

BABERGH DISTRICT COUNCIL

FROM: BDC/MSDC Joint Member Board

REPORT NUMBER: K61

TO: STRATEGY COMMITTEE

DATE OF MEETING: 29 July 2010

STRATEGY COMMITTEE, BABERGH DISTRICT COUNCIL – 29 JULY 2010
EXECUTIVE COMMITTEE, MID SUFFOLK DISTRICT COUNCIL – 2 AUGUST 2010

**REPORT OF THE BABERGH AND MID SUFFOLK JOINT MEMBER INTEGRATION
AND MERGER BOARD – THE HIGH LEVEL BUSINESS CASE**

1. PURPOSE OF REPORT

- 1.1 This covering report accompanies the high level business case that has been received and endorsed by the Joint Member Board (JMB) and is attached at Appendix 1.
- 1.2 Both Councils have provided a mandate to the JMB to prepare a high level business case. The aim is to establish whether a case exists, in principle and in desire, to proceed with the integration of services across the Councils and to trigger a process for the creation of a single Council.
- 1.3 The JMB recognises the enormous challenge facing both Councils and believes that the challenge will be more effectively met if the two Councils act in collaboration rather than in isolation.
- 1.4 At its meeting on 12 July 2010, the JMB considered the draft business case and is recommending to both Councils that there is a case to be made for service integration and the creation of a single new Council and that further detailed work should be undertaken into the feasibility of these two linked scenarios.
- 1.5 Members of Babergh's Strategy Committee and Mid Suffolk's Executive Committee are now asked to endorse the recommendation set out in section 2 or to instruct otherwise.
- 1.6 If Members endorse the recommendation, it will be referred to Babergh's Full Council for adoption on 31 August 2010. In Mid Suffolk's case, the recommendation will be noted as work in progress by the ordinary Full Council on 9 September. It is then planned to report the detailed business case to Babergh's Strategy Committee on 16 September and to Mid Suffolk's Executive Committee on 20 September. These Committees will, in turn, make recommendations to their own Full Council on 28 and 30 September (special meeting) respectively.

2. **RECOMMENDATIONS**

2.1 The JMB recommends that:

Scenario 1 (single Chief Executive and Management Team to support both Councils) as a stand alone option be discounted and further investigations be undertaken into the feasibility of both Scenario 2 (as Scenario 1, together with a single overall officer structure to support both Councils) and Scenario 3 (creation of a single new Council), together with the preparation of timetables for implementation.

Babergh's Strategy Committee is asked to make recommendations to Council on the above matters.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no unbudgeted financial implications arising from the work to date. However, in order to achieve integration and/or the creation of a single Council, transition costs will be incurred. In the scenarios being recommended to Members for further detailed business case assessment, the year on year savings outweigh the one off costs within reasonable pay back periods. It is essential to read the high level business case for further details.

4. **RISK MANAGEMENT**

4.1 Risks and mitigations as detailed in the high level business case.

5. **LEGAL ISSUES**

5.1 Legal advice has been obtained in regard to employment issues and is summarised in an appendix to the high level business case. There are no legal impediments to the integration of services but the creation of a single Council would require clear legal process to be followed.

6. **COMMUNICATION AND CONSULTATION**

6.1 Staff, Member and Trades Union briefings have taken place at both Councils in a variety of forms, including a joint Member workshop on 28 June. These arrangements will continue.

6.2 Formal staff consultation will take place as appropriate in accordance with agreed protocols. All staff and the Trades unions can also contribute their views on the principles being investigated at any stage of the investigation e.g. through involvement in the various workstreams; through their line manager; through the Communications Officers or direct to Management Team members.

6.3 Key external stakeholders have been advised that the high level business case is available on both websites, with an invitation to comment on the principle of what is being investigated. The opportunity for individual members of the public to comment is also being publicised.

6.4 Comments received prior to 27 August will be reported to Babergh Council at its meeting on 31 August and Mid Suffolk Council on 9 September. Formal consultation and other forms of engagement will take place as appropriate thereafter.

7. SUSTAINABILITY

- 7.1 The social, economic and environmental impact has been considered in making the report's recommendations. In essence, an integration of services creates the conditions for greater financial sustainability and organisational resilience in a period of significant social, economic and environmental challenge for all our residents.

8. FURTHER INFORMATION AND COMMENTARY

- 8.1 The purpose of this covering report is not to rehearse the contents of the business case. It is simply the means to effect a decision to proceed to the next stage of work. In other words, a decision to proceed assumes that there is a business case to take forward.
- 8.2 At this stage, the business case has made several assumptions in order to work up the three scenarios. Based on those assumptions, it is evident that only Scenarios 2 and 3 provide the conditions for achieving success within appropriate pay back periods. It is therefore recommended that, whilst offering some savings, Scenario 1 should only be contemplated as an integral part of a plan to move to Scenario 2 or 3 and not as a stand alone option.
- 8.3 As with any high level business case, it is the principle that is being evaluated at this stage rather than the detail. However, whilst there is a clear recommendation that a business case exists to proceed to the next stage, it is necessary to anticipate the need for answers to questions of detail, not only from elected Members, staff and Trades Unions but also external stakeholders, including our Town and Parish Councils.
- 8.4 The areas requiring further examination and assessment, as we test the feasibility of what is proposed, include:
- **Locality arrangements** – Wards in a single Council will be larger and there will be fewer Members. There is a need to think through how more effective arrangements can be put in place to embed localism in all our proposals. Localism is about understanding and relating to individual communities and seeking relationships that work for the partners involved. It can also be about how a future Council could deploy its officers in the field to cement a feeling that a larger Council is not remote. Work is needed to develop new models of working with both Member and officer input alongside external stakeholders.
 - **Governance** – until recently, it was understood that a new single Council would have to adopt one of two available executive models – either Leader and Cabinet Executive or Directly Elected Mayor and Cabinet Executive. However, the Secretary of State has indicated that he intends to permit Councils to return to the committee system if they so wish, which appears to imply that a new Council might also have the opportunity to adopt committee arrangements. Indeed, it may be the case that future governance arrangements can be determined with cross party understanding at local level rather than through central direction. Clarification is being sought on this point and will be the subject of a further report in due course.
 - **Council Tax equalisation** – work will be undertaken to model how Council Tax can be equalised and what effect that would have. As both Councils have very similar levels of Council Tax this should not be an impediment.

- **Timing** – there is a need to do more modelling and evaluation so that Members can better understand the alternative options in terms of the realisation of savings. In other words, what is the optimum time to effect the appointment of a single Chief Executive in relation to creating an integrated officer structure and the possible timing of the creation of a new Council, in order to maximise savings and minimise cost.
- **Learning from Others** – some Councils have integrated services and have a story to tell. It is also understood that some Councils who have integrated at officer level are now contemplating moving to single Council arrangements. It is desirable to learn from them: good and not so good experiences. Contact will be made with appropriate Councils with a view to arranging a further Member workshop.
- **A Shared Vision and Purpose** – responding to challenges and managing change is one thing but to do so without a clear shared vision and purpose would seriously undermine those efforts. The development of that vision and purpose has to be Member led and articulated so that in the September meetings, it is clear what sort of organisation we might be seeking to create and what its core values would be. Work will be undertaken before then to identify whether any significant conflict would be likely to arise between the two Council's existing strategic priorities if a new Council were to be created.

8.5 The two Councils cannot achieve fundamental change without a desire to do so amongst Members. The recent Joint Member workshop equally recognised that, even if there were a strong political will to create a new single Council, this could not happen without the consent of the Secretary of State. In this regard, at a recent meeting with Councillors Passmore and Ridley (accompanied by the Chief Executives) the Secretary of State indicated that, subject to the business case indicating that there would not be undue costs associated with structural change and also to no evidence of significant opposition from the local electorate, he would “not stand in the way” of the two Councils pursuing the creation of a new Council. This has been relayed to the Boundary Commission who advise that, upon our request, they could proceed with an electoral review of the two districts. They further advise that this would be likely to take place in 2011 with a recommendation to the Secretary of State towards the end of the year. Further discussions will be held with CLG and the Boundary Commission on this issue and reported as soon as possible.

9. **APPENDICES**

Appendix 1 – High Level Business Case

10. **BACKGROUND PAPERS REFERRED TO:**

None.

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Babergh and Mid Suffolk District Council



Working Together

JULY 2010

**Proposed BDC/MSDC Merger -
High Level Outline Business Case**

Proposed BDC/MSDC Merger

High Level Business Case

Executive Summary

Executive Summary

1. Introduction and Background

- 1.1 There are times when the size of the financial challenge that we face is bigger than what our efficiency opportunities alone can provide. At these times we know we have to do something new, something bigger and more radical.
- 1.2 The elected Members of Babergh and Mid Suffolk Councils are facing that enormous challenge. Due to the current financial climate and Government's intention to reduce public expenditure by 25% over the next four years we need to rethink the way we deliver services. Both Councils agree that in order to meet this challenge they must focus on the needs of their citizens and communities; and radically restructure and transform the way they deliver services to those communities.
- 1.3 For both Councils, "no change" is not an option; the financial challenges facing each Council is simply too great. Faced with this challenge, the two Councils who have a successful track record of joint working and collaboration have identified each other as "preferred partners" because:-
 - existing strategic priorities and objectives are already closely aligned.
 - Budgets, Council Tax levels and staffing levels are similar.
 - Service delivery arrangements are similar with joint arrangements already in place for service delivery e.g. major service of waste collection.
 - Landscape, communities, demographics and populations of our adjoining geographical areas are similar.
 - Many common needs and issues the Councils face require similar solutions.
 - Similar political dynamics.
- 1.4 Building upon their successful track record of collaboration and service transformation both Councils have agreed to investigate the benefits of further joint working and service transformation. The aim is to be proactive rather than reactive. To develop new ways of working which minimise the impact of budget reductions on front line services. This could be achieved through either integration at officer level or a formal decision to create a new single Council. This Outline Business Case will consider the following three scenarios:

Scenario 1:

Single Management Team (i.e. single Chief Executive and Directors) for the two Councils to deliver shared services for the Councils where appropriate.

This scenario would commence with the appointment of a single Chief Executive from April 2011.

Scenario 2:

Single Management Team with a single officer structure to deliver as far as possible, fully integrated management and service delivery arrangements across the two Councils.

This scenario would commence with the appointment of a single Chief Executive from April 2011 followed by the appointment of the Senior Management Team by August 2011 and then the integration and merging of services.

Scenario 3:

Creation of one Council i.e. the two existing Councils would be dissolved and a single Council would be created with its own identity, statutory and discretionary functions and its own budget and policy framework, achieving the fullest possible integration and savings.

The earliest this scenario could occur would be April 2012. Scenario's 1 and/ or 2 could precede this as set out above. An alternative, more flexible timetable could be followed but the Senior Management structure would need to be in place prior to the commencement of the new council.

- 1.5 This Outline Business Case evaluates each of the three scenarios against the following criteria:-

Savings : anticipated level of net savings over the period 2010/11 – 2018/19.

Costs and Pay Back Period i.e. the period required for the recovery of the upfront capital costs of the change.

Resilience (Officer/Delivery): Capacity of staff to deliver high standards of services across two Council areas.

Resilience (Member/Strategic): Capacity of Members and the decision making process to represent and respond to community needs whilst making tough, timely strategic decisions on service and spending priorities across the two Council areas.

Risk An evaluation of the level of risk involved and implementing each scenario.

2. **Summary of Evaluation of the 3 Scenarios**

(See Table on next page)

SUMMARY OF EVALUATION OF THE 3 SCENARIOS

SCENARIO	Savings net p.a. *	Costs and Payback Period	Community Impact		Risk to Implementation	Comments
			Service Delivery (Officer) Resilience	Service Delivery (Member) Resilience		
SCENARIO 1 Single MT only	£0.1m p.a. w.e.f. 2011/12	£498k (<i>with payback in 2015/16</i>) to £808k (<i>with payback in 2018/19</i>)	Decrease? Reduced contact time for both Chief Executive and Directors. Additional delays in addressing senior level escalations	Neutral / Decrease. More Member time/ risk on matters where Chief Executive/Directors are not as accessible as before. Different processes and policies on each council	Low	The implementation of this scenario is an integral part if Scenarios 2 and 3 are to be achieved.
SCENARIO 2 Substantial integration of management and service delivery across the 2 Councils	£1.0m p.a. w.e.f. 2015/16	£740k (<i>with payback in 2012/13</i>) to £1,390k (<i>with payback in 2013/14</i>)	Significant Increase. Economies of scale, shared pool of people, shared staff absence cover, more seamless customer engagement	Significant Increase. Greater alignment of processes and more effective support to Members. Potential for some joint committees	Significant	The cost and savings under this scenario are based on broad assumptions. The actual level of savings to be delivered will be influenced by the two Councils agreed priorities and the level of savings required by Central Government. The implementation of this scenario is essential if Scenario 3 is to be achieved.

SCENARIO	Savings net p.a. *	Costs and Payback Period	Community Impact		Risk to Implementation	Comments
			Service Delivery (Officer) Resilience	Service Delivery (Member) Resilience		
SCENARIO 3 One Council	£1.5m p.a. w.e.f. 2015/16	£740k (<i>with payback in 2012/13</i>) to £1,445k (<i>with payback in 2013/14</i>)	High Increase. Maximum opportunity to optimise and streamline service delivery	High Increase. Fewer Members overall, hence improved locality arrangements must be considered. However there will be the same policies and processes throughout the Council. Simpler, easier engagement for citizens living / working in the combined geography	Significant	The cost and savings under this scenario are based on broad assumptions. The actual level of savings to be delivered will be influenced by the two Councils agreed priorities and the level of savings required by Central Government. Strong likelihood of achieving the additional savings, above that of Scenario 2. These relate to actual reduction in number of Members and reduction in Committee administration, etc.

* Savings net p.a. i.e. net of ICT revenue costs. This column sets out the year when the full level of savings will be achieved and what those savings are. Leading up to the year when the full savings will be achieved, savings will be made in the earlier years, but to a lesser extent. These early savings will make a contribution to recovering costs during pay back period. The level and timing of these savings can be seen in Table 3 contained on page 19 on full copy of High Level Business Case.

Resilience evaluated using scale: 0 – Neutral or Decrease
1 – Very Low Increase
2 – Low Increase
3 – Significant Increase

Risk to implementation using scale: 1. Very Low
2. Low
3. Significant

3. Conclusion and Recommendations

Scenario 1

This scenario is an integral part for the achievement of Scenarios 2 and 3. The savings under this scenario are certain and the risk of implementation is low. Very little, if anything, is achieved in improving both resilience and capacity in service provision. In fact there are concerns that resilience at senior management level could be reduced

Scenario 2

There are two levels of savings derived from this scenario. The management savings, best and worst case and the service integration savings. The figures for the management structure savings are both robust and reliable being based on the known best and worst case costs. The savings make this scenario a credible option although not as attractive as Scenario 3. Therefore, unlike Scenario 1, if there was either uncertainty or reluctance to move to Scenario 3, Scenario 2 should be seriously considered as an option.

Organisational and service resilience and capacity are significantly increased under this scenario.

Risks to implementation are significant but mitigation measures are manageable and acceptable in the context of potential savings.

The work involved in merging two officer structures would be considerable and a robust, timetabled work programme/plan would need to be prepared.

Scenario 3

This scenario offers the greatest level of savings and resilience with the most attractive pay back period. As with Scenario 2, the management savings (best and worse case) are robust and reliable. Savings from both merged services and democracy are not certain and require further detailed work. The timing for this scenario is significantly different as the earliest this could take place is April 2012 subject to CLG approval.

The work involved in creating a new Council would be considerable and a robust work programme/ plan must be prepared leading up to the date of a new Council in order that both Councils could actively progress integration at officer level.

Overall Conclusion

The challenge facing both Councils is enormous. The Government's intention to reduce funding by 25% over 4 years is unprecedented.

In order to meet the challenge, both Councils need to build upon their successful track record of collaboration and service transformation to radically restructure and transform the way they deliver services.

Officers believe the challenge will be more effectively met if the two Councils act in collaboration (i.e. as per one of the scenarios) rather than acting in isolation.

Scenario 3 (with the fall back of Scenario 2) offers the greatest opportunity of delivering the required savings whilst also offering the greatest increase in resilience, which will be important if we are to mitigate the impact of budget cuts on front line/statutory services.

The proposals, relating to savings and the way we deliver services, set out in this report should not be seen as the limit of our ambitions. They should be seen as the minimum we aim to achieve. By building upon our successful track record of collaboration, and with strong political and managerial leadership, we can radically re-design and transform the way we deliver services to meet the needs of our communities.

Hence in the development of the detailed Business Case, both Councils need to be clear on their vision and ambitions for the new arrangements.

Recommendation

1. That Scenario 1 as a stand alone option is discounted and further investigations are undertaken into the feasibility of both Scenario 2 and Scenario 3 together with the preparation of timetables for implementation. .
2. The options to examine would be:
 - Scenario 2 as a stand alone option
 - Scenario 2 leading onto Scenario 3
 - Scenario 3 as a stand alone option

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PROPOSED BDC/MSDC SINGLE COUNCIL **HIGH LEVEL OUTLINE BUSINESS CASE**

1. Introduction

- 1.1 There are times when the size of the financial challenge that we face is bigger than what our efficiency opportunities alone can provide. When doing more efficiently the things we currently do will not be enough. At these times we know we have to do something new, something bigger and more radical.
- 1.2 The elected Members of Babergh and Mid Suffolk Councils are facing that enormous challenge. Due to the current financial climate and the requirement of meeting the Government's intention to reduce public expenditure by 25% over the next four years, we need to rethink the way we deliver our services. Both Councils agree that in order to meet this challenge they must focus on the needs of their citizens and communities and radically restructure and transform the way they deliver services to those communities.
- 1.3 Doing nothing is not an option. Facing the challenges alone will leave both organisations having to cease or significantly reduce the delivery of some services. Both Councils will be more fragile, less resilient and lack the capacity to meet the needs of our communities.
- 1.4 Building upon their successful track record of collaboration and service transformation both Councils have agreed to investigate the benefits of more extensive joint working and service transformation. This could be achieved through either integration or the abolition of the two authorities and the creation of one single Council. This Outline Business Case will consider the following three scenarios, which could lead to one single Council.

Scenario 1:

Single Management Team (i.e. single Chief Executive and Directors) for the two Councils to deliver shared services for the Councils where appropriate.

This scenario would commence with the appointment of a single Chief Executive from April 2011.

Scenario 2:

Single Management Team with a single officer structure to deliver as far as possible fully integrated management and service delivery arrangements across the two Councils. Experience from other Councils indicates that the full benefits and savings from integration will not be achieved under this scenario (for example, South Oxfordshire DC and Vale of White Horse DC already have a joint management structure in place, and they anticipate being able to share about 70% of the workforce across their two councils). For this Business Case, an assumption of 80% integration savings has been made.

This scenario would commence from April 2011 with the appointment of a single Chief Executive followed by senior management appointments by August 2011 and then the integration and streamlining of services.

Scenario 3:

Creation of one new single Council i.e. the two existing Councils would be dissolved and a new single Council would be created with its own identity, statutory and discretionary functions and its own budget and policy framework, achieving the fullest possible integration and savings.

The earliest that this scenario could occur would be April 2012. This business case has been worked up with that assumption. Scenarios 1 and/or 2 could precede this scenario as set out above. However, a more flexible timetable could be followed but the senior management structure would need to be in place prior to the commencement of the new Council.

- 1.5 This Outline Business Case evaluates each of the three scenarios against the following criteria:-

Savings : anticipated level of net savings over the 4 year period 2011/12 – 2014/15 and pay back period, a proportion of which (to be determined in the Detailed Business Case) will be attributable to the Housing Revenue Account.

Costs and Pay Back Period i.e. the period required for the recovery of the upfront capital costs of the change.

Resilience (Officer/Delivery): Capacity of staff to deliver high standards of services across two Council areas.

Resilience (Member/Strategic): Capacity of Members and the decision making process to represent and respond to community needs whilst making tough timely strategic decisions on service and spending priorities across the two Council areas.

Risk An evaluation of the level of risk involved in implementing each scenario.

- 1.6 The key questions the Outline Business Case will seek to answer are:

- Do each of the scenarios deliver the required savings (as set out in the Council's 3 year Medium Term Financial Strategies) and within an acceptable payback period whilst retaining/improving resilience and with implementation at an acceptable level of risk?
- For those scenarios that satisfy the requirements of 1.5 is there any which is clearly preferable in terms of savings, payback period, resilience and risks?
- In addition the Business Case will assist Members in assessing whether it is easier or more difficult to achieve the required savings and resilience through integration / one Council rather than as stand alone councils.

- 1.7 This outline business case provides a high level indication of the savings and costs, to enable decisions on what should be investigated in more detail. This will be followed over the next two months by a more detailed feasibility assessment of the preferred way forward.

- 1.8 This High Level Outline Business Case identifies savings which the Joint Officer Board are confident can be achieved as a minimum. A more traditional approach has been taken in developing a structure purely for the purposes of evaluating the scenarios outlined. The options and savings associated with them evaluated in this paper should not be seen as the limit of our ambitions. Dependent upon which Scenario the Members wish to pursue, then with strong political and managerial leadership, the options of this paper provide the foundations for the further more radical transformation of service delivery and further cost savings.

2. Background and Context

- 2.1 The financial and budgetary challenges facing the Public Sector finances means there is no choice but for councils to consider new ways of delivering services. The current climate offers an exciting opportunity to transform and invest in the kind of change that will deliver long term benefits to the community and long term savings to the councils.
- 2.2 The full extent of the reduction of Government funding for district council services is not known, but the reduction is likely to be in the region of 25% over a 4 year period. At the same time district councils, such as Babergh and Mid Suffolk are experiencing a squeeze on their income from fees, charges and interest on capital.
- 2.3 In summary, councils are moving from “compete to spend” (i.e. competitive bidding for Government funding) to “collaborate to save”.
- 2.4 In this environment both Babergh and Mid Suffolk, in accordance with their Medium Term Financial Strategies, must find significant savings over the next 3 years. The Medium Term Financial Strategies of both Councils indicate a ‘worst case’ scenario of combined financial savings for each Council over next 3 years of around £6m. This could be achieved by a combination of savings and additional income.
- 2.5 In anticipation of this challenge, Babergh together with the other Suffolk Councils has previously explored new ways of delivering services through the “Pathfinder” initiative. This involved developing shared services across all tiers of local government across all of Suffolk. The valuable learning points from this initiative was that such an approach needs to embrace partners that face similar issues, whose communities are similar and where geography or size is not a barrier to integration.
- 2.6 Hence across Suffolk, District Councils are identifying preferred partners to drive through a manageable and achievable programme of savings and service resilience. This approach is not at the exclusion of others, as for some key services under partnerships may be more appropriate, e.g. Waste Collection and Disposal, Revenues and Benefits. It is in this environment that Babergh and Mid Suffolk have committed to this Outline Business Case. The main reasons why the two Councils have identified each other as “preferred partners” are:-
 - existing strategic priorities and objectives are already closely aligned.
 - Budgets, Council Tax levels and staffing levels are similar.
 - Service delivery arrangements are similar with joint arrangements already in place for service delivery e.g. major service of waste collection.
 - Landscape, communities, demographics and populations of our adjoining geographical areas are similar.
 - Many common needs and issues the Councils face require similar solutions
 - Similar political dynamics.

3. SUMMARY OF EVALUATION OF THE 3 SCENARIOS

SCENARIO	Savings net p.a. *	Costs and Payback Period	Community Impact		Risk to Implementation	Comments
			Service Delivery (Officer) Resilience	Service Delivery (Member) Resilience		
SCENARIO 1 Single MT only	£0.1m p.a. w.e.f. 2011/12	£498k (<i>with payback in 2015/16</i>) to £808k (<i>with payback in 2018/19</i>)	Decrease. Reduced contact time for both Chief Executive and Directors. Additional delays in addressing senior level escalations	Neutral / Decrease. More Member time / risk on matters where Chief Executive/Directors are not as accessible as before. Different processes and policies in each Council	Low	The implementation of this scenario is an integral part if Scenarios 2 and 3 are to be achieved.
SCENARIO 2 Substantial integration of management and service delivery across the 2 Councils	£1.0m p.a. w.e.f. 2015/16	£740k (<i>with payback in 2012/13</i>) to £1,390k (<i>with payback in 2013/14</i>)	Significant Increase. Economies of scale, shared pool of people, shared staff absence cover, more seamless customer engagement	Significant Increase. Greater alignment of processes and more effective support to Members. Potential for some joint committees	Significant	The cost and savings under this scenario are based on broad assumptions. The actual level of savings to be delivered will be influenced by the two Councils agreed priorities and the level of savings required by Central Government The implementation of this scenario is essential if Scenario 3 is to be achieved.

SCENARIO	Savings net p.a. *	Costs and Payback Period	Community Impact		Risk to Implementation	Comments
			Service Delivery (Officer) Resilience	Service Delivery (Member) Resilience		
SCENARIO 3 One Council	£1.5m p.a. w.e.f. 2015/16	£740k (<i>with payback in 2012/13</i>) to £1,445k (<i>with payback in 2013/14</i>)	High Increase. Maximum opportunity to optimise and streamline service delivery	High Increase. Fewer Members overall, hence improved 'locality arrangements' must be considered. However there will be the same policies and processes throughout the Council. Simpler, easier engagement for citizens living / working in the combined geography	Significant	The cost and savings under this scenario are based on broad assumptions. The actual level of savings to be delivered will be influenced by the two Councils agreed priorities and the level of savings required by Central Government. Strong likelihood of achieving the additional savings, above that of Scenario 2. These relate to actual reduction in number of Members and reduction in Committee administration, etc.

* Savings net p.a. i.e. net of ICT revenue costs. This column sets out the year when the full level of savings will be achieved and what those savings are. Leading up to the year when the full savings will be achieved, savings will be made in the earlier years, but to a lesser extent. These early savings will make a contribution to recovering costs during pay back period. The level and timing of these savings can be seen in Table 3 contained on page 19 on full copy of High Level Business Case.

Resilience evaluated using scale: 0 – Neutral or Decrease
1 – Very Low Increase
2 – Low Increase
3 – Significant Increase

Risk to implementation using scale: 1. Very Low
2. Low
3. Significant
4. High

4. Opportunities and Challenges

4.1 The following challenges and opportunities have been identified by officers across the two Councils. Officers worked in a range of forums e.g. joint service groupings, joint workshops, Joint Officer Board to identify those which apply to varying degrees to each of the three stages.

4.2 Opportunities

The proposed integration of the two Councils' operations is a unique opportunity for both to actively shape (rather than have shaped for them) significant changes so that local government can better serve residents at a time of severe financial restraint.

The opportunities will impact slightly differently for the 3 scenarios being considered but in broad terms they fall into three main categories:

- a. Greater financial efficiency through greater cost savings, cost avoidance (e.g. increased service with same staff) and joint procurement.
- b. Greater service resilience and flexibility through a rationalisation of policies, standards and, therefore, of workload, improved productivity and shared/improved knowledge/skills.
- c. Greater staff prospects and focus on customer needs through increased delegation and empowerment and an increased focus/capacity on understanding customer/resident needs.

4.3 Challenges

By its very nature, such an ambitious transformational programme presents a range of challenges. The challenges will impact slightly differently for the 3 scenarios being considered, however, none is insurmountable either individually or collectively and by identifying them at this early stage, there is full scope to minimise their impact and plan suitable solutions.

In bringing two organisations together through integration or creation of one council there will be challenges surrounding four main areas political; people; organisational; and customers. The key challenges in these areas are:

Political

- That clear political leadership, direction and governance is established providing clarity on a vision for the future.
- To develop Member and Officer understanding across the two Councils and equip them for the new ways of working.

People

- Blending the cultural differences of the two organisations.
- New Common Terms and Conditions of service will need to be established including the harmonisation of pay.

Organisational

- Prior to the creation of one council, apportion costs, savings and benefits between the two Councils.
- Implementation of initially running two I.T. systems, addressing the CSD issue (whose contract expires 2014) and working towards a single system.

Customers

- Implementation of seamless customer focused services to both our communities.
- Engaging with our communities, partners and staff to ensure they understand the context and need for change.

Most, if not all of the above challenges have been addressed later in the Outline Business Case under the chapter "Risk Assessment and Mitigation".

- 4.4 In identifying the above challenges and opportunities it was clear officers understood the need for change; that there was a positive attitude to change; albeit with some anxieties about personal impacts and, more broadly, on the availability of resources to maintain existing service levels whilst driving forward the proposed creation of one council to meet the Government's likely 25% reduction in financial support over the next 4 years.

5. Appraisal of Financial Benefits and Costs

Introduction and Background

- 5.1 An initial assessment of the potential savings and costs of the three scenarios that are being considered has been undertaken. This covers:
- Senior management structure – annual savings and initial costs that would arise if a structure along the lines indicated were implemented
 - ICT – potential capital and annual revenue costs associated with integration or creation of one council
 - Member and Democratic costs – annual savings that may be achievable in the event of the creation of one council
 - Service running costs – savings that may be achieved through the integration of individual services or the creation of one council.
- 5.2 This is based on broad assumptions, specifically on the savings that it is felt should be achievable from significant service integration and creation of one council. The assumptions for Scenario 1 in terms of costs apply equally to the other two scenarios. The detailed business case will further explore and examine key aspects of the above in terms of the most cost-effective and appropriate structures, roles and responsibilities.
- 5.3 It should be emphasised that this high level business case does not assess all possible costs and benefits associated with integration or creation of one council. It does, however, identify the significant elements and issues that will need addressing further in the detailed business case and subsequent implementation plans.
- 5.4 Ongoing annual savings and one-off costs are detailed under each of the scenarios. The relative potential savings and costs of each one are summarised over the period 2010/11 to 2018/19 to show at which point they break even i.e. savings cover the one-off costs. This is shown in Table 3 under paragraph 5.37. These ongoing savings are crucial in helping both Councils address the budget deficits identified in their respective Medium Term Financial Strategies. In the meantime, each Council will have to plan to make the necessary savings in their 2011/12 budgets. In total this could be a worst case of approximately £2.5m, which will impact on what controllable budgets are left, in terms of finding future savings, whether from integration or the creation of one council or not. The actions taken to balance the budget for 2011/12 could impact upon the level of integration savings shown under Scenarios 2 and 3.
- 5.5 One-off costs include redundancy and pension fund contributions as well as the potential recruitment costs for a new Chief Executive. They also include an element of ICT costs.
- 5.6 A range of best and worst case costs have been included for each option. This is because actual redundancy costs will depend on a range of factors, including whether a Chief Executive is appointed externally or internally and the personal

circumstances of individual officers. A key principle in relation to both the best and worst case estimates is the possible outcome of a redundancy being avoided because the postholder voluntarily chooses to accept a different role has not been included in the range of costs as this cannot be guaranteed.

- 5.7 Current and estimated costs of the existing and potential new senior management structures are based on the top of the salary grade. Decisions on these will be needed when the detailed business case is considered. Actual costs and savings over the period will depend on the current salary of individual officers and the effect of any salary protection that arises. It should be emphasised that actual grades and salaries will be determined by job evaluation.

Current Senior Management Structure

- 5.8 Both Councils current Senior Management structures total 19 officers, as follows:

Post	Number
Chief Executive	2
Deputy Chief Executive	1
Directors (including 1 Finance Director)	4
Chief Financial Officer	1
Heads of Service	11
Total	19

For ease of examining the future scenarios below, the existing Chief Financial Officer post has been re-designated as a Finance Director.

- 5.9 The current Corporate Management Teams do not include Heads of Service. It should be noted that there are different numbers of Heads of Service at the two Councils (3 at BDC and 8 at MSDC) and they have different roles, responsibilities and salary packages.
- 5.10 The current cost of the senior management structure in the two Councils at the top of the grade is £1,621,000. It should be noted that the 2010/11 budgets for both Councils are less than this, as a number of existing officers are paid at lower points in the salary grade.

Future Scenarios

- 5.11 Each of the three scenarios is taken in turn below:

Scenario 1 - Single Management Team for the two Councils to deliver shared services for the Councils where appropriate.

- 5.12 For this scenario it has been assumed that there would be 1 Chief Executive and 6 Directors (2 Finance) which would be operating from April 2011.

- 5.13 If there is one Chief Executive supported by Directors (including Finance), then the Deputy Chief Executive post would be redundant and a potential cost of redundancy would arise.
- 5.14 It is assumed that the number of people in the Management Team below the Chief Executive would remain the same, but with the deletion of the Deputy Chief Executive post and the creation of a new Director post. The rationale behind this is that there would be no change in the number of Members, Committees etc that the Management Team would have to support, and the shared Management Team would retain responsibility for the leadership and management of two separate staffing structures. These assumptions relating to the structure of Management Team will need to be scrutinised and tested as we move through the implementation phase. This would apply equally to all three scenarios being considered.
- 5.15 With a single Chief Executive, the estimated cost of the new structure at the top of the salary grade would be £1,515,000, producing an annual saving of £106,000. This assumes that the salary of the single Chief Executive recognises the increased scale of the combined management of the operations of the two Councils, based on salaries paid by similar sized authorities in the country. A similar working assumption has been made for Directors.
- 5.16 The one-off costs of redundancy and pension fund contributions will depend on who is appointed as the single Chief Executive. If one of the existing Chief Executives is appointed, the one-off costs (including the potential redundancy of the current Deputy Chief Executive) would be a best case of £483,000. If an external appointment is made the costs would be a worst case of £758,000. In addition, up to £50,000 could be required to fund external recruitment and relocation costs. A third possibility is that the new Chief Executive is an internal appointment which is neither of the existing Chief Executives.
- 5.17 This would give a payback for the two Councils during either 2015/16 or 2018/19 for the best and worst case. If there was no redundancy cost for the Deputy Chief Executive post (either by retaining this post in the new structure or through the voluntary choice of the post holder to accept an alternative post) the payback would improve to 2013/14 or 2016/17.

In either case, there would only be a reduction of 1 post under this scenario and the scale of savings is low, especially when compared to the potential costs.

Scenario 2 - Single Management Team and single officer structure to deliver fully integrated management and service delivery arrangements across the two Councils.

- 5.18 Under this scenario, it is assumed that there would be 1 Chief Executive, 6 Directors initially (reducing to 5 in year 2) and a reduction of 4 Heads of Service, to 7 in total. The assumption is that the Chief Executive would be in post from April 2011, the Directors from June 2011 (reducing to 5 in April 2012) and the Heads of Service from August 2011. The rationale behind retaining one Director until April 2012 is to keep sufficient capacity at senior management level to ensure that the service integration is successful. It has also been assumed that 50% of the saving

on Head of Service posts (equivalent to around £78,000) will be required as 'backfill' lower down in the two Councils to provide essential resilience and capacity. This assumption would be tested as part of the detailed business case and the cost has been taken off the integration savings described in paragraph 5.25 below.

- 5.19 The total estimated cost of this new structure would be £1,255,000, giving an annual saving of £366,000 at the top of the grade. The same assumptions on potential redundancies and salary levels as in Scenario 1 apply, including how this applies to Heads of Service.
- 5.20 An alternative option would be that the number of Directors reduces to 5 from year 1 (June 2011), not in year 2. This would not change the on-going annual savings, but it would mean that they would be achieved from an earlier date. This has not been considered further in this outline business case, but it could be considered together with the additional risks this will create as part of the detailed Business Case.
- 5.21 Based on the circumstances of staff currently in post, the total cost of redundancies and pension fund contributions for all posts would be expected to range from an estimated best case of £585,000 to a worst case of £1,201,000. These estimates are based on redundancy in April 2011 and actual costs should, therefore, be lower than this if Director and Heads of Service appointments and hence redundancies do not take place until June/August 2011. The detailed business case will review and revise redundancy payments based on anticipated severance dates during 2011.
- 5.22 The assumption of 7 Heads of Service is an estimate based on the current structural building blocks and service groupings that have been assumed for the purposes of this High Level Business Case. Further work needs to be carried out in terms of designing an organisational structure that reflects the optimum and most cost-effective approach and division of work/services. This could result in a different number of Heads of Service being proposed in the detailed Business Case and/or a different percentage of their saving being used for backfill, which could increase/decrease the level of savings.
- 5.23 Taking the estimated savings and costs outlined in sections 5.19 and 5.21 above, this would give a payback for the two Councils of 2013/14 for best case and 2015/16 for worst case – purely on senior management cost savings.
- 5.24 In addition to these savings, it is anticipated that further savings and operational benefits would be generated from the integration of frontline and back office services by reducing duplication and standardising processes and procedures. The current CSD arrangements will, however, limit any scope for integration of services within that contract until 2014.
- 5.25 Whilst it is extremely difficult to quantify these savings at this early stage of the project and bearing in mind the savings that will have to be made to balance budgets for 2011/12, a working assumption is that around 8% of controllable costs (being 80% of the 10% saving that it has been assumed could be achieved for the creation of one council) could be saved through integration over the 3 years 2012/13 - 2014/15. Some savings may be possible in 2011/12 but cannot be guaranteed. If that were achieved, it is estimated that further savings of nearly

£1m, phased over the three years, would arise by 2014/15. This has been reduced by the £78,000 referred to in paragraph 5.18 above.

- 5.26 There will, however, be ICT costs relating to full service integration and it is estimated that the following capital and revenue costs could arise between 2011/12 and 2014/15. Capital costs depend on whether an external back office contract (at the end of the current MSDC contract with CSD) is in operation beyond 2014:

Area	Capital £000	Annual Revenue Costs (incl. borrowing) £000	
Integration			
Websites and additional licences	72	29	
System integration, interfaces etc. (2013/14 and 2014/15)	1,368	257*	
Total	1,440	286	

* Plus a one-off cost of £140k in 2014/15 as a result of parallel running.

- 5.27 Bringing together the various elements outlined above would result in the following overall picture and payback:

Item	Annual Saving/Cost £000
Savings:	
Senior Management structure	366
Service Integration (by 2014/15)	882*
Less: ICT revenue costs	-286
	962
Potential one-off costs (incl. ICT and recruitment)	740 – 1,391
Payback	2012/13 or 2013/14

* £242k in 2012/13, £562k in 2013/14

Clearly, Scenario 2 indicates a significantly higher level of savings compared to Scenario 1 and, although one-off costs are also higher and there will be ICT costs, the potential annual savings in Senior Management and service integration costs are significant and would make a much needed contribution to annual savings targets.

Scenario 3 - creation of one council.

- 5.28 It has been assumed that the earliest that one new council could be established to serve the combined population of the current Mid Suffolk and Babergh District Council areas would be April 2012. It has also been assumed that it would be a transition to one council by integrating services first in line with Scenario 2 rather than a 'big bang' approach to setting up the new council. Based on this there would be the same number of posts and Senior Management structure as in Scenario 2 other than the removal of a Finance Director post. The total salary costs of this new structure at the top of the grade would be £1,172,000. The annual saving would be £449,000.
- 5.29 As with Scenario 2 above, based on the circumstances of staff currently in post, the total cost of redundancies and pension fund contributions would be expected to range from £585,000 to £1,256,000. The payback period is, therefore, between 2013/14 and 2015/16.
- 5.30 Member allowances and related democratic costs, including direct central officer support and printing/postage costs (but excluding officer time and costs in service divisions such as development control) currently amount to around £860,000.
- 5.31 Clearly, with one instead of two councils democratic processes, this option would generate further savings on top of the senior management and service integration savings. Savings would be generated from a reduction in the number of Members and hence allowance costs, but further savings would be generated from officers having to support a reduced number of committees.
- 5.32 It has been assumed for the purposes of the business case that there would be 55 Members for the new Council and that the basic allowance would be £4,000, an increase of under 10% on the current allowance, with other allowances being set accordingly. The total cost of these new allowances would be £311,000, giving an annual saving of £155,000. It has also been assessed that further savings of £36,000 could be achieved from other Member related budgets e.g. training and travel. A lower number of Members than the assumed 55 would yield further savings and should be considered in light of the emerging financial position for local authorities over the next four years. In addition, saving of officers' time to support the committee system and reductions in printing and postage costs has been assessed at £82,000.
- 5.33 In total, therefore, overall savings from Member arrangements and democratic processes could total a minimum of £273,000 or just over 30% of current costs. Some redundancy costs may, however, arise in order to achieve the staff savings. This will be looked at further in the detailed Business Case. The reduction to 55 Members could result in the need to develop improved "locality arrangements" to mitigate against any concerns regarding a democratic deficit. No costs have been allowed to fund any such arrangements and it is vitally important that the need, benefit and cost of improved locality arrangements is considered and evaluated in the detailed Business Case.
- 5.34 The combination of Senior Management and Member savings of £722,000 would give a best case payback of 2012/13 and worst case of 2013/14.

- 5.35 Assuming full service integration savings of 10% of existing controllable costs and broadly similar ICT costs as for Scenario 2, would give an aggregated best case payback of 2012/13 and worst case of 2013/14 as summarised in the table below:

Item	Annual Saving/Cost £000
Savings:	
Senior Management structure	449
Member and Democratic processes	273
Service Integration (by 2014/15)	1,122
Less: ICT revenue costs	-304*
	1,540
Potential one-off costs (incl. ICT and recruitment)	740 – 1,446
Payback	2012/13 or 2013/14

* As Scenario 2, plus a one-off cost of £96k in 2012/13 for the cost of a new website with associated borrowing costs included here.

- 5.36 Timing of the creation of one council will have a direct impact upon when the additional savings can be achieved, but it is assumed that the earliest that this could happen is April 2012. Any change from this assumed start date would clearly have an impact on the business case in terms of the timing of costs and savings.

Scenario 3 produces the highest annual savings (nearly £600,000 more than Scenario 2) whereas the potential one off costs are not dissimilar to Scenario 2. In financial terms, it is the best scenario.

Summary of Future Scenarios

- 5.37 In order to be able to make comparison between the three scenarios the following tables have been compiled. Table 1 is a very high level summary showing the annual savings that could be achieved by 2015/16, when a steady state is reached, the best and worst case costs and the year when payback will be achieved for the best and worst case, on the assumption that the new arrangements begin to take effect from April 2011. Table 2 shows how the senior management numbers reduce from the current position under each of the scenarios. Table 3 sets out how the costs and savings are likely to fall under the best and worst case for each scenario over the period 2010/11 to 2018/19, highlighting when the payback position is achieved.

Table 1
Business Case Options - Summary

	Annual Savings by 2015/16 £'000	Costs		Payback	
		Best Case £'000	Worst Case £'000	Best Case	Worst Case
Scenario 1	106	498	808	2015/16	2018/19
Scenario 2	962	740	1,390	2012/13	2013/14
Scenario 3	1,540	740	1,445	2012/13	2013/14

Table 2
REDUCTION IN SENIOR MANAGEMENT NUMBERS

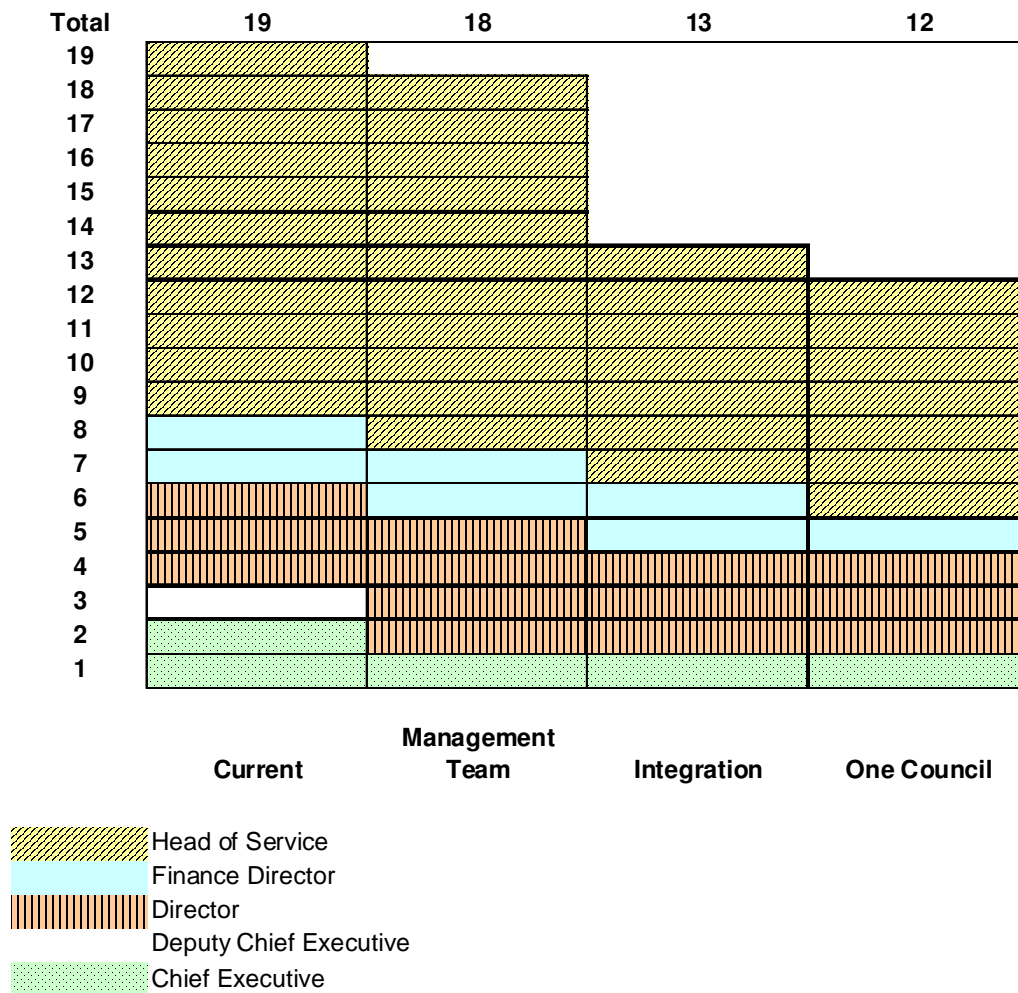


Table 3

Business Case Options - Cash Flow Summary

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
SCENARIO 1									
Best Case									
Costs	-266	-232							
Savings		106	106	106	106	106	106	106	106
Net Savings	-266	-392	-286	-180	-74	32	138	244	350
Worst Case									
Costs	-576	-232							
Savings		106	106	106	106	106	106	106	106
Net Savings	-576	-702	-596	-490	-384	-278	-172	-66	40
SCENARIO 2									
Best Case									
Costs	-266	-334			-140				
Savings		251	601	821	1,010	962	962	962	962
Net Savings	-266	-349	252	1,073	1,943	2,905	3,867	4,829	5,791
Worst Case									
Costs	-576	-674			-140				
Savings		251	601	821	1,010	962	962	962	962
Net Savings	-576	-999	-398	423	1,293	2,255	3,217	4,179	5,141
SCENARIO 3									
Best Case									
Costs	-266	-334			-140				
Savings		251	969	1,318	1,588	1,540	1,540	1,540	1,540
Net Savings	-266	-349	620	1,938	3,386	4,926	6,466	8,006	9,546
Worst Case									
Costs	-576	-729			-140				
Savings		251	969	1,318	1,588	1,540	1,540	1,540	1,540
Net Savings	-576	-1,054	-85	1,233	2,681	4,221	5,761	7,301	8,841

The shading denotes the year in which the breakeven position is reached.

Key Points

5.38 The following key points arise from the assessments of each scenario:

- Integration could reduce Senior Management costs by over 30%.
- Creation of one council could increase these savings to almost 40%.
- Significant overall savings should be possible with management and service integration.
- More savings will be made under creation of one council than just management and service integration of the two Councils.
- It should be noted that although the senior management and Member savings will largely fall to the General Fund, a proportion will benefit the Housing Revenue Account.

Other Issues/Assumptions

5.39 The following assumptions have been made on other issues. These will need further consideration in the detailed Business Case:

- Pay harmonisation – cost neutral.
- Other HR issues – relocation and any other costs are still to be assessed.
- Transformation/Change Management – no additional costs have been allowed for this including the cost of any improved “locality arrangements”. This is an essential area of work to be given consideration in the detailed business case.
- Creation of one council – there will be closedown and audit costs for the two Councils that are being ‘wound-up’ e.g. the annual accounts and audit fees.
- There will, however, be savings from reductions in audit fees and corporate subscriptions for one council.
- Legal Services – savings from the current proposals that are being developed by both Councils are part of the overall service integration saving forecasts.

5.40 In terms of one-off redundancy costs, a direction for capitalisation can be sought from the Government, which could result in these costs being spread over a number of years. Another option would be to meet some or all of these costs from reserves if that were deemed appropriate. These options could result in annual savings being realised sooner, some potentially in 2011/12. This will be considered further in the detailed Business Case.

Sharing Savings and Costs

5.41 The apportionment of savings and costs between the two Councils is an important issue and is one that the Joint Officer Board has still to consider in detail. Parallels could be drawn from the recent work undertaken on the business case for the shared service for the Revenues and Benefits Service, where the simplest and fairest solution proposed was that costs and benefits be shared in proportion to the budgets that contributed to the joint arrangements.

- 5.42 However, arriving at an agreed basis and split of the overall current budgets for both Councils needs a lot of thought as there are issues around the costs that should be included, whether it is total budgets or just controllable costs and the share attributable to the HRA.
- 5.43 The Joint Officer Board will prepare more detailed proposals for the apportionment of costs and savings that is fair to both Councils, including how transitional costs and savings should be shared, and put these forward when the detailed Business Case is considered.

6. Risk Assessment and Mitigation

Both Councils need to consider the high level strategic risks associated with the partnership and consider mitigation measures that they can put in place to minimise risks.

The high level strategic risks that have been identified as in need of further consideration are shown in the table below. No score has been given to these, but by their nature, they would carry a high risk score.

For each risk, potential triggers, impacts and actions and controls are shown. Where appropriate, specific actions will be taken forward as part of the overall Implementation Plan.

These are generic risks that apply to all three scenarios; however the likelihood and impact may vary from one scenario to another.

Risk Description:		
Lack of clarity on overall vision and outcomes to be achieved with one or both Councils deciding that they are not happy with the new arrangements (for whatever reason), either during the setting up period or after they are implemented.		
Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • Change in local political control. • Divergence of political priorities. • Lack of Member buy in 	<ul style="list-style-type: none"> • Lack of clear political direction to the partnership. • Reduced commitment to the partnership. • Political relationships deteriorate. • Difficulties in service delivery. • Member and officer time consumed with managing relationships. • A period of recrimination between the two Councils. • Embarrassment to both Councils. • A managed (or unmanaged) return to separate arrangements. • Additional costs (which could outweigh any savings in the early period). 	<ul style="list-style-type: none"> • Clear vision with concise, precise outcomes to be achieved by the new arrangements • Clear business case that is kept under review. • Established and robust political governance arrangements. • Senior political and management sponsorship and support.

Risk Description:		
Changes in the external environment.		
Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • National political change or uncertainty. • Further deterioration in the economic climate. • Possible new local government reorganisation plans. • New Government initiatives and policies. 	<p>A halt or delay to the project.</p>	<ul style="list-style-type: none"> • Keep abreast of Government announcements. • Inform Government of the work taking place. • Flexible service planning and delivery arrangements.

Risk Description:		
There is not the capacity or capability to implement the partnership.		
Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • Lack of change management resources. • Poor programme and project management. • Loss of key staff – especially at senior management level, who take with them knowledge and experience. • Proposed structure is not effective • Reductions from the removal of overlapping common work do not materialise. • Insufficient training and support is available for new joint senior managers. 	<ul style="list-style-type: none"> • The programme fails or slips with the savings and service benefits not being delivered, or delayed. • Senior staff find working for two different political set ups unmanageable. • The workload of senior staff becomes unmanageable. • Members become frustrated at reduced access to senior staff. • Workload and pressure cascade to less senior staff 	<ul style="list-style-type: none"> • Well resourced change plan. • Effective and flexible programme and project management. • Senior political and management sponsorship and support. • Phased approach to reduction in senior managers to allow work on the project. • Phased approach to merging of services to allow more controlled changeover. • Make special provision for those staff to undertake the work needed and become fully engaged in any discussions / decisions about taking those services forward. • Identify training needs at an early stage and make arrangements for these to be addressed. • Allocate more time for those directly affected. • Closely monitor staff well-being to identify at an early stage any workload or stress related issues.

Risk Description:		
Deteriorating performance and / or customer satisfaction.		
Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • Possible disruption / reduction in service levels / accessibility during transitional period. • Reduction in service availability. • Customer confusion – where to go, who to speak to, who is their Council? 	<ul style="list-style-type: none"> • Deteriorating services. • Loss of credibility locally and politically. 	<ul style="list-style-type: none"> • Clear and effective programme management and governance arrangements. • Clearly formulated service delivery and performance standards linked to change management and service planning. • Keep staff, the public, partners and other stakeholders fully informed at all times. • When reviewing individual services, consider customer needs and expectations before, during and after the implementation of any changes to service provision are made to ensure customer needs are being addressed. • Promote/explain the benefits of any changes identified. • Endeavour to keep any disruption to services to a minimum during any changes. • Undertake a promotion/publicity campaign.

Risk Description:		
Savings are not realised.		
Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • Business case is not managed and monitored adequately. • Inability to reduce staffing numbers. • Lack of investment availability. • Systems not brought together. • Services not redesigned adequately. 	<ul style="list-style-type: none"> • Savings and service benefits not delivered. • Ongoing costs of operating two systems. • Staff using two systems. • Deteriorating services. • Need to revisit services and service delivery arrangements 	<ul style="list-style-type: none"> • Clear and effective programme management and governance arrangements. • Clear and managed benefits realisation plan. • Workforce Planning. • Change programme effectively managed. • Continuing monitoring of financial resources. • Joint consideration of Medium Term Financial Plans. • Effective ICT Strategy. • Investment in ICT delivery. • ICT considered carefully as part of service delivery plans. • Securing of investment availability prior to embarking on projects. • Use of longer term financing routes including leasing and prudential borrowing. • Detailed and well considered process design as part of implementation of new arrangements.

Risk Description:

Staff resistant to change.

Possible Triggers	Impact	Action/ control
<ul style="list-style-type: none"> • Lack of staff buy in. • Staff resistant to relocation. 	<ul style="list-style-type: none"> • Employee dissatisfaction and demotivation. • Delays in implementing new arrangements and appointing to posts. • Difficulties with organisational culture. • Staff leaving. • Ongoing poor industrial relations. 	<ul style="list-style-type: none"> • Effective ongoing staff communication and consultation. • Ensure communication channels are used to their full potential to keep all staff fully informed at all times. • Effective Organisational Development activity. • Good management practice. • Clear HR Policies and transitional arrangements. • Effective Workforce Planning. • Resolve any issues around line management responsibilities at an early stage. • Harmonise Terms and Conditions. • Protocol and procedures need to be agreed and put in place to resolve any future disputes/ anomalies. • Planned approach to service transition. • Use of technology and flexible working practices.

7. Governance Issues

Scenario 1: Single Chief Executive and Shared Management Team – no service integration below that level

- Each Council would retain its separate identity, statutory and discretionary functions and its own budget and policy framework.
- Each Council would maintain its own budgetary management processes and statutory accounts.
- No changes to Constitution of either Council at political level.
- No joint committees or other joint political decision-making arrangements.
- No shared policy formulation and adoption.
- Each Council would retain its own scrutiny function.
- Each Council would retain its own Committees to carry out non-executive functions e.g. Development Control, Licensing, Standards and Audit & Governance. However, if the proposed integration of Legal/Monitoring Officer functions takes place, whether or not as part of a broader integration programme, a joint Standards Committee would be the recommended arrangement.
- Following a joint appointment process, the shared Management Team would be jointly responsible to the two separate Councils. The employment model for these arrangements would be subject to legal and HR advice and agreement between the Councils.
- May need to amend either/both Constitutions to provide for statutory appointments i.e. Head of Paid Service, Chief Financial Officer (S151 Officer), Monitoring Officer, Electoral Registration Officer and Returning Officer, plus Officer delegations within shared senior management team arrangements.

Scenario 2: Single Chief Executive and Shared Management Team. Integrated staffing structure under Shared Heads of Service

- Each Council would retain its separate identity, statutory and discretionary functions and its own budget and policy framework.
- Each Council would maintain its own budgetary management processes and statutory accounts but joint trading accounts may be necessary.
- No fundamental changes to Constitution of either Council at political level, but there may be an additional need for Joint Committees to oversee integrated service provision.

- May be shared policy formulation and adoption at service level to support more streamlined and efficient service delivery by both Councils.
- Each Council would retain its own Committees for Development Control, Licensing and Audit & Governance.
- Each Council could retain its own arrangements for scrutiny or alternatively look to appropriate shared arrangements.
- Each Council could retain its own Standards Committee. However, if the proposed integration of Legal/Monitoring Officer functions takes place, whether or not as part of a broader integration programme, a joint Standards Committee would be the recommended arrangement.
- Following a joint appointment process, the shared Management Team would be jointly responsible to the two separate Councils. The employment model for these arrangements would be subject to legal and HR advice and agreement between the Councils.
- May need to amend either/both Constitutions to provide for statutory appointments i.e. Head of Paid Service, Chief Financial Officer (S151 Officer), Monitoring Officer, Electoral Registration Officer, Returning Officer, plus Officer delegations within the new shared Officer structure.
- May need to consider specific legal/service agreements between the two Councils to support shared service delivery.

Scenario 3: Creation of one council

- The two existing Councils would be dissolved and a single Council would be created with its own identity, statutory and discretionary functions and its own budget and policy framework.
- The new Council would determine its strategic priorities for the area.
- A new Constitution would need to be adopted by the new Council, which it is assumed at this stage would have to be one of two forms of Executive, subject to any further announcements by the new Coalition Government.
- The new Council would have its own scrutiny and Standards Committee functions, as well as non-Executive functions e.g. Development Control, Licensing and Audit & Governance.
- A single Officer structure would serve the new single Council.
- The new Council and Chief Executive would implement management and operational arrangements to meet local needs within the area.
- If operational and managerial integration preceded creation of one council, a two-stage process of constitutional change would be needed i.e.

- Initially, may need to amend either/both Constitutions to provide for statutory appointments i.e. Head of Paid Service, Chief Financial Officer (S151 Officer), Monitoring Officer, Electoral Registration Officer and Returning Officer, plus Officer delegations within the new single Officer structure.
- At the time of creation of one council, the new Constitution would need to provide for statutory appointments i.e. Head of Paid Service, Chief Financial Officer (S151 Officer), Monitoring Officer, Electoral Registration Officer, Returning Officer, plus Officer delegations within the new single Officer structure.

Governance and Legal Issues during the Implementation Stage

Arrangements will need to be put in place for Member engagement in the implementation stages of any agreed changes. It should be borne in mind that, in the absence of Leader and Cabinet Executive arrangements, decision-making powers cannot be devolved from Full Council to individual Members or to groups of Members other than Babergh's Strategy Committee and Mid Suffolk's Executive Committee. Officer delegations (e.g. to the Chief Executive) can apply in either Committee or Executive arrangements.

Once both Full Councils have endorsed the detailed business case (target date of late September/early October 2010), and determined which option from those outlined above (or any other) is to be pursued, it is suggested that up to four key Member groupings be set up to oversee and make recommendations at various stages of implementation, within any framework or parameters agreed by the two Full Councils i.e.

Scenario 1: 1 & 2 below

Scenario 2: 1, 2 & 3 below

Scenario 3: 1 – 4 below

1. Joint Member Implementation Board (JMIB)

The remit of the Joint Member Board should be revised to create a Joint Member Implementation Board (JMIB) that would oversee the overall implementation arrangements. The Board would not have any formal powers, and decision-making would rest with each Council, in accordance with their constitutional arrangements. However, the Board Members would be able to speak for and make recommendations with some authority on behalf of their own Council.

Chairmanship could be rotated (or shared – see 2 below) between the two Councils and there would not be a Chairman's casting vote. The JMIB would report to Babergh's Strategy Committee and Mid Suffolk's Executive Committee. Any differences of recommendation amongst Board Members would be reported to the respective Committee of both Councils.

2. Joint Appointments Panel (JAP)

It is further suggested that a Joint Appointments Panel (JAP) of, say, 5-6 Members, and reflecting the shared political balance of the two Councils, be drawn together for a specified period from amongst JMIB Members. Within the framework agreed by both Full Councils following consideration of the detailed business case for

integration/ creation of one council, the role of the JAP would be to interview and make recommendations on appointments to the Chief Executive and Director positions, including all statutory appointments at this level e.g. the appointed Chief Executive would also be appointed Head of Paid Service and Returning Officer for each Council under Options 1 and 2 or for the single new Council under Option 3.

The JAP would, with independent and internal HR advice as necessary, also be responsible for recommending the terms and conditions of employment for the Chief Executive and Directors, and also for the terms of any severance agreements with any senior staff whose services would not be required in the new arrangements. The JAP would additionally be responsible for dealing with the initial stages of any grievance or related matters amongst senior staff. Separate arrangements would be needed to deal with any subsequent appeal hearings.

Chairmanship could be rotated (or shared – see 1 above) between the two Councils and there would not be any Chairman's casting vote. The JAP would report direct to each of the Full Councils.

In the event of pursuing either Option 2 or 3 above, appointments below Director level would not be subject to Member involvement, unless specifically required by law for any statutory appointments below this level. Appointments to Head of Service positions would be dealt with by the Chief Executive and Directors as appropriate, with independent and internal HR advice as necessary. In the event of a difference of opinion amongst the selection panel (on which both Councils would be represented), the final decision would rest with the Chief Executive. Severance agreements and any grievance or appeals hearings below Director level would be dealt with in accordance with the HR Protocol agreed between both Councils and the current policies of the employing Council.

3. Joint Scrutiny Committee

In the event of either Option 2 or Option 3 being the preferred way forward, it is suggested that a Joint Scrutiny Committee (JSC) be set up to oversee the full programme of service integration from a customer perspective. This could be a Committee of, say, 10 Members drawn from both Councils to reflect the shared political balance of the two Councils. The JSC could remain in place for the duration of the implementation programme, and beyond that for performance management purposes under Option 2 arrangements. This Joint Committee could report either to the Scrutiny Committees of each Council, or direct to the two Full Councils as appropriate.

Customer Panels, focus groups or other arrangements could be set up by the JSC to strengthen scrutiny and learning during the implementation period and beyond.

4. Constitution Review Committee (CRC)

In the event of pursuing creation of one council, it is suggested that the remit of the current Constitution workstream be amended, and its membership expanded, to create a Constitution Review Committee (CRC) to oversee the creation of one council review and implementation plan. The current politically representative membership of six (three from each Council), drawn from the Joint Member Board, could be expanded to, say, a politically balanced committee of ten (five from each Council). Additional Members could perhaps be drawn either from the current

Constitution Review Working Groups or the appropriate Scrutiny Committee of each Council.

Mid Suffolk's Council Leader and Babergh's Chairman of Strategy Committee would continue to have responsibility, together with the two Chief Executives to maintain close liaison with Government Ministers and Officials and advise the CRC throughout the review and implementation process.

The CRC could report direct to both Full Councils or via the JMIB or the relevant Scrutiny Committee of both Councils as appropriate.

Internal and External Consultation and Communication

Throughout the review and implementation period, both internal and external consultation will be required. It is the responsibility of each of the proposed Member groupings, supported by Officers, to identify the need for consultation (e.g. internally with Unison and other Unions and externally with key stakeholders such as the Town and Parish Councils) and to recommend and oversee the timely implementation of any consultation within their remit.

The JMIB will retain overall responsibility for overseeing communications and PR, with specific shared responsibility by Mid Suffolk's Council Leader and Babergh's Chairman of Strategy Committee to ensure that an agreed joint position is taken at all stages in internal and external communications.

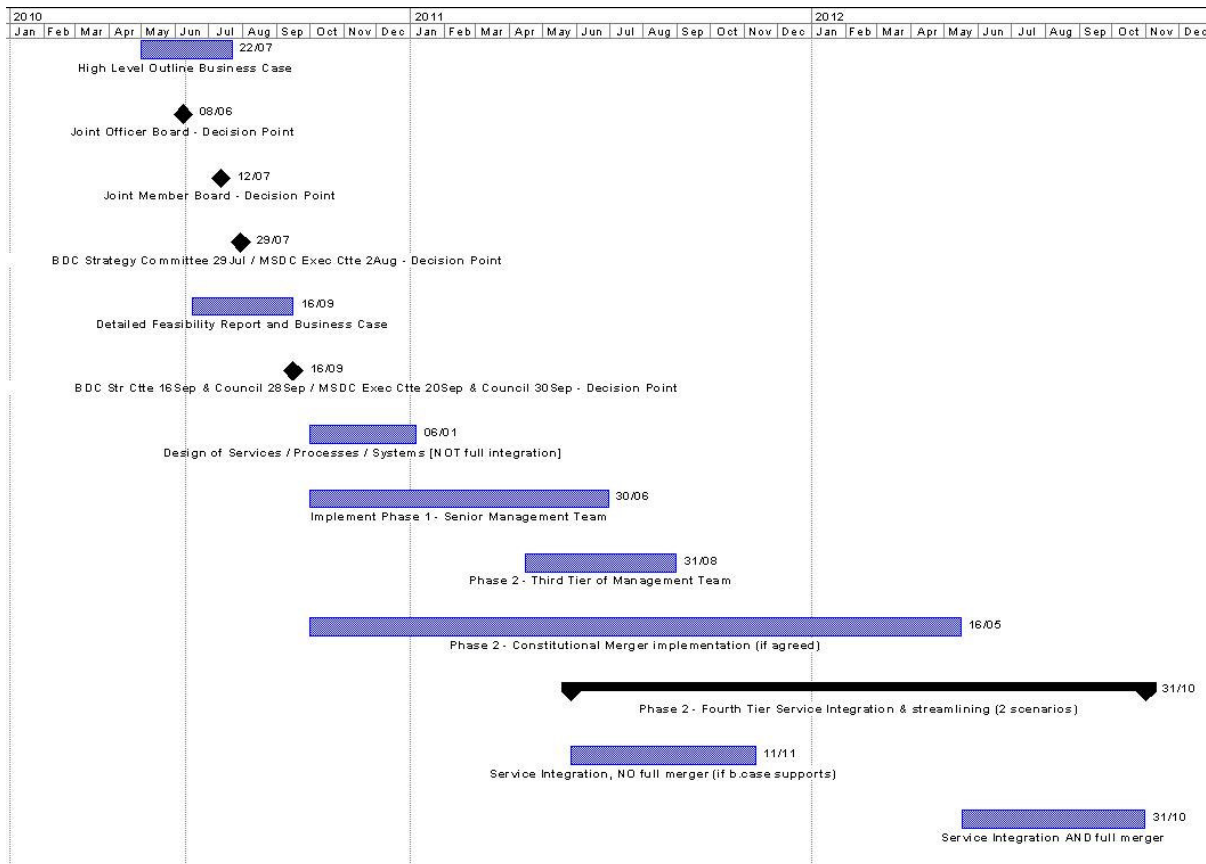
8. Implementation/Project Timetable

The high level business case is seeking to evaluate three options. Each of these options will have a specific timetable and implementation plan associated with them. The options could be interrelated and be part of an overall journey e.g. shared management team leading into integrated services followed by creation of one council. The overall project is complex with numerous interdependencies and risk factors associated with achieving each of the desired outcomes.

The timetable to progress any of the options, if approved, is very ambitious and will put a lot of pressure on Officers and Members alike, and would necessitate some difficult decisions being made on the deployment/realignment of human and financial resources to support the project. However, a clear and challenging target date needs to be set to maintain momentum and be fair and consistent to all staff possibly affected.

The Council's will need to establish the governance arrangements for the implementation of the project as set out in chapter 7.

A detailed project and implementation plan will need to be drawn up by the project team. A brief outline implementation plan is set out below.



The key milestones for the project are as follows:

Key Item	Timescale	Key Milestones
Detailed Business Case	To be completed from June to September 2010	Babergh Strategy Committee 16 September and Full Council 28 September Mid Suffolk Executive 20 September and Full Council 30 September
Appointment of CEO	October 2010 to March 2011	CEO to be in post by March 2011
Senior Management Team appointments	April 2011 to June 2011	Directors to be in post by June 2011
Third Tier Senior appointments	June 2011 to August 2011	Heads of Service in post by August 2011
Service Integration	August 2011 to March 2012	Implementation of new service structures
One single new Council	Earliest April 2012	If a single new Council is the chosen option, a detailed project plan will need to be developed. An initial key milestone will be approval from CLG.

9. Consultation and Engagement/Information to Key Stakeholders

- 10.1 Staff at both councils have been regularly briefed through a range of means (including newsletters and face to face staff briefings) on the possibility, processes and likely timetables of integration of staff at Babergh and Mid Suffolk councils.
- 10.2 Three workshops dealing with a range of issues and involving all of the work streams and service groupings have been held.
- 10.3 Copies of this paper will be given to the trade unions to inform them of the proposals. A copy of the paper will also be made available to every member of staff employed by both councils.
- 10.4 Work is about to begin on an external communications plan to support the drafting, publication and delivery of the detailed business case. This will be complementary to the current, largely internal facing, communications plan.
- 10.5 Councillors have been engaged through the formal democratic process and via other mechanisms.

10. Conclusions and Recommendations

A summary table of the evaluation of the three scenarios is provided in section 3 of this report and a financial summary of the three options is provided at the end of section 5.

As set out in the summary conclusions at Chapter 3, the following are the recommendations for each of the scenarios based upon the evaluation criteria set out in Chapter 1:

Chapter 3, pages 6 & 7 set out a summary of each of the Scenarios. Based on the evaluation criteria set out in Chapter 1, the conclusion for each scenario is:

Scenario 1

This scenario is an integral part for the achievement of Scenarios 2 and 3. The savings under this scenario are certain and the risk of implementation is low. Very little, if anything, is achieved in providing both resilience and capacity in service provision. In fact there are concerns that resilience at senior management level could be reduced. For this reason it is not recommended to further reduce senior management capacity beyond the reduction of one of the Chief Executives.

If there was no intention of progressing beyond Scenario 1, it would not be cost effective to implement this scenario if there was to be a competitive recruitment process, either internally or externally, and redundancies were involved. However, these costs could be controlled and reduced dependant upon how and who is appointed as Chief Executive and dependant upon the structure below Chief Executive.

Scenario 2

There are two levels of savings derived from this scenario. The management savings, best and worst case and the service integration savings. The figures for the management structure savings are both robust and reliable being based on the known best and worst case costs. The management savings alone make this scenario a credible option although not as attractive as Scenario 3. Therefore, unlike Scenario 1, if there was either uncertainty or reluctance to move to Scenario 3, Scenario 2 should be seriously considered as a credible option.

Organisational and service resilience and capacity are significantly increased under this scenario, particularly in an environment of financial savings. Risk to implementation is significant but mitigation measures are manageable.

The service integration savings under this scenario are not certain as they are based on a number of assumptions and comparable evidence and require more detailed work. However, Officers are confident that the level of savings identified are achievable. Experience from other Councils suggests that whilst significant (80%) integration of services can be achieved, full (100%) integration is unlikely unless a single new Council is achieved.

Officers are aware that significant savings will be required arising from the Government's Comprehensive Spending Review. There is a high degree of confidence that, any level of savings required by the Councils, could best be achieved through integration or more preferably, merger.

Scenario 3

This scenario offers the greatest level of savings and resilience with the most attractive pay back period. As with Scenario 2, the management savings (best and worse case) are robust and reliable. Savings from both merged services and democracy are not certain and require further detailed work. The earliest possible date for achieving the creation of a single Council is April 2012, and even then only if the Secretary of State approves such a change.

For the purposes of this high level outline business case, it has been assumed that the creation of a new Council would take place from that date. In effect, this business case assumes the integration of staffing from April 2011, leading to the creation of a new Council from May 2012.

However, other timescales could be:

- i) to delay officer integration to later in 2011/12, prior to the creation of a single Council from April 2012
- ii) to implement officer integration from April 2011, but with a delay of 2-4 years (until 2013 or 2015) before a new Council were then created
- iii) to seek a later date (2013 or 2015) for the creation of a new Council, and a corresponding delay in officer integration

Each of these timescales carries its own opportunities and risks, which would need to be explored further in the detailed business case.

The work involved in a merger would be considerable and a robust work programme/ plan could be prepared leading up to the date of a new Council in order that both Councils could actively progress integration at officer level.

Risks are significant but mitigation measures are manageable and acceptable in the context of potential savings.

Overall Conclusion

The challenge facing both Councils is enormous. The Government requirement of 25% savings over 4 years is unprecedented.

In order to meet the challenge, both Councils need to build upon their successful track record of collaboration and service transformation to radically restructure and transform the way they deliver services.

Officers believe the challenge will be more effectively met if the two Councils act in collaboration (i.e. as per one of the scenarios) rather than acting in isolation.

Scenario 3 (with the fall back of Scenario 2) offers the greatest opportunity of delivering the required savings whilst also offering the greatest increase in resilience. This issue of resilience will be important if we are to mitigate the impact of budget cuts on front line/statutory services.

The proposals, relating to savings and the way we deliver services, set out in this report should not be seen as the limit of our ambitions. They should be seen as the minimum we aim to achieve. By building upon our successful track record of collaboration, and with strong political and managerial leadership, we can radically re-design and transform the way we deliver services to meet the needs of our communities.

Hence in the development of the detailed Business Case, both Councils need to be clear on their vision and ambitions for the new arrangements.

Recommendation

1. That Scenario 1 as a stand alone option is discounted and further investigations are undertaken into the feasibility of both Scenario 2 and Scenario 3 together with the preparation of timetables for implementation. .
2. The options to examine would be:
 - Scenario 2 as a stand alone option
 - Scenario 2 leading onto Scenario 3
 - Scenario 3 as a stand alone option

11. Annexes

Annex 1 – Key Assumptions – HR

These assumptions are to be read alongside and are complementary to the People Management Protocol that has been adopted by both Authorities.

Some assumptions are applicable to specific Scenarios and others applicable to all.

1. All actions undertaken will be compliant with Equal Opportunity requirements.
2. There will be two Authorities employing staff directly. Each will have its own set of terms and conditions of employment.
3. Staff will generally remain employed by their current employer but it will be necessary to determine which Authority will act as employer for new posts and where external recruitment takes place.
4. For scenarios 1 and 2 there are no plans to TUPE transfer staff between Authorities. However, a TUPE-like transfer may be required to any new Authority created. This would be based on the arrangements used to set up new Unitary Authorities
5. Staff will work flexibly, providing services for one or both Authorities as required. It is not envisaged that secondments will generally be necessary to move staff between Authorities.
6. There will be a reduction in the current total number of employees at both Authorities to achieve savings - particularly at managerial level and above.
7. Appointment processes will generally cascade from top tier down.
8. Job profiles and person specs will be utilised to ensure fair selection and recruitment. Posts will be offered to existing staff that can demonstrate the necessary skills or the capacity to acquire these in a reasonable period. Ring fencing and selection process will be undertaken where there is more than one possible candidate for a post.
9. Each Authority will apply its own or a common salary protection policy.
10. Compulsory redundancy will be avoided as far as is possible. Reduction in staff numbers will be first achieved through turnover and then exploration of voluntary reduction in hours/redundancy.
11. Redeployment will be sought for staff at risk of compulsory redundancy, looking at alternative employment opportunities across both Authorities and any new single Authority created.
12. The CSD secondment model will continue at Mid Suffolk District Council in its current form for the duration of the contract (June 2014). This may restrict the scope for integration of some services between the Authorities.

13. Relocation of staff between Authority offices will be subject to service grouping integration business cases, which will need to take account of any additional costs incurred by travel and disturbance claims.
14. The use of flexible and home working will be fully explored.
15. Integration and any future creation of a single Authority will be greatly aided by harmonisation of the terms and conditions of employment between the two Authorities.
16. Babergh District Council will review its job evaluation scheme with a view to adopting the national scheme.

Annex 2 – Key Assumptions – Accommodation

1. That Revenues and Benefits will move out to a joint office with Ipswich and as a consequence, opportunities for renting out spare capacity can be investigated.
2. That two HQ's will be maintained until constitutional merger at earliest, but at same time, look to maximize income (as above) and opportunities for service integration.
3. That with immediate effect, MSDC/BDC will join up facility type contracts if significant savings can be made.
4. That teams will be joined and relocated earlier, rather than later, if a business case can be made to do so.
5. That improved public access can be achieved through local access points in partnership with Suffolk County Council and Town Councils.
6. That GCSx home working can be continued and improved.
7. That there is potential for sharing location/depot/service village facilities with SCC.

Appendix 3 – Legal Issues

External employment legal advice has been secured from Prettys Solicitors on the implications of appointing a single Chief Executive and the corresponding issues arising from the appointment of a single Management Team. In fact many of the same legal issues will arise should the Councils implement a single officer structure.

Job Profile

The first issue that will need to be established is whether the new Chief Executive role is similar or very different to the current roles undertaken by the existing Chief Executives. The perceived differences are three-fold:-

- (1) The geographical area, budget, staffing etc. for which the Chief Executive will be responsible will be much greater, giving rise to different organisational challenges and demands on his/her time;

- (2) A duplication of the governance functions, given that the Chief Executive will be accountable to two sets of members; and
- (3) Managing integration and (ultimately) creation of one council together with his/her “business as usual” duties.

These differences (and any others) will need to be tested and a flowchart is shown overleaf to assist in arriving at a conclusion.

The implication of the role being similar to the existing roles is that it would allow scope for contractually requiring one of the Chief Executives to take over the new role. The selection of one Chief Executive in preference to the other would clearly need the careful application of selection criteria. Conversely, if the role is very different then there is, effectively, a change of job and the redundancy of the existing positions of Chief Executive.

Unfair Dismissal

The Chief Executives are protected by statutory employment rights which include the right not to be unfairly dismissed. Redundancy is a potentially fair reason for dismissal and there is a relatively clear cut redundancy situation for a Chief Executive not given the new role. However, even where a redundancy situation is established the employing Council(s) must still ensure it has acted reasonably in treating that reason as sufficient to dismiss.

This means that:-

- (1) the Councils will need to ensure that each Chief Executive can engage in a process of consultation on how the restructure will affect them and what can be done to minimise the impact upon them as individual employees.
- (2) the Councils will need to consider alternatives to dismissal. In particular, the lengths of service of the two Chief Executives means that there would be a presumption that they should be preferred over external candidates if either or both wished to apply for the new role. The presumption would be rebuttable if the Councils have good reason for preferring an external candidate, such as:
 - the new role would be significantly different to the existing roles.
 - concerns that the Council that “loses” the Chief Executive might be regarded as the “poor relation”, and that the remaining Chief Executive might disproportionately focus on the affairs and interests of their “home” Council.

These and any other “good reasons” for opening up recruitment to external candidates would need to be thoroughly assessed. Detailed criteria have been supplied by the external solicitors to facilitate this exercise.

Potential Candidates

Clearly, if external candidates are able to apply for the single Chief Executive role then other Council employees must also have that opportunity. The position is less clear cut if

there will be no external recruitment and the flowchart is a useful tool to address the issue of opening up the new role to competition.

Settlement Payments

If one or both Chief Executives decide not to apply for the new role then the unfair dismissal exposure of the Councils is significantly limited although, in principle, the Councils would have liability for termination payments. Those termination payments would comprise of a redundancy payment at the level set out in the Councils' policy statements and possible early retirement under the provisions of the Local Government Pension Scheme. In addition, the Councils' have an ability to confer discretionary compensation upon a departing Chief Executive. However, before considering a discretionary payment views should be obtained from the Councils' Monitoring Officer, Chief Finance Officer and the Audit Commission.

Employment Structure

There are three options:-

- (1) The Councils employ the new Chief Executive for half the week each.

The Chief Executive would need service agreements with each Council and be paid half the salary etc. by each.

- (2) The Councils could enter into a secondment arrangement.

One of the Councils would employ the Chief Executive with an agreement in place between the two Councils under which services are provided to the other in return for payment to cover half of the employment costs.

- (3) A joint venture service company is established that employs the Chief Executive.

Neither Council would be the employer. The company would have an agreement with both Councils to provide the Chief Executive's services.

The Councils would need tax and accountancy advice before deciding upon the appropriate model. Option (2) would be most appropriate and is the most commonly used model for this type of arrangement.

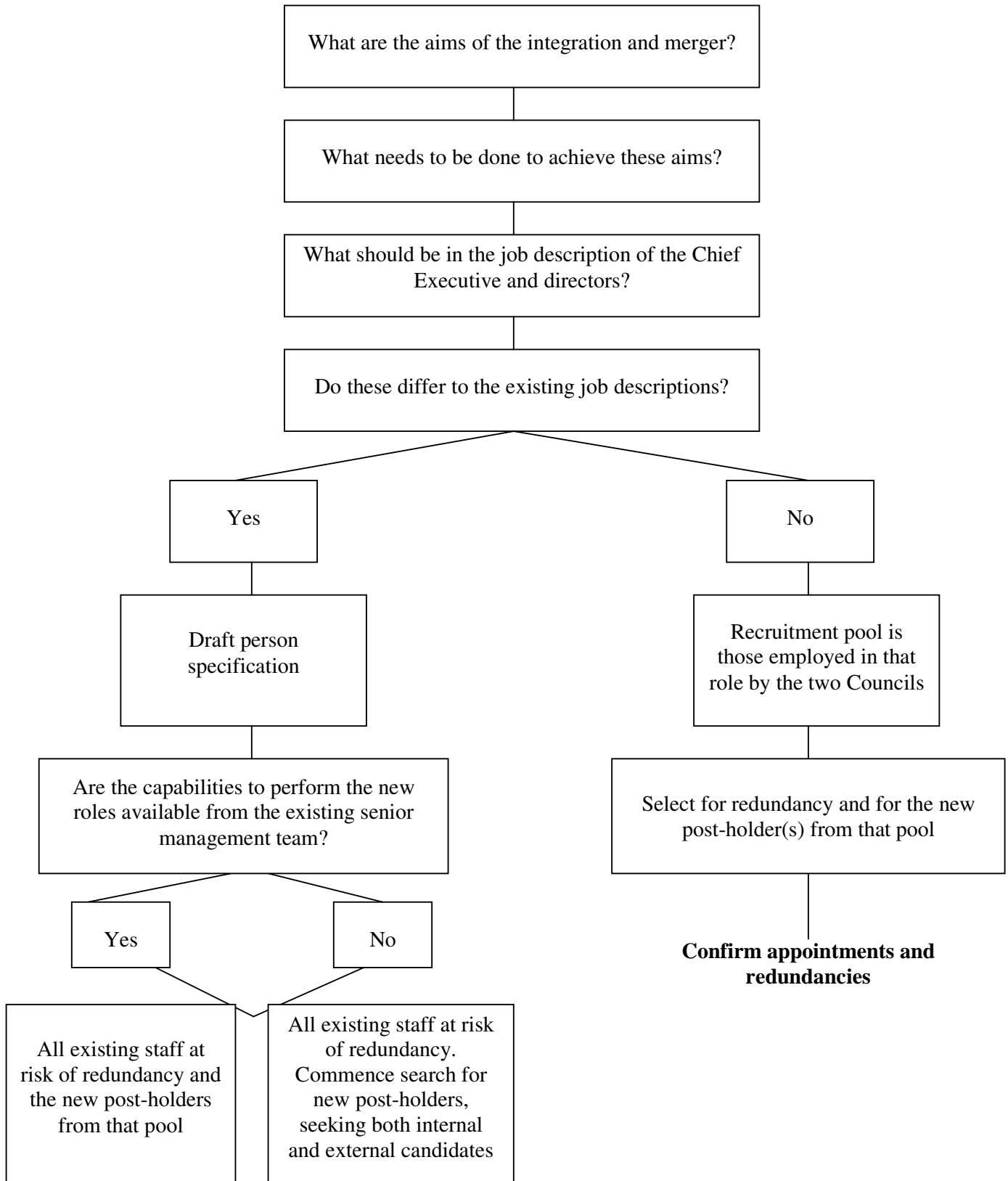
If only one Council employs the Chief Executive then the other will still need to enter into a direct appointment of the joint Chief Executive as its Head of Paid Service. The non-employing Authority could achieve this by way of a letter of appointment to the Chief Executive setting out the terms of appointment. Any attempt to remove the Chief Executive would require both Councils to go through formal steps for the removal of a Head of Paid Service.

General

Both Councils should adopt a common policy on redundancy.

Early advice should be obtained from the Audit Commission on the proposed approach for appointments to the new senior management team.

ANNEX – CHOICES RELATING TO THE RECRUITMENT AND SELECTION PROCESS



Appendix 4 – Key Assumptions - ICT and Information Management Work Streams

It is perfectly possible to continue the delivery of ICT services from two distinct centres and service teams, and up to the end of the current CSD contract in mid 2014, the key assumptions are:

- CSD continue to deliver all ICT Services to MSDC;
- MSDC access all data / applications / IT services from CSD;
- BDC delivers ICT Service and continues to host ICT data / applications / services for BDC service areas.

Leading up to the end of the current CSD contract, consideration must be given as to how ICT and Information Management services will be delivered in the longer term in view of (a) meeting the service needs of the re-constituted organisation, (b) optimising the potential savings and (c) the current delivery arrangements.

Until these longer term objectives can be established and agreed there will be limitations to the ability to fully integrate ICT service delivery for the two authorities, based upon a single set of applications and operating platforms.

There are service areas where the Councils use the same system; there are other instances where there is a clear advantage to the system used by one of the Councils. In these circumstances, integration would seem relatively straightforward. Aligning, cleansing and merging data will be critical. This will require specialist help from suppliers who understand their particular systems and database structure. There are over 1 million records in various systems for both authorities. It is estimated that half of these will need to be adapted before they are loaded.

After mid 2014, consideration will need to be given to the approach to service delivery, capital investment and parallel running. It should also be noted that full constitutional merger will probably require significant investment in the development of a single website.

The costs are summarised below:

		£(000)				
		2011/12	2012/13	2013/14	2014/15	Onwards
Integration – back office contract	Capital	24	24	24		
	Revenue				100	100
Integration – no back office contract	Capital	24	24	888	504	
	Revenue			15	155	15

Plus additional costs on merger:

		£(000)				
		2011/12	2012/13	2013/14	2014/15	Onwards
Merger – back office contract	Capital					
	Revenue				10	10
Merger – no back office contract	Capital			96		