

8 December 2023

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## OVERVIEW AND SCRUTINY COMMITTEE “SPOTLIGHT” MEETING

You are summoned to a meeting of the Overview and Scrutiny Committee which will be held in Committee Rooms 1 & 2, Council Offices, Woodgreen, Witney, Oxfordshire OX28 1NB on **Monday, 18 December 2023 at 5.30 pm.**



Giles Hughes  
Chief Executive

To: Members of the Overview and Scrutiny Committee

Councillors: Andrew Beaney (Chair), Rizvana Poole (Vice-Chair), Thomas Ashby, Hugo Ashton, David Cooper, Julian Cooper, Rachel Crouch, Jane Doughty, Phil Godfrey, Andy Goodwin, Natalie King, Nick Leverton, Andrew Lyon, Michele Mead, David Melvin, Mathew Parkinson, Carl Rylett, Sandra Simpson, Ruth Smith, Harry St John, Alistair Wray, Liam Walker, Mark Walker and Alex Wilson

Recording of Proceedings – The law allows the public proceedings of Council, Executive, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted. By participating in this meeting, you are consenting to be filmed.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Democratic Services officers know prior to the start of the meeting.

## AGENDA

1. **Apologies for Absence and Temporary Appointments**  
To receive any apologies for absence and note any temporary appointments.
2. **Declarations of Interest**  
To receive any declarations from Members of the Committee on any items to be considered at the meeting
3. **Minutes of previous meeting**  
The draft minutes of the meeting held on 6 December 2023 will be considered at the meeting on 10 January 2024.
4. **Participation of the Public**  
To receive any submissions from members of the public, in accordance with the Council's Rules of Procedure.
5. **Publica Review (Pages 3 - 32)**  
Purpose:  
To outline the conclusions from the recent Strategic Review of Publica Services carried out by Human Engine on behalf of the four Publica Councils, and to consider the next steps.

The Committee agreed to hold an additional "Spotlight" meeting to consider this item.

Recommendation:

That the Committee resolves to:

1. Note the report.
2. Make any comments or recommendations that the Committee wishes to make on the next steps for the Council and partners.

Invited:

Councillor Andy Graham, Leader of the Council


Giles Hughes, Chief Executive Officer

Madhu Richards, Director of Finance

Andrea McCaskie, Director of Governance

Jonathon Noble, Managing Director of Human Engine (joining remotely)

(END)

 <p><b>WEST OXFORDSHIRE DISTRICT COUNCIL</b></p>	<p><b>WEST OXFORDSHIRE DISTRICT COUNCIL</b></p>
<p>Name and date of Committee</p>	<p><b>OVERVIEW AND SCRUTINY COMMITTEE – 18 DECEMBER 2023</b></p>
<p>Subject</p>	<p><b>PUBLICA REVIEW</b></p>
<p>Wards affected</p>	<p>All</p>
<p>Accountable member</p>	<p>Councillor Andy Graham, Leader of the Council Tel: (01993) 861000; Email: <a href="mailto:andy.graham@westoxon.gov.uk">andy.graham@westoxon.gov.uk</a></p>
<p>Accountable officer</p>	<p>Giles Hughes, Chief Executive Tel: (01993) 861000, Email: <a href="mailto:Giles.Hughes@westoxon.gov.uk">Giles.Hughes@westoxon.gov.uk</a></p>
<p>Report author</p>	<p>Giles Hughes, Chief Executive Tel: (01993) 861000, Email: <a href="mailto:Giles.Hughes@westoxon.gov.uk">Giles.Hughes@westoxon.gov.uk</a></p>
<p>Summary/Purpose</p>	<p>To outline the conclusions from the recent Strategic Review of Publica Services carried out by Human Engine on behalf of the four Publica Councils, and to consider the next steps.</p>
<p>Annexes</p>	<p>Annex A – Strategic Review of Publica Services, Human Engine, October 2023.</p>
<p>Recommendation(s)</p>	<p>That the Committee resolves to:</p> <ol style="list-style-type: none"> <li>1. Note the report.</li> <li>2. Make any comments or recommendations that the Committee wishes to make on the next steps for the Council and partners.</li> </ol>
<p>Corporate priorities</p>	<ul style="list-style-type: none"> <li>● Putting Residents First</li> <li>● A Good Quality of Life for All</li> <li>● A Better Environment for People and Wildlife</li> <li>● Responding to the Climate and Ecological Emergency</li> <li>● Working Together for West Oxfordshire</li> </ul>
<p>Key Decision</p>	<p>NO</p>
<p>Exempt</p>	<p>NO</p>

Consultees/ Consultation	In preparing their report Human Engine engaged selected staff from each Council and from Publica, and also engaged with Council Leaders.
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## **I. BACKGROUND**

- I.1** The Council currently delivers a wide range of its services through Publica and through Ubico, both of which are local authority owned companies of which the Council is a shareholder. The West Oxfordshire Council Plan recognises that in order for the Council to deliver on its aspirations it is essential to work collaboratively with others.
- I.2** In August 2023, the four Publica shareholder councils (West Oxfordshire District Council, Cheltenham Borough Council, Cotswold District Council, and Forest of Dean District Council) commissioned an external review aimed at helping improve the partnership and outcomes for each of the partner councils. Publica was formed in 2017, and 6 years after the formation is an appropriate time to review how the partnership is working. Human Engine were appointed as the consultants to carry out this review.
- I.3** Publica was originally set up to deliver services back to the Councils, as a vehicle for sharing resources, transforming services, promoting resilience, and achieving economies of scale. Over the last six years Publica has delivered significant annual savings for the Council. This independent review was undertaken to look at whether the Publica model was still able to meet the current and future needs of the Councils.
- I.4** A copy of the Human Engine final report is included as Annex A.
- I.5** The Executive considered the Publica Review at its meeting on 15 November 2023, and the Executive passed the following resolution:
  - 1. Note any decisions taken by the Cabinets at Cotswold District Council, Cheltenham Borough Council and Forest of Dean District Council;*
  - 2. Support in principle the direction recommended in the Human Engine report to return a range of services back to the Council and reshape Publica;*
  - 3. Instruct the Chief Executive to commence preparatory work and prepare a business case for a new operating model, and an associated transition plan identifying any necessary consultations, in partnership with Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and Publica, and to report back to Executive with these;*
  - 4. Instruct the Chief Executive to prepare an Equality Impact Assessment as part of the preparatory work;*
  - 5. Agree to set the following principles to help guide the preparatory work and transition plan:*
    - a. Recognise the significant contribution of Publica staff and management to West Oxfordshire;*
    - b. Ensure that human resources processes are fair and appropriate, and that there is effective engagement with Unions and staff;*
    - c. Support the financial sustainability of the Council, and the delivery of the Council's ambitions as set out in the Council Plan;*
    - d. Explore the potential for delivering services in partnership to ensure adequate capacity and capability, and realise economies of scale;*

- e. *Ensure that there are effective governance, management and staffing structures in place for the Council, any partnership services, and for Publica, both through the transition process and afterwards;*
  - f. *That the transition costs from changes are shared fairly amongst all of the partner Councils;*
  - g. *That the funding model for Publica and partnership services in the future is fair and reflects the extent of services received.*
6. *Instruct the Chief Executive to commence the process for Union recognition for West Oxfordshire District Council staff;*
  7. *Refer the Publica Review and Human Engine Report to the Overview and Scrutiny Committee for their comments, prior to further consideration at the Executive and consideration by Council;*
  8. *Agree to set aside £100,000 from the Corporate Priorities earmarked reserve to fund potential transition and preparatory work required for the Council and for the Publica Partnership during the 2023/24 financial year;*
  9. *Agree to set aside a further £200,000 of earmarked reserve to 2024/25 transition costs within the ongoing budget setting process for 24/25 (and update of the Council's Medium Term Financial Strategy);*
  10. *Agree that for the 2024/25 Budget and Medium-Term Financial Strategy (currently being developed for presentation to Council in February 2024) to consider the financial implications more broadly, including on Council's revenue and capital budgets, its risk profile, and its balance sheet (reserves and liabilities).*

## 2. MAIN POINTS

### Review Methodology

- 2.1 Human Engine engaged with a range of stakeholders to help inform their report, including senior staff and the political leadership at all four Councils. Human Engine also undertook an analysis of service data provided by Publica and by the Councils.

### Summary of Findings

- 2.2 The stakeholder engagement identified that there is a difference in perspective around the sovereignty and control that the stakeholder councils experience. Some of the Councils are concerned over the level of their control.
- 2.3 Human Engine state that Publica was set up as a vehicle for cost savings, in order to provide an acceptable level of service at the lowest possible cost. They outline that Publica is now being asked to be a 'turn-key' operation, being flexible, adaptable and responsive to changing priorities, and not just traditional back-office services. Human Engine note that there is no strong desire from the partners for the company to trade commercially.
- 2.4 Governance has been raised by stakeholders and Human Engine note that significant improvements have been made since a review in 2020, but this remains an important area to consider.

- 2.5 Human Engine also recognise anecdotal evidence that not offering Local Government Pension Scheme is a challenge to recruitment to some public sector specific professions for Publica. Although this comment does need to be seen in the context of the wider Local Government sector recruitment challenges for certain positions.
- 2.6 Human Engine also recognise that the Future Publica Programme sets out an ambitious but achievable target operating model for service delivery in common with many councils across the country. But they consider that there is not a need for a company like Publica to deliver the savings attributed to the Future Publica programme.
- 2.7 In conclusion, Human Engine believe that the purpose of Publica needs to be fundamentally reconsidered in the context of the Councils' priorities. Therefore, they have suggested a range of fundamental options for service delivery which go beyond the list of services originally listed in their original proposal.

#### Human Engine's Options for Future Delivery and Recommended Option

- 2.8 A range of options were developed by Human Engine ranging from an option to further invest in Publica and joint working, through to a complete dismantling of the company and any shared service arrangements, and a spectrum of options in between.
- 2.9 After considering benefits and disbenefits Human Engine identified Option 6 – Retain Selected Services as the option they are recommending. This option would return a majority of the services to the Councils, whilst retaining a select few services in Publica effectively as shared services.
- 2.10 It is recognised that this represents a fundamentally different future for the Councils and for Publica.
- 2.11 Human Engine state that this recommendation is not a commentary on the performance of staff. They believe that staff in Publica have worked diligently and professionally to deliver services on behalf of the shareholder councils.
- 2.12 Human Engine identify a number of benefits from Option 6 along with some key risks. Some of the key risks identified relate to the cost of services in the new model, and to the costs of change. At present there is not sufficient information for Human Engine to thoroughly assess the financial implications of the recommended option and its impact on the financial sustainability of the Councils. Further work on transition planning is needed to understand the financial implications.
- 2.13 Human Engine state that services moving from Publica should be returned to the Councils in a phased way. Councils will then have the choice over whether to keep those services wholly sovereign, or to seek to opportunities to share with other Councils.

#### Benefits

- 2.14 The recommended option from Human Engine has the following potential benefits:
- Greater autonomy for the Council over service delivery and for shaping future services;
  - More direct control over service spend, and greater ownership of savings plans;

- Potentially easier recruitment for hard to recruit roles, given the offer of the Local Government Pension Scheme;
- Ability to provide specific focus on key service areas and programmes for West Oxfordshire; and
- Ability to be more ‘fleet of foot’ – shaping services specifically to the needs of West Oxfordshire’s residents and communities rather than adopting a one size fits all approach.

#### Cost Considerations

- 2.15** Human Engine state that the exact costs associated with the proposed change are difficult to isolate at this stage. Their initial analysis is that the proposed model has a net additional cost greater than the current operating model, and that this estimate equates to £150,000 additional cost per year per authority. It should be emphasised that this is presented by Human Engine as a “broad indication of cost” and that the actual cost could therefore be higher or lower than this.
- 2.16** In addition, Human Engine also identify that there will be a number of one-off costs including staffing related costs, and the costs of managing the transition. No figures are provided for these one-off costs, as some aspects are not known. Human Engine note that the Councils have a duty to avoid any compulsory redundancy if at all possible. Human Engine recognise that the Councils do not currently have the capacity to project manage a change of this complexity and provide some options on how this could be managed.

#### Contractual Position

- 2.17** Publica Services are provided to the Council through the following three contracts, which are of different lengths and have different end dates:
- Commissioning Services, 10 years, next renewal date November 2027
  - General Services, 7 years, next renewal date November 2024
  - Support Services, 5 years, next renewal date November 2027
- 2.18** Notwithstanding these renewal dates there is a clause within each contract that enables councils to remove a service from Publica at any point with an agreed notice period. As the Human Engine report notes this means that shareholder councils can take a service-by-service decision and use a phased approach to the return of services.

#### Transition Plan

- 2.19** Human Engine propose that a phased approach to transition should be adopted. They state that this will reduce disruption to service delivery, staff and residents through any change. The suggested Transition Plan shows the following phases over 2023/24 and 2024/25:
- Phase 1 – Mobilisation and preparation
  - Phase 2 – Transition round I – first wave of services
  - Phase 3 – Transition round II – second wave of services
  - Phase 4 – Review of services



**2.20** The Human Engine report envisages that a detailed Transition Plan for rounds I and II should be prepared. The detailed work required to prepare this plan will provide important information to allow financial implications to be assessed.

#### Consideration by Other Shareholder Councils

**2.21** The Cotswold District Council Cabinet considered the Human Engine report on 2 November 2023. The Cabinet agreed to support the recommendations set out in the Human Engine report, to return the majority of services to the Council. They also supported the creation of a detailed transition plan and a process of due diligence to calculate the short and long-term costs.

**2.22** Forest of Dean District Council considered the matter at their Cabinet meeting on 9 November 2023, and also supported the recommendations in the Human Engine report. Cheltenham Borough Council Cabinet will consider the issue on 5 December 2023. A verbal update on any decisions taken at the Cheltenham meeting will be given at the Scrutiny Meeting.

#### Union Recognition

**2.23** Publica has recognition agreements with GMB and Unison. Effective engagement with these unions will be a vital part of the transition planning process. West Oxfordshire District Council has not historically had a recognition agreement with any Union. But given the significance of the proposed changes to the Council's structure, the need to carefully work through human resource implications, and the likelihood that the number of Council employees will increase significantly, the Executive has instructed the Chief Executive to commence the process for Union recognition.

#### 2.24 Conclusions

**2.25** Six years after the establishment of Publica is an appropriate time to review the Publica model. Discussions with the other Publica Councils have shown that there is significant dissatisfaction with aspects of the current Publica model. This is reflected in the recommendation made by Human Engine that a majority of the services should be returned to the Councils.

**2.26** There are potential benefits for the Council in having greater autonomy over service delivery and for shaping future services. This would allow the Council to be more 'fleet of foot', shaping services specifically to the needs of West Oxfordshire's residents and communities.

**2.27** Human Engine recognise that the exact costs associated with the proposed change are difficult to isolate at this stage. Further work is required to assess the financial implications of the recommended option and its impact on the financial sustainability of the Councils. The preparation of a business case for a new operating model with an associated transition plan is required.

### **3. ALTERNATIVE OPTIONS**

**3.1** It is clear from the views and decisions of the other Councils that maintaining the status quo is not a realistic option.

**3.2** As part of the next steps set out above, further work would be undertaken to design the future operating model of the Council. This exercise will consider the options in terms of services. The Council could choose to:

- Deliver all of the returning services itself;
- Deliver services in partnership with one or more of the Publica Councils;
- Explore other partnership opportunities to deliver services; or
- Retain individual services within Publica.

**3.3** The next steps include the development of a transition plan and business case which will consider the options in terms of implementation, phasing and timing. This work will be carried out in partnership with the other Councils and Publica.

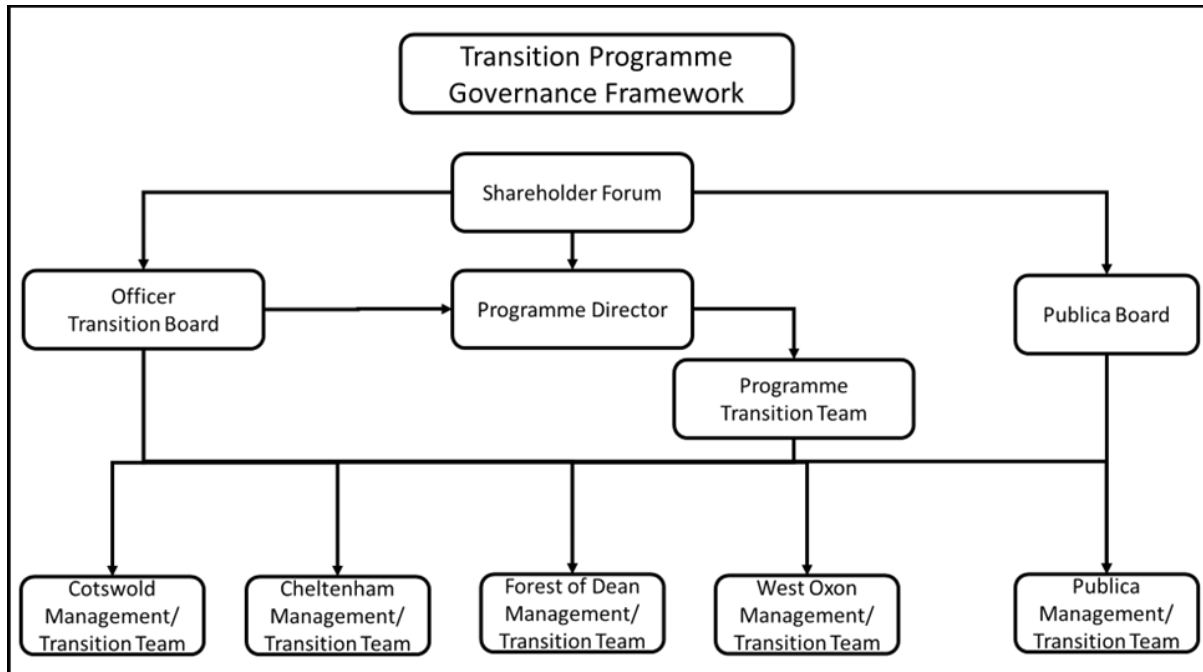
## **4. THE NEXT STEPS**

**4.1** The Publica Review represents a fundamentally different future for the Councils and for Publica. The outcomes of the review will require significant transformation for Publica and for each of the Councils. Activity is needed at both a partnership level and at the individual organisations, and this activity needs to be coordinated across multiple partners and stakeholders against a partnership level timetable.

**4.2** We are currently in a set up and mobilisation phase prior to the development of a Transition Plan. An emerging governance framework is in the process of being established to guide the transition programme across the partnership. This will recognise while formal decision making lies through the Councils and Publica individually, it is important that the overall programme is coordinated effectively.

**4.3** The next steps that are currently underway include:

- Confirm and fully establish a governance framework for the transition;
- Recruit a new chair of the Publica Board, following the resignation of the previous chair;
- Recruit a programme director to lead work on the transition across the partnership;
- Appoint a new managing director for Publica to take over from Jan Britton following his resignation;
- Engage initial free support from the Local Government Association for advice on the future programme and best practice;
- Assemble a programme transition team; and
- Set up processes to manage the operational impacts and risks through the transition (e.g. recruitment and retention risks).



- 4.4** The programme will require additional resources to deliver to minimise the impact on business as usual. It will involve Council staff, Publica staff and external resources as appropriate. A Programme Director role is a key role to establish to help coordinate and manage transition activity across the partnership. The Programme Director will take lead responsibility for the development of a Transition Plan. A recruitment process will shortly be underway for this role.
- 4.5** This emerging framework gives a key oversight role to the Publica Shareholder Forum which includes each of the Council Leaders, the Publica Chair and is supported by key officers. The Shareholder Forum can oversee and guide implementation across the partnership as it involves all of the Councils and Publica. Formal decision making power remains with the individual Councils and Publica.
- 4.6** An Officer Transition Board has been established, involving senior Council and Publica staff, as well as the new Programme Director role. This board will help manage programme activity across the partnership and report to the Shareholder Forum on progress.
- 4.7** The programme will require specialist input, expertise and advice (including project management, assurance, financial, legal, HR, TUPE, IT, data & information). Programme workstreams will be set up on key areas and report through to the Officer Transition Board. A Programme Transition Team can act as a central team to lead partnership wide workstreams and help develop and implement the Transition Plan. This Team can report to Programme Director and could contain new roles and seconded staff. Sub-teams with staff from across the partnership will be used to take forward individual workstreams.
- 4.8** Work is also needed to design the future operating model (in terms of structures, people, teams, IT systems etc) which would need to be specific to each Council and to the transformed Publica. An Officer Transition Group has been established for the Council

involving retained officers and senior Publica staff, to help manage West Oxfordshire specific transition activity.

## **5. FINANCIAL IMPLICATIONS**

**5.1** The financial implications of returning the majority of Publica services back to being directly managed by the Council (with selected services retained within the Publica model on a case by case basis) as recommended by the Human Engine review ('the review'), remain unclear.

**5.2** In conclusion, the financial implications of returning the majority of Publica services back to being directly managed by the Council (with selected services retained within the Publica model on a case by case basis) as recommended by the review:

- are potentially significant in terms of one-off redundancy costs (pension strain costs) and one-off transition costs;
- are potentially significant in terms of recurring revenue implications;
- but remain uncertain at this stage.

**5.3** Further work is therefore required in order to calculate the recurring and one-off financial implications, as part of an evidence based phased approach.

**5.4** To support this further work the Executive resolved to:

- set aside £100,000 from the Corporate Priorities earmarked reserve to fund potential transition and preparatory work required during the 2023/24 financial year;
- set aside a further £200,000 of earmarked reserve to 2024/25 transition costs within the ongoing budget setting process for 24/25 (and update of the Council's Medium Term Financial Strategy); and
- Undertake further work as part of the budget setting exercise (for 2024/25), to consider the financial implications more broadly, including on Council's recurring revenue and capital budgets, its risk profile and its balance sheet (specifically reserves and liabilities).

## **6. LEGAL IMPLICATIONS**

**6.1** As with the financial implications, the legal implications of returning the majority of Council services to be delivered "in-house" cannot be established with certainty at this stage and will need further investigation with the support of external legal advisers, in collaboration with the Monitoring Officer and Head of Legal Services. At this stage, the legal implications appear to fall into three principal areas:

- Employment law
- Governance and Local Government law
- Contract

**6.2** In terms of employment law, it will be necessary to consider the implications in terms of TUPE and this is necessary because the process of bringing services back in-house is highly likely to amount to a service provision change under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") which will trigger obligations to transferring staff.

Careful consideration will also need to be given of how best to apportion liabilities between the transferring employer (Publica) and the new employer (the Council).

- 6.3 In terms of general local government law, if the proposals proceed from a formative stage to a one where there is sufficient information to give “intelligent consideration” to them the Council will need to consider the application of section 3 Local Government Act 1999 and whether there is a need to carry out a public consultation.
- 6.4 In terms of internal governance and compliance with Local Government Act 1972, The Council will need to evaluate its existing officer scheme of delegation and satisfy itself that it either employs or has available to it (for example through shared services) the officers empowered to discharge delegated powers. Any new organisational structure will have to align with the scheme of delegation.
- 6.5 The contractual arrangements between the Council and Publica are referenced elsewhere in this report and is in fact the subject of various legal agreements. These agreements provide a basis upon which services might be taken back in-house within an existing contractual term. In addition, the Council might decide against extending the contract beyond the original expiry dates or the expiry date of any extension. The consequences of termination include obligations to (inter alia) agree an exit strategy, agree the disaggregation and division of assets, and deliver data.
- 6.6 As well as cessation of existing contractual arrangements, the creation of new ones to provide for shared working arrangements and ongoing provision of the remaining services by Publica may be necessary.

## **7. RISK ASSESSMENT**

- 7.1 The Human Engine Report (included as an annex to this report) outlines a number of risks associated with their recommended option.
- 7.2 Staffing costs and pension costs have not been established and could be significant.
- 7.3 Transition costs (such as project management, HR and legal advice) have not been established yet and could be significant.
- 7.4 The return of services to Councils represents a significant change programme that may impact on staff and likely performance in the short term. Retention and recruitment and staff morale may be affected at least in the short term.
- 7.5 Management capacity and attention will be drawn away from other business and projects – including cost saving / efficiency projects. There is a risk that performance in the short term may decline, although there may be performance benefits in the longer term.
- 7.6 Staff may not wish to TUPE transfer and may seek redundancy.
- 7.7 There is a risk that ongoing costs may be higher under the new structures.
- 7.8 An effective partnership approach with the other Publica Councils may help manage some of the risks facing the Council, as will robust governance and project management. The preparation of a business case for a new operating model will help manage the financial risks.

**7.9** Risks around the Publica Review are addressed in the Council's risk register which will need to be continually updated.

**8. EQUALITIES IMPACT**

**8.1** Under equality legislation, the Council has a legal duty to pay 'due regard' to the need to eliminate discrimination and promote equality. The Transition Plan will need to address this legal duty and assess any impacts from the proposed changes. Effective Human Resources advice and processes will be required to manage any redundancies and TUPE processes appropriately. An Equalities Impact Assessment should be carried out as part of the preparatory work as further information becomes available.

**9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**9.1** None directly from this report.

**10. BACKGROUND PAPERS**

**10.1** None

(END)

# Strategic Review of Publica Services

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## **1. Context and Background**

- 1.1. Publica, a not-for-profit Teckal company was established in 2017. The company delivers the majority of public services on behalf of Cotswold District Council (CDC), Forest of Dean Council (FoDC) and West Oxfordshire District Council (WODC) and delivers some services on behalf of Cheltenham Borough Council (CBC). The company is owned by the four councils listed above as equal shareholders.
- 1.2. Since Publica was formed the context for the shareholder authorities has changed at both Member level with changes in political control and officer level with all of the shareholder councils now having reinstated Chief Executive positions.
- 1.3. A recent LGA peer review at CDC recommended that the council review the future delivery options for some services (including whether they should remain with Publica) and revisit the relationship between the council and Publica, particularly around effective commissioner/provider roles. CDC has accepted the recommendations of the peer review and incorporated these into an action plan which has been agreed by Full Council.
- 1.4. Off the back of the LGA peer review, the councils commissioned a more detailed review that considers the future of a number of specific services; Democratic Services, Elections, Planning, Strategic Finance, Commissioning and Procurement.
- 1.5. The review has set out to add depth to the lines of enquiry opened by the LGA peer review and provide an options appraisal for the future of service delivery.



## **2. Review Methodology**

2.1 Engagement throughout the review was thorough, with stakeholders from across each council and Publica engaged as part of the process. This included:

- i. Council chief executives
- ii. Retained officer teams at all four councils
- iii. Political leadership, including 1:1s with each council Leader
- iv. Publica leadership, including Managing Director, Finance Director and Board Chair
- v. Assistant Directors and Business Managers for services considered in scope

2.2 In addition to stakeholder engagement the review undertook analysis of service data provided by Publica and councils.

### 3. Summary of Findings

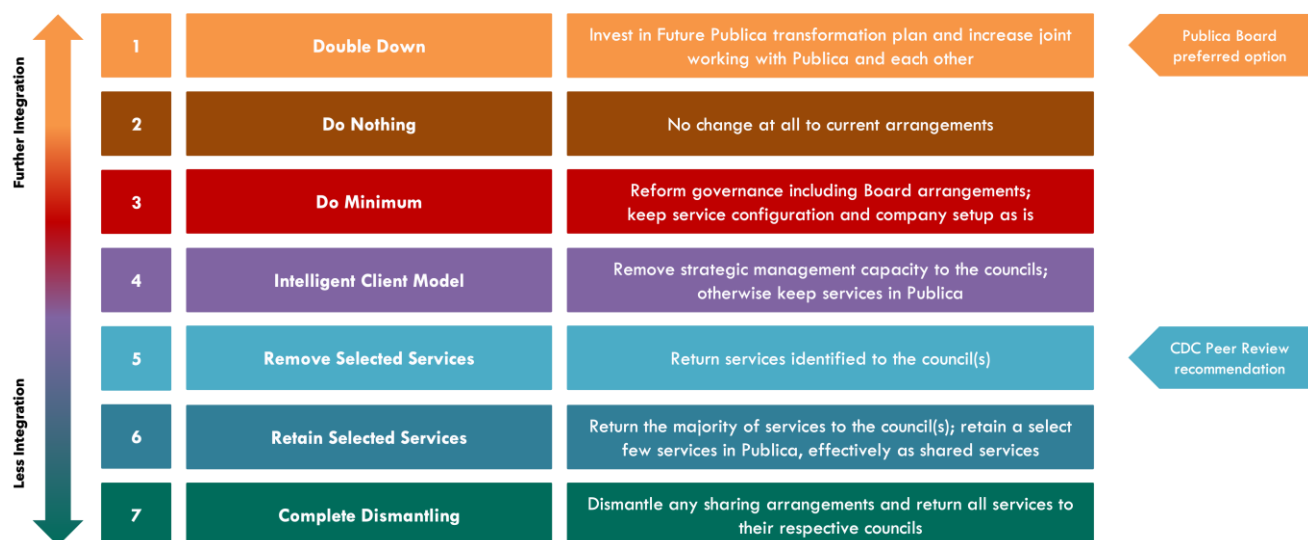
- 3.1 Findings from stakeholder engagement provided some areas of agreement and disparity of thought in others.
- 3.2 Stakeholders within Publica and the shareholder councils agreed that staff have done a remarkable job over a period of many challenging years for the local government sector. These efforts are recognised and greatly appreciated.
- 3.3 Chief among the areas of disagreement is a fundamental difference in perspective about the sovereignty and control that shareholder councils experience. Publica sees this an essential feature and benefit of the model, whereas some of the councils feel they have very little control at all.
- 3.4 Local Authority Trading Companies provide a compliant mechanism to undertake commercial trading activities that councils themselves may not lawfully do, and this is their primary purpose. At some point in time, councils became aware that they also create an opportunity to employ staff on alternative terms and conditions. Several councils have used this to reduce their employment costs, typically for specific sections of their workforces, particularly by reducing membership over time in the Local Government Pension Scheme (LGPS). This appears to be the main driver for the transition from the GO Shared Services model to the council-owned company, Publica.
- 3.5 The company was set up as a vehicle for cost savings – to provide an acceptable level of service at the lowest possible cost. It is now being asked to be a ‘turn-key’ operation – flexible, adaptable and responsive to changing priorities, providing more project management expertise and not just traditional back office services.
- 3.6 Improvement plans have been developed since the Peer Review and stakeholders have noted improvements in some aspects of service delivery. Transformation plans and projects have also been developed but these are not always agreed by shareholders.
- 3.7 Governance was routinely raised by stakeholders. Significant improvements have been made since the Campbell-Tickell Board Effectiveness Review in 2020, with the introduction of the Shareholder Forum.
- 3.8 No officers, in Publica or the councils, or Elected Members expressed any strong desire for the company to trade commercially. This means that the company is under-utilising the potential it has as a trading company. The only reason to retain Publica as a separate company (rather than some other shared service arrangement) is because around 50% of staff are now on a cost-saving pension scheme.
- 3.9 Stakeholders have provided anecdotal evidence that that not offering LGPS is a challenge for recruitment to public sector-specific professions, e.g., Electoral Services and Planning. There is also evidence of a failure to recruit to certain positions and the need to repeat recruitment processes, although there are different accounts of the reasons for this.

3.10 Future Publica sets out an ambitious but achievable target operating model for service delivery in common with many councils across the country. However, there is not a need for a trading company to deliver the savings attributed to the Future Publica plan.

3.11 For these reasons, repatriating the services in scope of the CDC Peer Review will not address the underlying issue(s). The purpose of Publica needs to be fundamentally reconsidered in the context of the councils' priorities.

## 4. Options for Future Delivery

4.1 Having set out the need to fundamentally reconsider what Publica should deliver, and how it should be configured, the full range of options were presented to the shareholder councils. This included the option proposed by the Publica Board to ‘double down’ on the current model (Option 1), a complete dismantling of the company and any shared service arrangements (Option 7) and a spectrum of options in between.



4.2 Benefits and disbenefits for each options were considered by the councils as part of workshops with the retained officer teams. The conclusions can be summarised as:

	Option	Benefits	Disbenefits
1	Double Down	Potential opportunities for income generation, although there is no serious appetite among partners to do this in the near future and lack of consensus over whether Publica is the right vehicle.	This will not address the underlying issue of a perceived lack of control. Confidence among councils in the model has eroded to the point where it is not feasible to commit further.
2	Do Nothing	This would cause minimal disruption in the short term but will almost certainly lead to a breakdown of stakeholder relationships in the long term.	Current arrangements are not working for any party; the councils are frustrated by a lack of control but Publica considers itself “shackled”.

3	Do Minimum	A change in governance arrangements may resolve some of the issues around perceived lack of control. Governance should be reformed in the short term, regardless of which option is pursued in the long term.	This will not address the recruitment issues that have been identified, nor the question of why the councils would continue to operate a trading company with no intention that it will trade.
4	Intelligent Client	This may resolve some of the issues around perceived lack of control and restore the 'strategic thinking' capability of the councils. CBC has indicated that this has been crucial to making the model work for them.	This risks creating a complex commissioner / provider split that could create additional cost and bureaucracy. It is likely that management costs will be duplicated rather than shared.
5	Remove Selected Services	This would address the issue of lack of control and allow the councils to test the putative barriers to recruitment for certain services.	This risks creating a smaller Publica with broadly the same overheads, impairing value for taxpayers. The underlying perceived lack of control of other services would not be resolved.
6	Retain Selected Services	This would address the issue of lack of control and allow the councils to test the putative barriers to recruitment. Services can be shared, via Publica or some other model, on a case by case basis.	The costs of this model will be higher than the current model, including pensions and the cost of future transformation. This option will be disruptive for staff and the change will need to be carefully managed.
7	Complete Dismantling	This would address the issue of lack of control and allow the councils to test the putative barriers to recruitment.	There is no obvious advantage to unpicking services that are working well. Economies of scale would be lost. This option would be maximally disruptive for all parties.

4.3 The conclusion of the options appraisal is that, while the Publica model may have been right for a certain point in time, the needs of the councils have fundamentally changed and a different model is required to deliver their future priorities. Specific consideration was given to the following points:

- i. The Publica model was set up to provide an acceptable level of service at the lowest possible cost. Since then, there have been a number of changes in the leadership of the shareholder councils and a more 'turn key' style of operation is required to deliver their objectives.
- ii. It was anticipated at the time that the company might undertake a level of trading, subject to the limitations of the Teckal exemption. Since there is no current desire among partners that the company should seek out trading opportunities, there is no need to operate a trading company with the associated overheads.
- iii. The main financial driver for continuing to operate a company structure is the saving in pension contributions, but evidence was offered that this is leading to recruitment difficulties (accepting a measure of disagreement about this).
- iv. There are fundamental differences in opinion over the level of influence councils have; whatever the rights and wrongs of this, it must be resolved in order to move forward productively and it is unlikely to be resolved in the current model.
- v. Moving away from a company model will allow the councils to lead and shape services with the autonomy they feel is needed, while still being minimising the overheads involved in delivering public services by sharing some management costs.

4.4 For this reason, the preferred option is Option 6. **The councils are recommended to return the majority of services to be managed directly by the councils, with selected services to be retained within the Publica model on a case by case basis.**

4.5 This represents a fundamentally different future for the councils and for Publica. The Publica of the future will be smaller, leaner and principally a vehicle for sharing services rather than an entity with its own management, cultural identity and high profile brand.

4.6 It is important to note that this recommendation is not a commentary on the performance of Publica staff. Staff in Publica have worked diligently and professionally to deliver services on behalf of the shareholder councils during a time of unprecedented challenge for local government. They are passionate about public service and there is every reason to believe they would be equally passionate in direct employment by the councils.

4.7 The recommended option reflects a view that, on balance of a complex set of considerations, returning services to direct management by the councils will achieve the desired balance of cost effectiveness and control.

## 5. Preferred Option

### 5.1 Benefits and Risks

5.1.1 Benefits of Option 6 are diverse and broad but must be balanced against the risks associated with the model.

5.1.2 Benefits can be summarised as:

- i. Provide flexibility for councils in their approach to delivering individual strategic objectives and greater responsibility in doing so.
- ii. Return a critical mass of strategic oversight to councils, enabling councils to better manage the strategic direction of the organisation.
- iii. Increasing capacity within each council’s core operating team(s).
- iv. Greater ownership to deliver own savings plans, through a range of different service arrangements that best align to each council’s priorities.
- v. Provides individual council identity for services where this is not currently the case and ensuring council identity where services are delivered through Publica hosted but council specific teams (for example, Planning Services).
- vi. Maintain services within the current model where there is agreement that the service is working well – and therefore removing risk of performance reduction during transition.
- vii. Maintain economies of scale and resilience in back-office services where there is less need for a council-specific USP.
- viii. Reduce the risk of recruitment challenges for local government specific roles.
- ix. Minimising risk disruption to large stakeholder groups (staff, residents, businesses) through the ability to prioritise (or deprioritise) services to be retained.
- x. Reduction in corporate overheads of services retained in the Publica model.

5.1.3 Risks are demonstrated below with scores and initial mitigations. Risks are scores on a likelihood / impact matrix, both scored out of five and multiplied to give overall risk score.

Impact	5					
	4					
	3					
	2					
	1					
			1	2	3	4
		Likelihood				

	Risk (IF/THEN Statement)	Risk Score			Mitigation(s)
		Likelihood	Impact	Score	
1	IF some services are retained within Publica, THEN there will be a two-tier staffing model	5	1	5	Two tier of staffing already in play as part of current model
2	IF some services are retained within Publica, THEN existing challenges with accountability and oversight remain	3	3	9	Implementing governance quick-win changes  Improved reporting  Increasing role of shareholder forum
3	IF some services are repatriated, THEN there is likely to be increased costs to councils	4	4	16	Ownership of transformation agenda and accountability of savings delivery  See section 5.3
4	IF number of services remaining in Publica is significantly reduced THEN costs of leadership may be too high	4	1	4	Suitable restructuring to support remaining services  Ensuring best use of staff maintained in Publica
5	IF repatriation of services requires high resource change management requirements, THEN this could distract from political priorities	2	2	4	Phased approach to minimise impact on stakeholders  Prioritisation of services based on effort and impact
6	IF change process is complex, THEN key staff could be lost	2	4	8	Strong change management and leadership  Transparency and engagement with staff throughout any change
7	IF councils chose to repatriate different services, THEN cost of change needs to be agreed	2	5	10	High level transition plan completed with detailed service-by-service transition plan to be completed



## 5.2 Proposed Structures

5.2.1 Services should be returned to the councils in a phased way. A transition plan showing this phasing is provided in Section 6. When services are returned, the councils will have a choice over whether to keep them wholly sovereign or to share them with other councils. This could include councils in the existing partnership and/or others. Below is an indication of how services could operate.

Retained in Publica	Sovereign	Opportunities to Share
<ul style="list-style-type: none"> <li>• Customer Services</li> <li>• Complaints</li> <li>• Revenues and Benefits</li> <li>• Housing Services</li> <li>• ICT</li> <li>• Data Protection</li> <li>• Freedom of Information</li> <li>• Subject Access Requests</li> <li>• Procurement</li> <li>• Transactional Finance</li> <li>• Transactional HR including Payroll</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Finance</li> <li>• Accountancy</li> <li>• Insurance</li> <li>• Economic Development</li> <li>• Tourism</li> <li>• Parking</li> <li>• Property and Estates</li> <li>• Communications</li> <li>• Community Safety and Engagement</li> <li>• Business Intelligence</li> <li>• Corporate Performance</li> <li>• Organisational Development</li> <li>• Electoral Services</li> <li>• Democratic Services</li> <li>• Members Services</li> <li>• Waste</li> <li>• Grounds Maintenance</li> <li>• Leisure</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Housing</li> <li>• Development Management</li> <li>• Building Control</li> <li>• Land Charges</li> <li>• Risk Management</li> <li>• Health and Safety</li> <li>• Emergency Planning and BCP</li> <li>• Flood Risk</li> <li>• HR Policy and Employee Relations</li> <li>• Legal Services</li> <li>• Commercial Contract Management (could include Waste, Grounds and Leisure)</li> <li>• Environmental Health</li> <li>• Food Safety &amp; Licensing</li> </ul>

- 5.2.2 The following shows an indicative to-be structure for the councils, for the purpose of assessing the cost of change and planning for the transition. Further work will need to be considered to refine structures within each service grouping.
- 5.2.3 Councils do not have to agree to adopt the same organisational structures and Forest of Dean Council has indicated it may adopt a different version of the below. However, the councils will benefit from sharing as many senior posts as possible and this will necessarily produce a level of standardisation across structures.
- 5.2.4 The below structure aims to show the majority of services and where they will sit but it is possible that not every team and activity is shown. Where an area of activity does not explicitly appear on the chart, it can be assumed that will sit with the councils.



### 5.3 Cost considerations

- 5.3.1 The exact costs associated with the proposed change are difficult to isolate at this stage, because they depend on a complex set of considerations particularly concerning pensions. The figures in this section should therefore be read as estimates in order to give a broad indication of cost. Figures could change significantly, although the estimates given err on the side of a higher cost of change in order that councils can plan accordingly.
- 5.3.2 The following shows the difference between the costs of the current model and the proposed model:

Cost / Saving Item	£Value	Notes
Additional pension costs	1,000,000	High level estimate – see paragraph 5.3.3 below
Management savings	- 500,000	Based on the proposed structure shown above
Corporate overheads	- 50,000	Reduction in some (but not all) company costs
<b>Net additional cost</b>	<b>450,000</b>	
<b>Per authority</b>	<b>150,000</b>	

- 5.3.3 Pension costs are both the single biggest line item and the biggest variable in the cost considerations. An approximate figure of £1m has been used based on a figure provided by Publica for the annual saving from moving some staff to the Royal London Pension Scheme. However, there are a complex set of additional considerations. This figure represents savings across the whole company whereas in the proposed model, a number of services will remain within the limited company structure. There are some legacy arrangements from which councils hosted which posts under the former GO Shared Service. Some councils are paying more in pension contributions than the payroll data indicates they should at face value, because of the difference in the actuary estimate of the contributions required to fund the scheme. The pensions cost figure will need to be refined with an actuary estimate based on the final list of staff that will transfer to the councils.
- 5.3.4 With these very important points of clarification noted, the net additional cost to the councils of the proposed model is approximately £150k per year. This does not yet factor in any savings that can be made from changes to how teams operate as only the proposed senior management structures have been modelled at this stage. All of the councils have savings targets over the next three years so will need to undergo significant transformation, in any case.
- 5.3.5 In addition to the ongoing difference in cost between the operating models, there are one-off costs associated with the transition. These are made up of:
- i. One-off staffing related costs
  - ii. The cost of managing the transition

- 5.3.6 One-off staffing related costs include possible redundancy and pension costs. It is not yet known whether there will be any redundancies or how many people may be affected. The councils have a duty to avoid any compulsory redundancies if at all possible and they will comply with this duty – to protect both the welfare of staff and the public purse. This does not mean that there will be no redundancies, but that all reasonable steps will be taken to avoid redundancies where suitable alternative employment can be found for staff. In this first instance, the possible risk of redundancy or redeployment will apply only to senior managers, who will be consulted on proposals that affect them.
- 5.3.7 The councils do not have the internal capacity to project management a change of this scale and complexity, the key activities for which are set out in Section 6 – Transition Plan. There are three viable options for managing the transition:
- i. Appoint an Interim Programme Manager or Director. One of the councils would employ this post on behalf of all, who would lead and manage the transition over an 18 month period.
  - ii. Appoint an Interim Programme Director and an external consultancy or project management organisation.
  - iii. Appoint only an external consultancy or project management organisation.
- 5.3.8 The recommended option is (ii), the blended delivery model. The benefit of this option is a single accountable lead employed by the councils to lead the transition, with hands-on support for project management. Having an external partner on board will also provide cover and resilience in case of absence. Costs associated with this option will be obtained through market research once CEOs have taken advice on procurement options.
- 5.3.9 Whichever option is ultimately preferred, the councils are recommended to choose the same model in order to share costs and effectively manage the transition in a single, joined up way.
- 5.3.10 The councils should also set aside funds to commission specialist HR and Legal advice, working alongside the HR team in Publica.
- 5.3.11 This does not overlook work that will need to take place by individual councils to determine council specific requirements on a service by service basis, and to give thought to what the future transformation requirements of those services might be.

## **5.4 Contractual implications**

- 5.4.1 Services are provided through three contracts which are of different lengths and have different end dates. The structure of each contract is set in the table below.

5.4.2 There is a clause within each contract that enables councils to remove a service from Publica at any point throughout the period of the contract with an agreed notice period.

5.4.3 This means that shareholder councils can take a service-by-service decision and use a phased approach to any repatriation of services. This will reduce disruption to service delivery, staff and residents throughout any change.

	<b>Commissioning</b>	<b>General</b>	<b>Support</b>
Length of contract	10 years	7 years	5 years
Next Renewal Date	1 <sup>st</sup> November 2027	1 <sup>st</sup> November 2024	1 <sup>st</sup> November 2027
Services	<ul style="list-style-type: none"> <li>• Democratic Services</li> <li>• Electoral Services</li> <li>• Post/Print Room</li> <li>• Communities and Community Engagement</li> <li>• Leisure</li> <li>• Tourism</li> <li>• Waste and Recycling</li> <li>• Parking</li> <li>• Communications</li> <li>• Corporate Functions</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Services</li> <li>• Building Control</li> <li>• Public Protection</li> <li>• Revs &amp; Bens</li> <li>• Housing Services</li> <li>• Development Management</li> <li>• Regeneration, Business and Economy</li> <li>• Planning Policy &amp; Local Plan</li> <li>• Ecology, Heritage &amp; Design</li> <li>• Strategic Housing</li> <li>• Community Alarms</li> <li>• Pest Control</li> </ul>	<ul style="list-style-type: none"> <li>• ICT</li> <li>• Finance</li> <li>• HR &amp; Payroll</li> <li>• Procurement</li> <li>• Property Services</li> <li>• Land Charges</li> <li>• Flood Engineering</li> </ul>

## 6. Transition Plan

Phase and Activity	2023/24						2024/25											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
<b>1.0 Mobilisation and Preparation</b>																		
Decision making process at each council (Cabinet, Executive and Scrutiny (TBC))	■	■																
Creation of transition team; programme director, programme manager, HR, OD, Finance, Communication, Legal		■	■															
Communication with impacted staff of agreed timelines	■	■	■	■														
Agreement of future service arrangements (shared vs sovereign)			■	■														
Agreement of phased approach			■															
Liaise with Publica leadership	■	■	■	■	■	■												
Staff consultation					■	■	M											
Assessment of company governance and introduction of transition governance arrangements			■	■	■	■	■	M										
Development of detailed transition plan for Round I and Round II						■	■	M										
<b>1.0 Transition Round I (first wave of services)</b>																		
Creation of full structure charts based on consultation outcomes								■	■									
Ringfencing and job matching for existing staff								■	■	■	■							
Recruitment to vacant leadership roles										■	■	■						
Implement interim management for transition													■					
Go live Round I services													M					
<b>3.0 Transition Round II (second wave of services)</b>																		



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