Appendix B: Alternative Options for meeting the Medium Term Financial Deficit

Local Government is facing a number of challenges to the funding streams that are available to provide key services. The survival of Local Government will depend on a combination of its ability to maximise the efficiency of the services provided and/or commissioned and on maximising the income that can be generated from the various assets and opportunities at the disposal of the council.

The fundamental purpose of councils' remains regardless of what collaborative arrangements and delivery options are used: sovereign bodies who act to set the long term strategy for the district, deliver and commission services that meet local needs, support local business and the quality of life for local residents.

The analysis below expands upon the alternatives options considered in the business case.

Alternative 1
• **Status quo i.e. in-house efficiencies and budget reductions, some shared services:** this approach would require each individual Councils to deliver services within the budgets that each receive whilst pursuing service by service business cases for joint working. • **Summary of analysis:** unlikely to make a significant contribution to the deficit identified in the Medium Term Financial Strategy (MTFS) without significant service reduction and reduction in staff numbers.

Strengths	Weaknesses	Opportunities	Threats
Can be delivered within existing governance arrangements	As staff numbers reduce resilience becomes an issue	Reducing accommodation requirements increase the potential to sub-let office space	Breakdown of services due to reduced resources.
Simplifies service reviews	Does not take advantage of economies of scale		Lack of strategic capacity reduces the ability of the councils to influence
Savings can be quickly delivered	The resource reduction required limits capacity for innovation, improvement and variation of services		Future spending review announcements may develop into a continuing cycle of reduction.
			Fails to meet TCA funding requirements
			Contributes to a culture of malaise and decline

Alternative 2
• **Shared Services with other partners:** this approach would see shared services being developed within and outside of the current partnership. • **Summary of analysis:** offers potential for future savings but relying on attracting additional partners on a business case by business case basis may not deliver a significant contribution to the MTFS.

Strengths	Weaknesses	Opportunities	Threats
Some geographic services may be more suited to sharing with neighbouring authorities	Lack of willingness of neighbours to share services	Could offer more efficient service provision than current arrangements	May not deliver cost savings required
Partnerships within County may be more identifiable to residents	Limited scalability	Improved resilience	Inertia
	Governance can be difficult and difficulties increase as the number of partners expand	Partnering with county councils may pre-empt cross tier policy changes	Resource overhead for senior managers/members to "court" prospective partners
	It can be difficult to drive savings from some geographic based services	"Best fit" approach of partner and service	Extends delivery time scales

Alternative 3
• **Shared Services CDC/SDC/SNC:** under this approach shared services would be implemented across the current partnership without implementing the full confederation model. • **Summary of analysis:** savings could be delivered but not to the extent of a wider confederation approach. Flexibility is limited and income generation less deliverable.

Strengths	Weaknesses	Opportunities	Threats
Does not involve the complications involved in establishment of company structure	Limited scalability	Could offer more efficient service provision than current arrangements	May not deliver cost savings required
Reduced risk of company failure	Governance can be difficult and difficulties increase as the number of partners expand	Improved resilience	Remains "local government" with limited potential for trading
Established approach	It can be difficult to drive savings from	Economies of scale	

	some geographic based services		
Builds on the shared service work undertaken to date.	Fails to instil a commercial ethos limiting the scale of cultural change	Management cost savings	
Staff transfers are simplified via secondments			

Alternative 4

- **Support budgets with asset / investment funding:** this approach would proactively seek income opportunities through investment, asset development and trading activity to underpin the financial position of the Council(s).
- **Summary of analysis:** relies on a growth strategy that may not meet the objectives of the Councils or communities but could and should be considered alongside the confederation proposals.

Strengths	Weaknesses	Opportunities	Threats
Strong investment income can support key services	Asset based income is generally proportionate to risk	Preferential Local Government borrowing rates can be used	Failure of investments
Investments can be used to support social value	Investment income is not guaranteed	Some assets could generate more income	Project overspends
Proactively maximises return on existing council assets	Opportunities limited by most risk adverse partner	Can help with place shaping and regeneration which can deliver further income	Assets do not deliver required income levels
	Requires a pro-growth strategy	Combined asset optimisation can fund further investment	Income levels do not exceed borrowing rates

Alternative 5

- **Individual council companies:** this approach would involve the Councils looking to generate income from trading services on an individual basis.
- **Summary of analysis:** potential for savings but also for greater complexity and potentially fewer opportunities for Member oversight.

Strengths	Weaknesses	Opportunities	Threats
Profits from trading services can be used to support key services	Partner councils could end up competing against each other for work	Company could provide useful services to community and generate income	Competition for private sector and other Councils challenging profit margins
Company strategy set by a single	Not all services will be suitable for	Can be branded as “local” where	Failure of companies that are established

council	trading	appropriate	
Current teams used as basis for traded service	Need to identify customers for the traded services		Taxation
	Duplicates commercial expertise at each Council		

Alternative 6
• **Top down local government re-organisation:** under this approach delivery of county and district council services would be combined into a single delivery body. These are generally based within County boundaries. A variation on this approach could be a locally driven re-organisation where local partners agree and drive a new local government structure. • **Summary of analysis:** not currently on the agenda nationally and devolution and city deals are higher profile in terms of national focus on local government delivery structures. Both national and local approaches would be unlikely to cut across county boundaries which would necessitate unpicking current sharing arrangements. Delivery timescales would not ensure a significant contribution is made to meet the MTFS pressure.

Strengths	Weaknesses	Opportunities	Threats
Single point of contact for residents	District Council services get subsumed within larger organisation	Potential Cost Savings	Pressures imposed by Children's services and adult social care
Councils remain identifiable to residents	Loss of recognition of local issues	Efficiencies through joining up related services	May necessitate undoing shared services work to date
	County Councils are generally less efficient at delivering services	New organisation provides a "big Bang" opportunity to change	Increases timeline for delivery of savings
		Enables genuinely integrated services, policies etc.	

Alternative 7
• **Outsourcing Services to Private Sector:** this approach would transfer the delivery of public services to a private sector organisation through contracts or a form of partnership. • **Summary of analysis:** private sector companies will make profit through efficiencies with a proportion of the savings fed back to the councils. Local jobs may be moved out of the districts and there is potentially less Member control. The track record of whole scale service outsourcing (e.g. large public private partnerships and some joint ventures e.g. South West One) is patchy. Service by service outsourcing has a better track record but will still require client sides in each of the services contracted out.

Strengths	Weaknesses	Opportunities	Threats
Established method of delivering services	When contracts are signed there is often limited opportunity to reduce service without cost	Taking advantage of private sector expertise	Contract costs tends to rise year on year due to inflation clauses
Relatively low implementation costs	Loss of flexibility in service delivery	Reduced staff costs	If large part of revenue budget is committed to contracts further cuts may not be able to be met
	Everything gets charged for		Loss of employment within districts
	TUPE of staff requires time		Loss of democratic accountability
	Complexity of governance if three way contracts are let		Success is reliant on the quality of commissioning and contract management skills

Alternative 8

- **Combined Authority:** the exploration of a combined authority for the area to focus on system wide efficiencies and issues such as economic growth.
- **Summary of analysis:** combined authorities will require co-operation at all tiers across the counties to agree an approach and negotiate with central government. As these discussions are not underway the development and implementation of any combined authority proposals will not meet the timescales required to make a significant contribution to the medium term financial gaps for any of the three councils.

Strengths	Weaknesses	Opportunities	Threats
Simplifies cross region delivery	Limited to specific areas of operation	Potential devolved powers for the sub-region from central government	Requires approval by all local government organisations within the area
In-line with national policy	Does not address wider service transformation	Opportunity to pool resources on a key issues (e.g. economic development) for the benefit of a wider sub-region	Requires a statutory instrument form the Secretary of State to set one up
	The Localism Act 2011 does not allow combined authorities to provide statutory services on a commercial basis	May provide opportunities for alternative governance	Unlikely to cover the same area as he CDC/SDC/SNC partnership and may require unpicking of joint arrangements
	Lengthy negotiation process which has not commenced		