

**BABERGH DISTRICT COUNCIL**

**FROM:** Chief Executive

**REPORT NUMBER:** **J153**

**TO:** STRATEGY COMMITTEE

**DATE OF MEETING:** 14 January 2010

**FUTURE SAVINGS & EFFICIENCIES: SCENARIO PLANNING FOR THE OUTCOME OF LOCAL GOVERNMENT REVIEW AND ALTERNATIVE MODELS OF PARTNERSHIP WORKING**

**1. PURPOSE OF REPORT**

- 1.1 This report considers how the Council might position itself to meet its budget savings targets in 2011/12 and subsequent years, whilst also retaining the capacity to maintain, and possibly enhance, standards of service in all priority areas, in the event that the current local government review does not lead to structural change in Suffolk from April 2011.
- 1.2 This report should be read in conjunction with reports elsewhere on the agenda dealing with the 2010/11 budget and a proposal to consider a shared Revenues and Benefits service with three other Councils, including Mid Suffolk.

**2. RECOMMENDATIONS**

- 2.1 That Babergh and Mid Suffolk District Councils commit to preferred partner status and to undertake a comprehensive joint review that seeks to develop fully integrated systems of service delivery at managerial and operational level by April 2011 or earlier if it is possible to do so, in the event that the current local government review does not lead to structural change in Suffolk from April 2011.
- 2.2 That the two councils set up a joint board at Member level to:
- (a) Provide good political governance and leadership to the review process.
  - (b) Consider the desirability of seeking to achieve common constitutional arrangements by May 2011 in order to achieve common decision making processes.
  - (c) Consider whether and when to assess the desirability, practicality and possible timing of full constitutional merger i.e. to create a single "Central Suffolk" Council, noting that such a merger would require primary legislation.
- 2.3 That the Members of the Political Leaders' Group be appointed as Members of the Joint Member Board.

The Committee is asked to make recommendations to Council on the above matters.

3. **FINANCIAL IMPLICATIONS**

3.1 There are none arising directly from this report. The intention is to carry out the review and business case development by officers but specialist advice may be required if momentum is to be maintained. If any aspects of the recommended review require investment of resource that could not be accommodated within budgetary provision during 2010/11, this would be referred to Members for decision. Beyond any such costs during the review process, the purpose of the proposal is to ensure that both councils meet their respective savings targets in 2011/12 and subsequent years.

4. **RISK MANAGEMENT**

4.1 This report is most closely linked with the Council's Significant Business Risk Numbers 2,3,4,5,6,7 and 8. Key risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
<b>2. Shared services</b> Failure to pursue opportunities	Significant	Critical	Accepting the recommendations in this report would provide the basis for comprehensive shared service arrangements with a neighbouring council in the event of LGR not leading to unitary change
<b>3. Partnerships</b> Failure to engage with key partners	Significant	Critical	Accepting the recommendations in this report would provide for a radical partnership with a neighbouring council whilst not damaging or precluding other partnerships
<b>4. Political &amp; Managerial Leadership</b> Inability to provide leadership during period of considerable change	Significant	Critical	Accepting the recommendations in this report would demonstrate visible high level leadership to internal and external stakeholders in meeting the exceptional challenges faced by the Council
<b>5. Capacity</b> Inadequate capacity to deliver Strategic Plan priorities	High	Critical	Accepting the recommendations in this report would represent a radical strategy for enhancing the Council's capacity to deliver on its stated priorities
<b>6. Culture and Change Management</b> Members and staff do not see the need for change or are resistant to change	Significant	Critical	The report outlines proposals for full staff and Member engagement throughout the review process

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
<b>8. Efficiencies &amp; Savings</b> Failure to meet savings and efficiency targets	Very high	Catastrophic	This is the Council's highest risk, for which the recommendations in this report provide radical mitigation in the event of LGR not leading to unitary change

5. **KEY INFORMATION**

- 5.1 In a separate Paper (**J151**) on this agenda, consideration is given to the progress being made towards setting a balanced budget for 2010/11. General Fund savings in the order of £1.6m will be needed to achieve this. Reductions in staffing establishment and reduced terms and conditions for staff, as well as service cuts and increased income generation through long term car park charging in Sudbury and Hadleigh are all identified in that Paper as essential elements of meeting this savings target.
- 5.2 Members are reminded that General Fund savings for the three year period starting in April 2011 could again amount to some £1.5m a year, depending on the scale of cuts in Government grant and other variable external factors. This will be assessed in more detail in developing the Medium Term Financial Strategy that will be considered by Members in February 2010 as part of the service and financial planning process. However, that projected level of year-on-year budgetary saving will simply not be achievable without unacceptable damage to the Council's capacity to deliver either the full range of its current services or the quality of those services, unless the Council can identify and deliver radical alternative models of service provision.
- 5.3 This underlines why unitary structures would present a more sustainable future for local government than the continuation of two-tier arrangements. At its meeting on 15 December 2009, the Council once again gave its firm backing to the implementation of unitary structures of local government in Suffolk from April 2011, as one of the most decisive and certain means by which appreciable efficiencies and economies of scale can be achieved in the short to medium term.
- 5.4 At the time of writing this report, the outcome of the review of local government in Suffolk is not known and is, of course, outside this Council's control. Indeed, it may be several months before there is any certainty on this point, given the indications that any incoming Conservative government would seek to overturn any provisions made by the current Government to implement such changes. The fact remains, however, that the Secretary of State has signalled his intention to make an early decision now that the Court of Appeal has found in favour of the Boundary Committee. Whether any incoming Conservative Government would actually overturn the process is political conjecture.
- 5.5 Although Local Government Review therefore remains a prospect, the pressing need to find on-going savings and efficiencies, whilst also retaining resilience and increasing capacity amongst our staff to maintain high standards of service delivery, makes it essential to plan pro-actively now for radical alternative scenarios if unitary change is not to happen from April 2011.

- 5.6 For that reason, discussions have begun at Chief Executive and Management Team level with Mid Suffolk District Council to explore the scope for achieving integrated management and service delivery arrangements between our two Councils. It should be noted that Suffolk Coastal & Waveney District Councils and St Edmundsbury Borough Council & Forest Heath District Council are moving in a similar direction through emerging integrated working and “preferred partner” status.
- 5.7 Our Management Teams believe that there is considerable common ground between our two Councils that could provide a strong platform from which to embark on a programme of integration at all levels within both organisations. Both Councils support unitary arrangements as the most sustainable means of securing effective local government for the people of Suffolk. However, if this is not to be an option in Suffolk for the foreseeable future, both Councils have previously expressed a commitment to working towards the integration of management and operational service delivery with one or more councils as the most viable alternative to local government review. Some form of merger between Babergh and Mid Suffolk could therefore be a realistic and achievable means of securing capacity for both Councils, sharing knowledge and reducing costs to aid service improvement to our customers and to provide a stronger and more stable career framework for the retention and recruitment of high calibre staff.
- 5.8 Underpinning our shared broad vision for the longer term future of local government in Suffolk are some key common characteristics e.g.
- Our strategic priorities and objectives are closely aligned.
  - Our net budgets, Council Tax levels and staffing establishment are similar.
  - Our landscape, communities and populations are similar.
  - We have common needs and issues requiring common solutions.
  - We already have joint arrangements in place for some services and are exploring the scope for others.
  - We have similar political dynamics.
- 5.9 Beyond that considerable common ground, both councils also demonstrate awareness and recognition of the need to consider issues from the perspective of what is best for Suffolk as a whole. Any proposal for merger would therefore not neglect the opportunities for working with other Councils and partners, in particular Ipswich Borough Council and Suffolk County Council.
- 5.10 At its meeting on 17 December 2009, Babergh’s Political Leaders’ Group (PLG) endorsed the principle of formalising discussions with Mid Suffolk DC to explore the scope for achieving integrated management and service delivery arrangements between our two Councils. Similar endorsement was given at a meeting of Mid Suffolk’s Portfolio Holders on 21 December 2009. It was agreed at these meetings that this matter be referred for formal consideration by Mid Suffolk’s Executive Committee on 11 January 2010 and at this meeting of Babergh’s Strategy Committee.
- 5.11 Integration could range from shared arrangements for the delivery of specific services, through to full merger of our respective staff within a single management and operational structure, all of which would be achievable in principle within existing legislative provisions. At this stage, issues relating to employment models and salary/wage assimilation are not addressed, but will require detailed consideration during the review process.

- 5.12 Such a commitment should not be undertaken lightly but the principle of doing so is sound and purposeful. The least the two councils should be seeking to achieve, however, is a level of integration that would secure the delivery of the year-on-year savings required by both councils. Quick wins e.g. where vacancies currently exist should be exploited wherever possible. Total integration should be the aim, which again may involve exploiting opportunities that present themselves but which is also likely to require positive intervention to generate necessary change.
- 5.13 A summary of the current status of discussions between the two councils on specific service areas is attached at Appendix A to this Paper, which provides a flavour of current possibilities. Paper **J154** elsewhere on this agenda provides a more detailed update on investigations into the possibility of a shared revenues and benefits service for our two Councils with St Edmundsbury and Ipswich Borough Councils.
- 5.14 The formal views of the public and staff as stakeholders have not been obtained at this stage. Managers have been involved in developing discussions with Mid Suffolk DC and all staff have been made aware of the intention to undertake this review and been given access to this report. It is the intention to involve Unison representatives, and also to provide sound arrangements for engaging with all staff, if the two Councils provide a mandate to progress integration. The need for consultation with external stakeholders would be identified at all key stages of the review process.
- 5.15 The social, economic and environmental impact of this potential merger will be considered at all stages of the review. Specifically, Equality Impact Assessments are part of the legal duties set out in the Race Relations Amendment Act and are also included under the new Disability Equality duty and Gender Equality duty. An Impact Assessment is a proactive step to ensure, wherever possible, preventative measures are taken to avoid discrimination or unfairness on any grounds before it occurs. If the proposals in this paper are supported then Equality Impact Assessments will be undertaken on any significant changes in policy or service delivery that arise from the proposed partnership.
- 5.16 Beyond operational and/or managerial merger, full constitutional merger of the two Councils at Member level would require primary legislation. The desirability or otherwise of full merger (i.e. the creation of a single "Central Suffolk" Council) and, if appropriate, the need to press for legislative change could be considered either as part of exploratory discussions or at a later stage if Members of the two Councils wished to do so. Such a voluntary constitutional merger would be unique in local government history and would provide significant savings over and above those that could be achieved through managerial and operational merger alone.
- 5.17 In the meantime, and unless overtaken by local government review, there may be merit in both Councils considering whether it would be desirable to achieve as much constitutional similarity as possible, both to provide strong governance arrangements to oversee any service integration that might take place and to make any longer term constitutional merger that might be sought easier to implement. Although Mid Suffolk has a Council Leader, it too has the constitutional status of being a Council operating under "fourth option" or "streamlined committee" arrangements.

- 5.18 From Babergh's perspective, any such joint review could readily be accommodated within the work of the recently resumed Constitution Review Task Group (the decision at Annual Council on 15 April 2008 refers). That Group is currently considering the merits of a possible change to Leader & Cabinet arrangements, in the event that the current LGR process does not lead to structural change from April 2011. The timing of the resumption of the work of this Task Group reflects the fact that, unless a resolution is passed by December 2010 to change to new executive arrangements with effect from May 2011, the next opportunity for such a change would not then arise for a further four years under current legislative provisions. Mid Suffolk has a Constitution Review Group that would be similarly placed to carry out a review in conjunction with Babergh during 2010.
- 5.19 Irrespective of the nature and scale of any merger considerations, it would be helpful to strengthen the governance arrangements for this review by setting up a Joint Member Board comprising Members of both Councils. It is suggested that, for Babergh, this could be the four Members of the Political Leaders' Group.
- 5.20 Finally, it should also be noted that any proposal to merge services and/or structures would require a clear understanding of the potential implications of the CSD contractual arrangement within Mid Suffolk for prospective integrated working between our two councils.
- 5.21 If the proposition of formalising discussions is acceptable to both Councils, our two Management Teams would map out an outline approach, likely to comprise the following key elements:
- Timely briefings, consultation and engagement with all of our staff and Members at all stages.
  - Informal and formal consultation as appropriate with unions about our intentions and the inclusion of Union representatives in any implementation groups.
  - The setting up of some agreed form of joint arrangements at Member level e.g. a joint board to provide good governance and political leadership to the review process.
  - The involvement of Heads of Service and Managers/Team Leaders in creating a plan and service proposals that make sense and are capable of implementation.
  - A realistic review programme to match our capacity, opportunities and circumstances.
  - The development of a common workforce strategy and recruitment protocol, applied with fairness, equity and integrity.
  - Analysis of the implications of the current CSD arrangements within Mid Suffolk for any merger proposals.
  - Subject to any constraints imposed by political or other considerations either now or at any later stage, we would work towards full integration of staff at managerial and operational level by April 2011 or earlier if appropriate.
  - Any work on the political aspects of this issue (e.g. the commonality of constitutional arrangements and the possibility of full constitutional merger) would be incorporated into the work plan according to Member wishes.

5.22 The outline timeframe could be as follows:

- Scoping of work and plan preparation – January 2010.
- Briefings to all staff and Members – January 2010.
- Proposed work streams developed – January/February 2010.
- Formal decision of both Councils to commit to preferred partner status and joint review of operations – February/March 2010.
- Staged implementation of any agreed joint arrangements from April 2010 with the objective of full managerial and operational integration by April 2011.
- Constitutional matters – as determined by Members.

6. **APPENDICES**

(a) Partnership Working with Mid Suffolk District Council.

7. **BACKGROUND PAPERS REFERRED TO:**

Paper J148 to Council 15 December 2009 – Representations to the Secretary of State on Local Government Review.

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**PARTNERSHIP WORKING WITH MID SUFFOLK DISTRICT COUNCIL**

**Update on Service Specific Discussions**

Service	Current Position
<b>Natural and Built Environment (Malcolm Firth)</b>	
<ul style="list-style-type: none"> <li>▪ Joint Sustainability Officer (current BDC post vacant)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Joint job profile and role under discussion. This could proceed as a quick win.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Planning Policy – initially joint commissioning of studies leading to a joint service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agreed respective Team Leaders to meet and develop a proposal. No immediate quick win or benefit identified. Action Plan and timetable to be agreed.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Planning Control – initially joint admin/technical support, validation and registration of applications, leading to a joint service.</li> <li>▪ Building Control</li> </ul>	<ul style="list-style-type: none"> <li>▪ Validation etc of applications no longer undertaken by CSD at MSDC. Hence subject to further discussion, prospect of centralised service by 2011.</li> <li>▪ BDC in current partnership with SCDC/IBC and Waveney, which MSDC have advised they do not wish to join. Dependent upon business case, then developing existing partnership further, an option could exist to develop a BDC/MSDC model (CSD not an issue).</li> <li>▪ A BDC/MSDC model has the potential of adding value to an integrated BDC/MSDC Planning Control service with both services currently sharing a common IT platform.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Single Food and Safety Team leading to a joint Environmental Health Service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subject to further discussion, prospect of centralised service by 2011.</li> </ul>
<b>Community Development/Contract &amp; Asset Management (Chris Foti/Ryan Jones)</b>	
<ul style="list-style-type: none"> <li>▪ Homelessness (in terms of pooling temporary accommodation and creating a central assessment unit)</li> <li>▪ Management of sheltered housing</li> <li>▪ Community alarms</li> <li>▪ Management of Choice Based Lettings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agreement + develop an action/implementation plan to develop these shared services. Next meeting is 13/01/10.</li> </ul>

Service	Current Position
<ul style="list-style-type: none"> <li>▪ Informal discussions held on joint management of housing stocks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Immediate priority is to develop shared services that generate savings and efficiencies for General Fund. Hence detailed development of this option, which in any event must be subject to tenant agreement, will await LGR decision.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Initial discussions being held with SDA, SCC and MSDC. Timetable to be agreed.</li> </ul>
<b>Customer Services Division (Bob Southgate)</b>	
<ul style="list-style-type: none"> <li>▪ Revs and Bens</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strategy Committee on 14/01/10 to be recommended to approve the development of a detailed Business Case assessing feasibility of a shared Revs and Bens service with MSDC, IBC and St Eds.</li> <li>▪ This to be an early indication of how and whether CSD's contractual relationship with MSDC is a positive or negative factor to be considered in any partnership arrangement. Early indications from MSDC are that it is not an impediment.</li> </ul>
<b>Finance (Barry Hunter)</b>	
<ul style="list-style-type: none"> <li>▪ Audit</li> </ul>	<ul style="list-style-type: none"> <li>▪ BDC and MSDC involved in countywide discussions.</li> </ul>

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