

APPENDIX (a): OPTIONS APPRAISAL

1. The Cabinets of each Council have considered six different options for further transformation of the Councils' partnership working and where relevant have assessed them against the Government's criteria for considering changes in local council structures.

2. In considering the Government's first criteria of whether "*the proposal is likely to improve local government in the area concerned*" the following factors have been taken into consideration:

- better local/public services;
- significant cost savings;
- greater value for money;
- stronger and more accountable local leadership; and
- sustainability in the medium to long term.

3. The Cabinets considered the options at a simultaneous meeting of the two Cabinets on 13 October 2017, and Babergh District Council's ('BDC') Cabinet further reviewed the options at a subsequent meeting on 7 December 2017. Both Cabinets concluded that each of the options has some merit. A summary of the agreed potential benefits and disadvantages of each option is set out below, followed by more detailed analysis regarding each option.

	Strong positive impact
	Fairly positive impact
	Fairly negative impact
	Strong negative impact

Future form of local government for Babergh and Mid Suffolk - Options Appraisal

	Better local/public services	Significant cost savings	Greater value for money	Stronger and more accountable local leadership	Sustainability in the medium to long term
More of the same	Poor financial sustainability puts at risk delivery of services in the medium term.	Ongoing costs of servicing two sovereign bodies (i.e. lack of opportunity to make savings).	Little opportunity for additional value for money savings to be made on top of the existing shared services savings.	Some possibility of democratic deficit as more and more joint decisions are taken. Lack of opportunity to refresh leadership structures.	Risk of divergent agendas between two councils could lead to financial vulnerability.
Form a unitary council for the area or a larger area	In principle a unitary model could enhance service delivery.	Limited as would include SCC budget gap & higher transitional costs.	Potential for additional value for money savings.	In the light of the previous LGR and the current context in Suffolk this is not thought to be a viable option. SCC has indicated support for a single district council in the centre of Suffolk.	It is uncertain whether the Secretary of State would be open to this prospect without wider agreement within Suffolk.
Expand the 'Working Together' partnership to form a broader partnership with one or more other councils	Increased scale could enhance service delivery, but complexity of arrangements could reduce the speed, efficiency and simplicity of service delivery.	Potential for significant staff savings but would also inevitably involve some minor disruption.	Could generate greater efficiencies and economies of scale. However, for each new partner the proportional financial benefit to the partners reduces and the cost and complexity of the management arrangements, travel etc increases.	More opportunities for democratic deficit as shared decisions are taken by a wider pool of members.	Significant risk of divergent agendas between a wider number of partner councils. Strong political relationships would need to be built and any misperceptions addressed.

	Better local/public services	Significant cost savings	Greater value for money	Stronger and more accountable local leadership	Sustainability in the medium to long term
Create one single district council	Opportunity of a new streamlined and localised council that can benefit from economies of scale, better tailor local services to its areas, and use increased capacity to enhance community relationships.	Some transitional costs due to formal processes that need to be followed, plus harmonisation of council tax levels.	Most efficient model of working across the heart of Suffolk plus better opportunities for further integrated working with public sector partners.	Opportunity for both strong strategic leadership and enhanced local leadership by councillors. It should also be noted that electoral equality across the two districts will already have been achieved through the current Electoral Review of both districts.	Most resilient form of local government in the future due to scale. It would also provide overall long term financial stability as a result of combining the strengths of the respective General Funds, Housing Revenue Accounts and Reserves.
Form a stand-alone mutual style company	This option could potentially bring about significant integration between public sector partners and improve public services.	The initial set up costs of this option would be higher than the other options.	This option would potentially take the longest to show a return on investment.	There would be less rather than more democratic accountability as service delivery would be one step removed from the councils	This option potentially runs counter to the recent devolution agenda. It would also be a radical change requiring significant negotiation and legal advice.
Create a Combined Authority for BMSDCs with or without other councils	A combined authority in itself will not lead to better local services.	Estimated to add costs as a result of additional bureaucracy / layer of governance.	Service benefits potentially outweighed by additional costs and bureaucracy.	This approach could potentially involve a super Cabinet of the respective council Leaders, thereby achieving strong strategic leadership, but would need to ensure effective local engagement.	This option is unnecessary to enable joint decision making - likely to achieve a smaller benefit than the single district council option but with increased bureaucracy.

Do ‘more of the same’ under the existing ‘Working Together’ partnership arrangements

4. The existing partnership arrangements began in 2011 and have been expanded since that time, such that now all of the Councils’ officers work on behalf of both Councils in a single management structure. Part of the success of this partnership has been the common basis that, for the majority of services, costs are split on a 50 / 50 basis. This, together with the Councils’ shared vision, has ensured the optimum efficiency in the delivery of these services.

5. The emerging and projected financial differences between each Council, as set out in Section F of the Business Case, demonstrate however that it is becoming increasingly difficult to manage and account for services in such a way. It is anticipated therefore that if none of the other options outlined in Business Case are adopted then the existing partnership will need to change to reflect the different service level priorities and financial capacity of the two Councils. Whilst the joint high level vision in the Joint Strategic Plan (‘JSP’) is likely to remain the same, the impact of these changes will inevitably reduce the current efficiencies of various services and so increase costs to both Councils. At a more political level there are concerns that having a shared workforce and JSP, without any further evolution of the partnership, may not be sufficient to continue to bind the working relationship between the sovereign Councils. Mid Suffolk District Council’s (‘MSDC’) Cabinet has been clear that for them ‘status quo’ is not an option as they wish to see continuous improvement and innovation in the delivery of services to their residents.

6. Having now reached a ‘peak’ partnership position in terms of relationships and efficiency, the combination of the effects described above may begin to pull the partnership apart. This has been seen elsewhere in the country, most notably the tri-borough partnership in London. This may not be an immediate risk and could gradually emerge. However, as can be seen from the effect that this had to the North Norfolk District Council and Great Yarmouth Borough Council’s partnership (which related to a much smaller number of officers) the impact can also be sudden, dramatic and reputationally damaging.

7. In this context it is perhaps important and beneficial to also consider whether, after nearly seven years of the current partnership, BDC and / or MSDC would be able to survive a ‘divorce’ (amicable or otherwise) and be able to go back to delivering their services without each other.

8. Each Council remains a sovereign body and therefore would lawfully and democratically be able to go back to operating on their own. A prudent assessment of any separation by the Chief Finance Officer, however, estimates that such a separation (without taking any mitigating action) would reintroduce management costs alone of between £0.53m and £1.06m per Council.

9. The actual separation itself would also be far more detrimental to productivity as the various officers and structures are teased apart. The added complexities of various joint arrangements would also need to be addressed, which would create significant risk, uncertainty and potential costs. These joint arrangements include: Endeavour House, the touchdown points, the customer sites, call centre, website, IT infrastructure, Shared Revenues Partnership, Legal Services Partnership, Building Services, BMS Invest, CIFCO and the emerging Joint Local Plan.

10. The Chief Finance Officer believes that whilst such an impact could potentially be withstood financially within MSDC, as they have established a large Growth & Efficiency Fund, it is clear from the current financial projections in Section F of the Business Case that the impact upon BDC's finances are likely to be catastrophic. Such action may even require the Chief Finance Officer to implement a 'section 114' report to the Council, which would put a freeze on all spending until a balanced in-year budget position is achieved and a revised, robust Medium Term Financial Strategy adopted.

11. On balance the Cabinets determined that simply attempting to continue the 'Working Together' partnership in the long term could represent too great a risk to the stability of the partnership itself and present a real risk of the partnership being broken apart; with significant financial consequences for both Councils and catastrophic budgetary impacts for Babergh District Council's viability.

Expand the existing partnership to include other councils

12. It would be possible (subject to appropriate organisational / structural change) to deliver a wider partnership. There does not appear, however, to be any particular strategic benefit to the Councils of forming a wider partnership, at the district level, with immediate neighbours or further afield.

13. The only significant benefit or reason to do so would appear to be if this could deliver additional financial savings. The financial success of the current partnership has been based upon two councils sharing half their costs. For each new partner that is added the proportional financial benefit to the partners reduces and the overall cost and complexity of the management arrangements, travel etc increases.

14. This option also relies upon there being a willing partner to join with. The Councils' experience of these discussions and negotiations appears to be the 'exception to the rule', as many potential council partnerships nationally have never come to fruition. Similarly the Councils' immediate neighbouring districts to the east and west are currently focussed upon their own further integration.

15. On balance the Cabinets determined that expanding the 'Working Together' partnership to include other local authorities would provide limited, if any, benefits and, in any event does not appear to be a practical reality in the medium term given the changes being pursued by the other districts and boroughs in Suffolk.

Create a new, single district council to replace Babergh and Mid Suffolk District Councils

16. This option is the most natural extension of the current 'Working Together' partnership. It is also the option that can most easily be combined with any of the other options at a later date if the Councils wish to pursue further change. It should also be noted that this is the only one of the options for change that is directly 'within the gift' of the Councils as it does not require the agreement of any other councils.

17. The Council's Chief Finance Officer has estimated that this approach should deliver a minimum level of cashable and non-cashable savings of £1m per annum, without the need for any major organisational change. It would also provide overall long term financial stability as a result of combining the strengths of the respective General Funds, Housing Revenue Accounts and Reserves (see Section F of the Business Case).

18. Whilst this option would involve some political change to a single Leader and Cabinet, electoral equality across the two districts will already have been achieved through the current Further Electoral Review of both districts.

19. A single district council for both areas would become one of the largest district councils by population in England, and remain on a par with the other four Suffolk councils that recently received Secretary of State approval to become 'East Suffolk' and 'West Suffolk'. This option would therefore ensure parity of influence for the area within Suffolk and greater influence nationally and regionally.

20. On balance the Cabinets determined that dissolving the Councils and replacing them with a new, single district council for their combined geographical area represents the most effective and deliverable solution for their residents based upon the reasons detailed in the Business Case.

Seek to create unitary council arrangements to replace Babergh and Mid Suffolk District Councils

21. The potential benefits and pitfalls of unitary local government were considered in detail previously through the Local Government Review ('LGR') of Norfolk and Suffolk, and so have not been reproduced for this Business Case. Recent experience from elsewhere, suggests that the Secretary of State may be prepared to reopen such discussions, especially if there is some broader agreement within Suffolk. Unitary arrangements could not be implemented without, at least, an impact upon Suffolk County Council ('SCC'). The Leader of SCC has recently commissioned work from ResPublica to reconsider the issue of local government structures in Suffolk; although all of the District and Borough Leaders have requested that this work be stopped and that a full public sector review be commissioned instead.

22. Whilst therefore there are a number of Councillors in both Councils who would support some form of unitary arrangements there does not appear to be any consensus within the Councils or amongst other local authorities as to the number of new unitary authorities that should be created and their respective boundaries.

23. This option has therefore been discounted by the Cabinets, at this point in time, as being undeliverable. In addition, there is concern, based upon the experience in Suffolk during LGR, that trying and failing to introduce unitary arrangements could significantly damage the strong relationships that exist between all the different parts of the Suffolk public sector family. The Suffolk family has been able to make significant improvements to the lives of all Suffolk residents as a result of such strong relationships, partnerships and collaborative working; as demonstrated by the work of the Suffolk Public Sector Leaders Group and pooled business rate arrangements that are in place.

Create a combined authority for the Babergh and Mid Suffolk area

24. The combined authority approach has emerged in recent years as a way of similar councils, with shared interests, to come together to address larger issues. This has, to date, tended to be in more metropolitan areas to focus, for example, on transport and infrastructure.

25. The combined authority model, with a directly elected Mayor, was the approach that was proposed through the recent Devolution negotiations in Norfolk and Suffolk; and which has now been implemented in Cambridgeshire. There has also been some discussion in the past in Suffolk of adopting this approach through a new 'Super Cabinet' of all the respective Leaders that would replace the more informal Suffolk Public Sector Leaders Group arrangements that are already in place.

26. In principle this approach could be adopted by Babergh and Mid Suffolk District Councils. However as this would be an additional layer of local government it is unlikely to be able to deliver much, if any, of the financial benefits outlined in section F of the Business Case. In addition, any benefits may even be offset and outweighed by the additional bureaucracy that this approach would require.

27. On balance the Cabinets determined that creating a combined authority for their Councils has no merit as joint decision making can already be achieved by the Councils through simpler joint committee arrangements. The Cabinet did consider, however, that a combined authority approach either across Suffolk or wider Local Enterprise Partnership areas may have some advantages to enable greater change and delivery for some specific services e.g. highways and infrastructure.

Seek to establish a mutually owned company to deliver all public services in the Babergh and Mid Suffolk area

28. A mutual company option seeks to try to take most of the best parts of the other options and combine them. This option is likely to only be worthwhile in co-operation and agreement with other partners. In effect it would be forming a new company, partially owned by BDC and MSDC (and other partners) together with some staff shareholding.

29. This option does not fit with the recent devolution agenda and may even run contrary to some of the devolution principles. It would however enable local government (both tiers), police and health to come together as a single organisation delivering solely for an area. In doing so there would be less, rather than more, direct democratic accountability as the delivery of the services would be one step removed from all three councils (more similar to the current Shared Revenues Partnership model with Ipswich Borough Council).

30. Local politicians would retain significant strategic influence over the company but it would be protected from radical changes arising from future local election results. Each of the public sector partners would therefore take on more of a commissioning role with the company.

31. The numbers of staff directly employed by each of the statutory organisations would be dramatically reduced but the organisations and their respective overhead costs of running those organisations would remain. This hybrid option would therefore only be successful if it is able to bring about significant integration between the public sector partners, drive out 'waste' and deliver far greater change in quality of life.

32. The initial set up costs of this approach would be much higher than all the other options and it would take longest to see a return on that investment. It would also require a radical shift in the role of Councillors who would become far greater community leaders and enablers rather than decision makers. If successful however this option has the greatest chance of the widest impact for the electorate and of reducing the cost to the public purse.

33. On balance the Cabinets determined that it would be highly unlikely to be able to release all of the relevant public services in the Babergh and Mid Suffolk area needed to form such a company, that the impact of doing so would create significant diseconomies of scale for other parts of the public sector, and would be a retrograde step for local democracy.

APPENDIX (b): RISK MANAGEMENT

1. In order to fully consider whether to proceed with the development of a new single council to replace Babergh District Council and Mid Suffolk District Council it is important to take account of the risks of proceeding and of not proceeding, to ensure that the benefits outweigh the risks.

2. An assessment of the risks associated with proceeding with the creation of a new council is set out below, covering the following risks and potential mitigations:

- Proposal is not approved by the Secretary of State
- Insufficient time for Parliamentary processes
- Creation of a new council is not implemented effectively
- Confusion over new governance arrangements
- Residents perceive the new council as more distant
- Lack of understanding and support from the public
- Resistance to change among staff and councillors
- Lack of clarity on overall vision and outcomes
- Changes in the external environment
- Changing status results in unforeseen changes in funding
- Different service standards or approaches
- Predicted benefits are not realised

3. There are also a number of risks associated with not proceeding with the creation of a new council which need to be taken full account of. These are considered in part in Appendix (a) and include:

- Risks of diverging political priorities during a time of intense pressure on local government;
- Potential breakdown of shared services arrangements;
- Financial risks of diverging priorities – leading to cuts in service provision, reduced customer satisfaction and higher acute costs (due to lack of investment in prevention);
- Increased pressure on council tax levels;
- Reduced councillor, staff and resident morale due to potential impacts on service delivery.

1. Proposal is not approved by the Secretary of State	
Impact	Action/ control
Unable to implement the creation of a new council	Continue to seek advice and guidance from the Ministry of Housing, Communities and Local Government (MHCLG) and other relevant bodies such as the Local Government Association (LGA) and Local Government Boundary Commission for England (LGBCE) to ensure the Councils Business Case meets their expectations.

2. Insufficient time for Parliamentary Processes	
Impact	Action / Control
Implementation of one council takes place in 2020, rather than 2019, resulting in a loss of financial benefits for one year	MHCLG advise that there is still a possibility of 2019 implementation and the Councils will work closely with them to achieve this. However this may not be practical and it may be more realistic and prudent to work to a 2020 timeframe.
3. Creation of one council is not implemented effectively	
Impact	Action/ control
Negative impact on political relationships, service delivery and the reputation of the previous councils and the new single council.	<p>Develop a clear vision for the new council, based upon the Joint Strategic Plan and Memorandum of Understanding; and underpinned by robust planning and performance.</p> <p>Establish strong political and officer governance to deliver the development of a single council and the long term vision.</p>
4. Confusion over new governance arrangements	
Impact	Action/ control
The public lose confidence in the decision-making process and quality of decisions being made by the council. Inability to make key decisions which are essential to the delivery of public services.	Develop strong political governance in consultation with MHCLG, the LGA and the BCE. Cross-party and cross-authority development work with Councillors will commence once it is clear that both councils are ready to proceed.
5. Residents perceive the council is more distant	
Impact	Action/ control
The council could experience, or be perceived as having a reduced ability to understand and address different needs across the districts. Communities are less resilient, which could result in higher public sector demand and costs.	<p>There will be no change to the customer access arrangements as a result of creating one council. Public access points will remain available in Sudbury and Stowmarket. The use and effectiveness of these arrangements is being monitored. Feedback from communities will inform the development of one council governance arrangements.</p> <p>A detailed communications plan will be developed to ensure active engagement with key partners, stakeholders and the local community to minimise any negative impacts.</p>

6. Lack of understanding / support from the public	
Impact	Action/ control
This would result in a reduction in credibility as perceived by residents, businesses, councillors and other stakeholders. The consequence could be a lack of public trust in the new council and its ability to work as an effective partner and deliverer of public services.	Engagement with the public has included a telephone survey with a representative sample of Babergh and Mid Suffolk residents and further opportunities for anyone to comment. The communications plan will include ongoing public engagement and briefings with staff and politicians so that the key messages can be shared and discussed with the public, local business and other stakeholders.
7. Resistance to change among staff and councillors	
Impact	Action/ control
Different levels of enthusiasm for one council, which could include significant differences between the districts and across the councils with the possibility of councillor resignations/disaffection and potentially the process not being endorsed by both councils. Messages being disseminated by staff and members could be negative and this could impact on public support.	Work with all staff and members will ensure that they are fully informed and engaged with at every step of the process. Work with Unison will also ensure that any staff transitional arrangements are clear and straightforward.
8. Lack of clarity on overall vision and outcomes	
Impact	Action/ control
Increased senior officer and member time required to manage internal and external relationships. Reputational damage and potential impact on service delivery. Members' commitment could falter and there could be a return to the previous separate arrangements.	It is necessary to have a clear, long term, strategic vision for one council, based upon the Joint Strategic Plan and Memorandum of Understanding. The political structures and governance arrangements will be developed in accordance with the overall MHCLG timeline and the timing of elections. A performance management framework is also in place to ensure that the ambitions for the new council are achieved.
9. Changes in the external environment	
Impact	Action/ control
New Government initiatives or policies or a change in local government reorganisation could halt or delay the creation of one council.	Continue to liaise with MHCLG and the LGA regarding any national developments or Government announcements. Business and service planning arrangements will remain flexible so that the Councils can make changes to reflect the changing economic climate and political landscape.

10. Changing status results in unforeseen changes in funding	
Impact	Action/ control
Unanticipated budget and/or service delivery pressures for the new council	Continue to engage with Government departments on new developments throughout the transition to one council.
11. Different service standards or approaches	
Impact	Action/ control
Different policies and service standards in either council are not effectively identified/addressed resulting in unanticipated inconsistencies in service delivery.	Identify any areas of difference in order to achieve a coherent one council approach. This may include some specified geographic variation where appropriate to meet the needs of communities.
12. Predicted benefits are not realised	
Impact	Action/ control
Savings and service benefits are not achieved which creates additional budget pressures for the new council.	Develop an effective framework for managing the financial benefits expected from the change. Detailed project implementation and controls will achieve successful delivery of benefits.

Corporate Risk Matrix

Impact	Disaster	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Bad	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Noticeable	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Minimal	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
Probability / Likelihood						

Likelihood

- | | | |
|---|-----------------|---|
| 1 | Highly Unlikely | <ul style="list-style-type: none"> * Has never occurred before * Would only happen in exceptional circumstances |
| 2 | Unlikely | <ul style="list-style-type: none"> * Not expected to occur but potential exists * Has occurred once in the last ten years |
| 3 | Probable | <ul style="list-style-type: none"> * May occur occasionally * Has occurred within the last five years * Reasonable chance of occurring again |
| 4 | Highly Probable | <ul style="list-style-type: none"> * Expected to occur * Occurs regularly or frequently |

Impact

- | | | |
|---|------------|--|
| 1 | Minimal | <ul style="list-style-type: none"> * Up to £5k * Very minor service disruption (less than one day) * No noticeable media interest * No harm to persons/community |
| 2 | Noticeable | <ul style="list-style-type: none"> * £5k - £50k * Some service disruption, more than one day * Local media coverage * Potential for minor harm/injury |
| 3 | Bad | <ul style="list-style-type: none"> * £50k - £250k * Critical service disruption (statutory services not delivered) * Adverse local/national media coverage * Potential for harm or injury (non-life threatening) |
| 4 | Disaster | <ul style="list-style-type: none"> * Over £250k * Systemic or sustained service loss * Adverse/prolonged national media coverage * Litigation, custodial sentence |
- * Serious injury or death