Strategic Review of Publica Services

Table of Contents

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

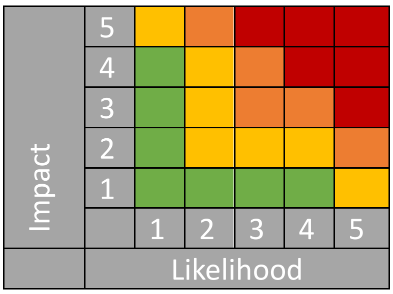
5.1 Benefits and Risks

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.



	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
• Customer Services • Complaints • Revenues and Benefits • Housing Services • ICT • Data Protection • Freedom of Information • Subject Access Requests • Procurement • Transactional Finance • Transactional HR including Payroll	• Strategic Finance • Accountancy • Insurance • Economic Development • Tourism • Parking • Property and Estates • Communications • Community Safety and Engagement • Business Intelligence • Corporate Performance • Organisational Development • Electoral Services • Democratic Services • Members Services • Waste • Grounds Maintenance • Leisure	• Strategic Housing • Development Management • Building Control • Land Charges • Risk Management • Health and Safety • Emergency Planning and BCP • Flood Risk • HR Policy and Employee Relations • Legal Services • Commercial Contract Management (could include Waste, Grounds and Leisure) • Environmental Health • Food Safety & Licensing

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.

PUBLICA

Shared Services

Customer Services

- Customer Services
- Freedom of Information
- Complaints
- Revenues and Benefits
- Housing Services

Employee Services

- Procurement
- Transactional Finance
- Transactional HR

ICT

- ICT
- Data Protection
- Subject Access Requests

COUNCILS

CORPORATE SERVICES

- Strategic Finance
- Accountancy
- Insurance
- Risk Management

- Property and Estates
- Health and Safety
- Emergency Planning and BCP

- Communications
- Business Intelligence
- Corporate Performance
- Organisational Development
- HR Policy

- Legal Services
- Electoral Services
- Democratic Services

RESIDENT SERVICES

- Strategic Housing
- Development Management
- Building Control
- Flood Risk Management
- Land Charges

- Economic Development
- Tourism
- Parking

- Waste (Contract Management)
- Street Cleansing (Contract Management)
- Grounds Maintenance (Contract Management)

- Leisure (Contract Management)

- Community Safety and Engagement
- Environmental Health
- Food Safety & Licensing

- Climate Change and Climate Action

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
Net additional cost	**450,000**	
Per authority	**150,000**	

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.

	Commissioning	General	Support
Length of contract	10 years	7 years	5 years
Next Renewal Date	1st November 2027	1st November 2024	1st November 2027
Services	• Democratic Services • Electoral Services • Post/Print Room • Communities and Community Engagement • Leisure • Tourism • Waste and Recycling • Parking • Communications • Corporate Functions	• Customer Services • Building Control • Public Protection • Revs & Bens • Housing Services • Development Management • Regeneration, Business and Economy • Planning Policy & Local Plan • Ecology, Heritage & Design • Strategic Housing • Community Alarms • Pest Control	• ICT • Finance • HR & Payroll • Procurement • Property Services • Land Charges • Flood Engineering

6. Transition Plan

	2023/24						2024/25											
Phase and Activity	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
1.0 Mobilisation and Preparation																		
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										
1.0 Transition Round I (first wave of services)																		
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					
3.0 Transition Round II (second wave of services)																		

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 II services																		M
4.0 Review of Services																		
Three-month review of transition round I																		
Six-month review of transition round I																		
Three-month review of transition round II																		
Undertake target operating assessment for remaining Publica services																		