



WEST OXFORDSHIRE  
DISTRICT COUNCIL

## WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date	<b>Finance &amp; Management Overview &amp; Scrutiny Committee</b>
Report Number	<b>Agenda Item No. 7</b>
Subject	<b>Cabinet report relating to: Approval of Extension to Agreement for Support Services with Publica</b>
Wards affected	All
Accountable member	Councillor Michele Mead, Leader; Email: Michele.mead@westoxon.gov.uk
Accountable officer	Giles Hughes, Chief Executive Email: giles.hughes@westoxon.gov.uk
Summary/Purpose	To consider the Cabinet report relating to an extension of the Publica service agreement for Support Services.
Annexes	Annex A - Support Services Agreement
Recommendations	<u>FMOS recommendation:</u> To scrutinise the report and decide whether to pass any comments to Cabinet prior to their meeting. <u>Cabinet recommendation:</u> (a) that the Support Services Agreement with Publica Group (Support) Limited be extended for a further four year term until 31 October 2026.
Corporate priorities	Modern Council Services and Sustainable Finance: Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	Yes
Exempt	No
Consultees/ Consultation	Leader, Deputy Chief Executive, Monitoring Officer and Head of Legal Services

## 1. BACKGROUND

- 1.1. The Publica Support Service Agreement (“the Agreement”) expires on 31<sup>st</sup> October 2022. Shareholder Councils are required to give 12 months’ notice of their intention to grant an extension and consequently a decision is required now. Publica has confirmed that it is comfortable with slightly shorter notice to that included within the Agreement.
- 1.2. Publica is a not-for-profit company owned by West Oxfordshire District Council along with Cotswold District Council, Forest of Dean District Council and Cheltenham Borough Council. Through Publica we share skills and resources to provide a range of important services to the Councils and to their residents and communities. Publica was set up in early 2017 and its contracts to supply services to the Councils commenced on 1<sup>st</sup> November 2017.
- 1.3. A key element of West Oxfordshire District Council’s approach to its finances over the last decade has been the delivery of savings through shared services, as a result of efficiencies and economies of scale. This has helped protect front line services. The setup of Publica took this long term approach to shared services to another level.
- 1.4. The formal steps to set up Publica began in June 2014 when the four Councils approved a “Report and Outline Business Case for a “2020 Vision for Joint Working”. In August 2015, the full “2020 Vision for Joint Working Business Case” was prepared. This Business Case, based on the original proposition, forecast to return cumulative savings totalling £38m over a 10 year period with annual revenue savings of £5.7m. External funding of £3.8m towards the cost of the Programme was received from the Government’s Transformation Challenge Funding.
- 1.5. Consequently, the Business Case was agreed and approved by the four Councils in September/October 2015. Subsequently the 2020 Joint Committee (“the Joint Committee”) was established and became operational in February 2016 with a number of shared services being established from April 2016.
- 1.6. In June 2016 the Joint Committee agreed an updated Business Case and to consult with partner Councils about the proposal to implement a company model. In October 2016 the Councils all agreed a report recommending the creation of a company model comprising three companies, then described as a support services company, coordinating company and a regulatory services company. Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council agreed to become members of the three companies. Cheltenham Borough Council agreed to become a member of the support services company and to receive only Finance, HR and ICT support from that company.
- 1.7. As agreed the Publica companies were formed early in 2017 and over the intervening period Officers established the companies to accept the transfer-in of approximately 650 employees. As part of that it was determined that to mitigate tax issues, ease complexity for employees, and, keep running costs down, only one company was necessary at least initially. To enable Cheltenham to retain its involvement within the shared service company it was agreed this would be Publica Group (Support) Ltd as this is the company of which it is a member (“the Company”).
- 1.8. As part of the arrangements the Councils entered into Agreements with Publica to deliver the joint services from Autumn 2017. Cheltenham Borough Council continued to receive the services of Finance, HR and ICT services only (in line with its current contract arrangements).

- 1.9. It was agreed by the Councils that the contract durations would be as follows:
- Support Service Provision - five years plus opportunity to extend for two further periods each of four years (next expiry 31 Oct 2022)
  - Direct Service Provision - seven years plus opportunity to extend for seven years (next expiry 31 Oct 2024)
  - Commissioning and Advisory Services - 10 years plus opportunity to extend for 10 years (next 31 Oct 2027)
- 1.10. The different contract variation periods reflects the relative difficulty in commissioning these services.
- 1.11. Because West Oxfordshire District Council has a shareholding in Publica, it in combination with the other partner Councils has ultimate control over the Company. The relationship between the Council and Publica is not therefore just a client/ contractor relationship, and the Council has the ability to influence Publica outside of Service Agreements. To aid the Councils' roles as Shareholders a new Shareholders Forum has been set up.
- 1.12. Under the terms of the Service Agreements the Councils are required to give 12 months' notice of their intention to grant an extension and consequently a decision is required now on the Support Service Agreement which is due to end on 31 October 2022. Publica has confirmed that it is comfortable with a slightly shorter notice period to that specified in the Agreement.
- 1.13. Cheltenham Borough Council's Cabinet considered this matter in October, and agreed to extend the Agreement for the proposed four year term. The matter will also be considered by Cotswold District Council and Forest of Dean District Council during November and December.

## 2. MAIN POINTS

- 2.1. The Support Services Agreement is attached at Annex A and sets out the detail of service provision. The principal services that are contained within the Agreement are:-
- ICT
  - Finance
  - Human Resources & Payroll
  - Procurement
  - Property
  - Land Charges
  - Flood Engineering
- 2.2. The bulk of these support services have been delivered in some form of partnership arrangement since 2012 when GO Shared Services was formed. Other informal sharing arrangements for the other services were formalised with the introduction of Publica in November 2017.

- 2.3. The Agreement for Support Services sets out an initial period of five years to the end of October 2022. With an allowance of 12 months' notice this requires the Council to make a decision on extending the arrangement for a further period of four years as provided for within the Agreement.
- 2.4. Publica Group (Support) Ltd is a Teckal company and one of the benefits of the Teckal model is that it enables the company owners (local authorities) to procure services from the company in a flexible way. The Agreement with the Company enables the Council to make changes to the services (whether by way of the removal of services, the addition of new services, increasing or decreasing the services, specifying the order in which the services are to be performed or the locations where the services are to be provided) through the annual review process, or in the event of an urgent matter on giving reasonable written notice for any reasons whatsoever.
- 2.5. Indeed since the onset of the Coronavirus pandemic the Council and Publica have needed to be flexible in the way resources have been allocated to deal with many aspects of service provision and this has had significant impacts on ICT, Finance and HR provision particularly in respect of home and hybrid working arrangements and business grants administration.
- 2.6. This flexibility of the Teckal company arrangement is indeed one of the key strengths of the governance arrangements that are part of the approach within the partnership.
- 2.7. As a consequence of these flexible arrangements should the Council agree to extend the Agreement for a further four year period this does not bind the Council to this 'set' service definition for the full period and variations can continue to be made as in the previous four years.
- 2.8. Publica is still a relatively young organisation in local government terms, and is on a journey to deliver modern services and local priorities for the Shareholder Councils across the partnership.
- 2.9. In overall terms the performance of Support Services has been good with the ICT Service provision highly regarded across the partnership. Finance Transactional Services and Payroll are also highly regarded. Finance Advisory Services has suffered from some staff turnover issues which created some service pressures but a new structure and recent appointments have made a significant difference over the last six months and service improvement is expected to continue.
- 2.10. A number of parts of the HR service are currently being reviewed as part of a HR Improvement Plan which is currently awaiting approval but we are already seeing improvements in some areas such as Recruitment and Learning and Development.
- 2.11. In terms of Performance Indicators for these Services these are shared with the Partner Councils as part of the performance pack but the key metrics are shown below:-
- Accounts paid within 30 days            97-98% (target 90%)
  - ICT Server availability                    99.9% (target 99.8%)
  - Payroll accuracy                            100%
  - Sickness Absence                          4.5 days (8 days District Council average)
  - Underlying staff turnover                11.65% (long term average 10%)

### 3. FINANCIAL IMPLICATIONS

- 3.1. There are no direct financial implications from extending the term of the Agreement. The contract fee is agreed on an annual basis and takes into account any changes to services. However, if the Council decided not to renew the Agreement there could be significant financial implications.
- 3.2. The 2020/21 service cost budget for support services for West Oxfordshire was estimated as set out below. A costing review is currently underway which could see a reduction in these budgets due to volumetric changes but this review is incomplete at the moment.

<b>WODC</b>	
<b>Finance</b>	
SUP009 Accountancy	339,302
SUP011 Accounts Payable	18,445
SUP012 Accounts Receivable	37,599
SUP033 Procurement	40,364
SUP035 Insurance	8,357
<b>People</b>	
SUP003 Human Resources	143,998
SUP013 Payroll	21,547
SUP019 Health & Safety	11,038
SUP020 Training, Talent & Recruitment	37,851
<b>Technology</b>	
SUP005 ICT +Business Solutions	483,144
SUP042 Business World Support	11,375
	1,153,020

- 3.3. Unit cost information is still being developed but the 2020/21 unit costs were:-

- Cost to fill vacancy           £1,055
- Cost per debtor a/c           £4.52
- Cost per a/c payable         £3.37
- Cost per payslip             £4.04
- Cost per Procurement       £515

- 3.4. The Institute for Fiscal Studies report on English Local Government funding, published in 2019 gave an estimated cost for “Central and Other” services of £57 per resident. The figures quoted above for WODC show a cost of £10.53 per resident. There is insufficient detail to determine the exact correlation of the two estimates but it would appear to support the argument that the price quoted by Publica to deliver the services above represents good value for money.

#### **4. LEGAL IMPLICATIONS**

- 4.1. The Council is bound by the terms of the Agreement for services and is required to give written notice if it wishes to extend its term. The Agreement includes provisions for making changes to the services.
- 4.2. The Council could chose to exercise its option not to extend the Support Services Agreement but would be liable for any costs associated with leaving.

#### **5. RISK ASSESSMENT**

- 5.1. There are no significant new risks from extending the Agreement for support services. If an alternative option is chosen there could be risks in terms of disruption to services, additional costs, and the opportunity cost from the staff time required to implement an alternative approach.

#### **6. EQUALITIES IMPACT**

- 6.1. None from this report. Publica has signed up to 'Disability Confident' and committed to encourage applications by offering an interview to those who declare they have a disability, if the person meets the minimum criteria for the job as defined on the person specification..

#### **7. CLIMATE CHANGE IMPLICATIONS**

- 7.1. None from this report. Publica has set out plans for considering the environmental impact of business activities, aiming for a more sustainable future and reducing the carbon footprint of the business through a detailed carbon reduction plan. A commitment has been made to consider climate impact in all Publica work and this will be embedded into project management, commissioning and procurement.

#### **8. ALTERNATIVE OPTIONS**

- 8.1. The Council could choose not to extend the Agreement and look either to bring these support services in house, or alternatively contract these services from another provider.
- 8.2. Given the integrated nature of the Business World Enterprise Resource Platform it may be difficult to dis-establish the transactional elements of the Partnership and these services are generally recognised as high performing and low cost.
- 8.3. Should the Council wish to transfer advisory type services (e.g. flood engineering, Human Resources, and property) back to the Council then this could be accommodated more easily but the Council would lose out on the lower employment cost structure, and the economies of scale and resilience provided by the wider partnership.

- 8.4. An alternative outsourcing route through a private sector provider could be also considered, but this model would not offer the flexibility of the Teckal model, which allows the Council to vary services as circumstances change without undue financial penalties.
- 8.5. If the Council did not extend the Agreement then it would need to work with Publica and engage with employees on any relevant employment matters such as the Transfer of Undertakings Protection of Employment regulations (TUPE).

## 9. BACKGROUND PAPERS

- 9.1. The following documents are of relevance to this report:
  - Publica Business Plan - 2020 to 2022; and
  - Publica Annual Report 2020-21;
  - Ten years of collaboration and sharing, Publica
  - The Institute for Fiscal Studies report on English Local Government Funding 2019