.hughes@cheltenham.gov.uk)

### 1.3 Environmental and Climate Change Implications

Environmental and climate change implications, including necessary climate impact assessments will be conducted where needed throughout the implementation of any changes to CBC services that require Cabinet decision.

**Signed off by:** Paul Jones, Executive Director for Finance, Assets and Regeneration.  
[paul.jones@cheltenham.gov.uk](mailto:paul.jones@cheltenham.gov.uk)

### 1.4 Corporate Plan Priorities

Publica currently provide key support services such as ICT that help to underpin all departments and services within the council. To that end they fundamentally support the delivery of the Council's Corporate Plan 2023-2027 Key Priorities:

- Enhance Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham net zero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

**Signed off by:** Ann Wolstencroft, Head of Corporate Services, [ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

### 1.5 Equality, Diversity and Inclusion Implications

Equality impact assessments will be completed will be conducted where needed throughout the implementation of any changes to CBC services that require Cabinet decision.

**Signed off by:** Claire Hughes, Corporate Director and Monitoring Officer,  
[claire.hughes@cheltenham.gov.uk](mailto:claire.hughes@cheltenham.gov.uk)

### 1.6 Performance Management – Monitoring and Review

The council's updated performance and risk framework will provide oversight and monitoring of the performance of Publica's services, this will support officers to undertake the appropriate review of the existing Publica services to ensure they remain fit for purpose and meet CBC's needs.

**Signed off by:** Ann Wolstencroft, Head of Corporate Services, [ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

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## 2 Background

2.1 Since 2017, Cotswold District Council, along with Forest of Dean District Council, West Oxfordshire District Council and Cheltenham Borough Council have worked in partnership with Publica, a teckal company owned by the Councils and created to deliver a range of services. Since 2017, Publica has delivered a number of efficiencies and savings, but due to the pressures and the local aspirations that the councils are focussed on, an independent review was undertaken to look at whether Publica's company model was still able to meet the current and future needs of its council owners.

2.2 A Local Government Association Peer Review at Cotswold District Council in 2022 highlighted the need to ensure the council was best placed to maximise opportunities associated with its Corporate

Plan. It recommended that an options appraisal be undertaken, considering the appropriateness of some services remaining within Publica.

- 2.3 While CBC is an equal shareholder of Publica, it receives significantly fewer services than the other three shareholding councils. These include, ICT, transactional financial support - accounts payable and receivable, payroll, procurement and health and safety advice.

### 3 Human Engine Report

- 3.1 Following their peer review, CDC, in partnership with the other three shareholding councils sought an external company to undertake the review of Publica. Following submissions by two organisations, Human Engine were appointed.
- 3.2 Human Engine's methodology included reviews of relevant documents, one to one and group interviews (including interviews with key Council and Publica senior staff, the Leaders of each Council, the senior management teams of each Council and the Chair of the Publica Board) and then triangulation and assessment of this information. The Human Engine report and recommendations are set out at **Appendix 2**.
- 3.3 The key recommendation is that the majority of services are returned to the Councils. The report sets out the proposed service area groupings. However, none of the services currently provided to CBC from Publica have been included within the scope for transformation at this time. However, such is the significance of the changes proposed, it is likely that future large-scale changes to Publica will have an impact both on the existing company and potentially have an impact on the remaining services delivered by Publica to its shareholding councillors.
- 3.4 Ultimately, this represents a fundamentally different future for the councils and for Publica. If Publica is to continue to exist as a Teckal company with far fewer services, then it will result in significantly reduced turnover – which in turn will limit the extent to which Publica can trade commercially under Teckal rules (20% of turnover). In addition, the corporate overhead for a smaller company to manage and operate the company could increase as a proportion of turnover, making the company and the services it provides less cost-efficient.
- 3.5 Since 2020, CBC has already reduced the number of services provided by Publica successfully repatriating both strategic finance and HR back in-house.
- 3.6 While services such as ICT continue to be a high performing service, the proposed changes to Publica, if implemented, will increase the risk that services provided are indirectly impacted. In addition, it is expected that the transformation process may take some time and this may increase the extent to which there is prolonged instability within the company.
- 3.7 To mitigate these risks and to ensure that services currently provided by Publica to CBC are maintained, improved and continue to meet need, it is recommended that officers undertake appropriate reviews of Publica services and bring forward decisions where needed to ensure risks are mitigated and services are fit for purpose. Potential options for existing Publica services provided to CBC could include:
- a) Remain within Publica.
  - b) Bring services back in-house. The recent decision regarding housing services may increase the viability of bringing services fully in-house if CBC and CBH become one larger organisation with greater potential for economies of scale.

- c) Move services to an alternative council-owned Teckal arrangement. The Council is also a joint shareholder of Ubico and this could be an option to explore to maintain economies of scale.
  - d) Move services to a council shared service arrangement. Across Gloucestershire successful shared service arrangements is a proven and tested model that could be replicated.
  - e) Outsource to an external provider. A market test could be explored to assess cost viability.
- 3.8 If CBC takes a future decision to withdraw remaining services from Publica then this may prompt a review of CBC's position as a shareholder in the company.

## **4 Next Steps**

- 4.1 Reference is made within the Human Engine report to options for the process of returning services within scope back to the Councils. It is proposed that Council officers will work with Council Leaders as shareholders, the Publica Executives and Board, if necessary, to prepare transition plans. However, it should be noted that these will largely not impact CBC services in the first instance.
- 4.2 A transition team will be established first to oversee the entire process. Channels for clear communications with the staff who might be impacted by the transition will be put in place. Transition governance arrangements will be established to provide structure and oversight and will set out the relevant staff consultation process that will be followed where applicable. Agreement on phased services will be made to determine the scope and timeline of the transition.
- 4.3 As the transition progresses, CBC officers will assess and undertake service reviews where needed. Service reviews will be undertaken in consultation with the Leader and relevant Cabinet Members with recommendations being brought forward where needed.

## **5 Key risks**

- 5.1 These are shown in **Appendix 1**.

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### **Report authors:**

Gareth Edmundson, Chief Executive

### **Appendices:**

- 1. Risk Assessment
- 2. Human Engine Report

**Appendix 1: Risk Assessment**

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
PR1.	If the Councils do not effectively manage the changes to Publica then as a shareholder we may suffer reputational damage.	Gareth Edmundson	4	4	16	Reduce	<p>Presentation completed with all staff.</p> <p>Leadership team engaged in outcomes.</p> <p>Member support for the actions.</p>	Gareth Edmundson	<p>November 23</p> <p>Ongoing</p> <p>Ongoing</p>
PR2.	If CBC do not retain oversight to the changes to Publica then as a shareholder we may incur unnecessary costs.	Gareth Edmundson	3	3	9	Reduce	<p>Ongoing discussions with shareholders</p> <p>Leadership team engaged in outcomes.</p>	Gareth Edmundson	<p>Ongoing</p> <p>Ongoing</p>
397	If the Councils do not effectively manage the changes to Publica then we may lose key members of staff putting the council's IT systems and services at risk.	Gareth Edmundson	5	5	25	Reduce	<p>Ongoing discussions with Shareholders.</p> <p>Discussions with other Publica CEO's.</p>	Gareth Edmundson	<p>Ongoing</p> <p>Ongoing</p>