

Executive

Business Case for a shared management team between Cherwell District Council and South Northamptonshire Council

11 October 2010

Report of Portfolio Holder for Resources and Communications, Leader and Chief Executive

PURPOSE OF REPORT

To consider the business case for a shared management team between Cherwell District Council and South Northamptonshire Council.

This report is public

Recommendations

The Executive is recommended:

- (1) To hear at the meeting the outcome of the Extraordinary Joint Meeting of Resources and Performance Scrutiny Board and Overview and Scrutiny Committee on 6th October at which both Committees considered the business case and the comments received during the consultation with unions and staff at both councils.
- (2) To recommend to Council at its meeting on 3rd November 2010 that it approves the business case (and the fifteen specific recommendations included in it) for a shared management team between Cherwell District Council and South Northamptonshire Council, subject to any amendments the Executive make after hearing the outcome of the scrutiny committees at (1).

Executive Summary

Introduction

- 1.1 On 12th July 2010 the Executive considered a report and agreed to establish a Joint Member Working Party to examine the business case for sharing a senior management team between Cherwell District Council (CDC) and South Northamptonshire Council (SNC), recognising at the same time that this may well lead to joint teams for service delivery in the future.
- 1.2 Cherwell District Council's members on the Joint Working Group are:
 - Cllr James Macnamara (who was nominated as Vice Chairman of the

- group)
- Cllr Ken Atack
- Cllr Nick Cotter
- Cllr George Reynolds
- Cllr Barry Wood
- Cllr Nicholas Turner (substitute)
- Cllr Douglas Williamson (substitute)

Proposals

- 2.1 The Joint Working Group issued a draft business case on 17th September and by doing so has delivered what was asked of the Group to the agreed timetable.
- 2.2 The Joint Working Group recommends that Cherwell District Council and South Northamptonshire Council put a shared management team in place by the end of March 2011. It is proposed that the Executive accept this recommendation and recommend this in turn to full Council, after taking into account comments and recommendations from Resources and Performance Scrutiny Board and Overview and Scrutiny Committee.

Conclusion

- 3.0 This recommendation fulfils the requirement set by the Executive of the Joint Working Group and therefore ends this stage of the project.

Background Information

- 4.1 Over the summer a great deal of work has taken place between members and officers of South Northamptonshire Council and Cherwell District Council in order to formulate and deliver a full business case on creating a shared senior management structure that will serve both councils.
- 4.2 The draft business case resulting from this work was published by the Joint Working Group on 17th September and has already been circulated to all members. Members are requested to bring copies with them to the meeting. The Executive Summary is attached as **Appendix A** to this report.
- 4.3 All of this work has taken place alongside the relevant budget processes both here and at South Northamptonshire Council. Within our own medium term revenue plan we are assuming a realistic case scenario which includes a 6.5% reduction in formula grant each year for the three years starting 1 April 2011 and an £800,000 pressure arising from the loss of the concessionary fare budget. These, with other factors, add up to a possible total budget shortfall of £15.8m between now and the end of 2014/15 on the basis that we take no action until the very end of this period. However, the sooner we act, the smaller the cut in actual expenditure we will need to make.
- 4.4 The extent to which our formula grant will be cut will not be known until probably the beginning of December. Even then the figure will only be provisional with the final figure released in January or February 2011. We expect that we will be better informed on the scale of the cuts we will face after the Government has reported the outcome of the Comprehensive Spending Review on the 20th October 2010.

Summary of the proposal

- 5.1 The business case proposes a shared senior management team of twelve posts, with three further posts to be shared at this stage. Putting these shared posts in place will deliver an **ongoing annual saving of £686,000** to this council, adding up to **£3.430m over the next 5 years**.
- 5.2 The implementation costs associated with achieving this annual saving of £686,000 will vary depending on which staff leave the two organisations and therefore a range of costs have been estimated in the draft business case. The lowest cost estimate is £817,000. The middle case (as used in the business case) is £1.384m and the highest cost estimate is £1.693m.
- 5.3 The Joint Working Group has recommended that, regardless of which staff in which organisations are made redundant, the costs will be split on a 60:40 basis, with Cherwell District Council picking up 60% of the costs. Both District Auditors have agreed with this approach 'in principle' and we will be able to report further at the meeting by which time the two Heads of Finance will have had another meeting with the District Auditors.
- 5.4 The expected overall pay back period for Cherwell District Council is 1.21 years, working on average one-off costs. This will improve to 0.71 years if one-off costs prove to be our best case costs or drop back to 1.48 years if we face the worst case one-off costs.
- 5.5 The business case is based on a maximum of 30 weeks redundancy compensation being given at both councils. This is currently not the practice

at South Northamptonshire Council and the business case states that if either council awards, at their discretion, redundancy compensation exceeding 30 weeks then that council will be responsible for covering that additional cost.

- 5.6 The business case also identifies the possibility for further savings elsewhere in the organisations if a joint management team structure is put in place. Indicatively it sets out the level of additional savings if costs in the next tier of management were reduced by 15%, 20% and 25%.
- 5.7 If 20% reductions were identified in the next tier of management, as a result of the opportunities to work more closely once the senior management team were in place, this would equate to an approximate further **ongoing annual saving for Cherwell District Council of 392,000 (or £1.960m over 5 years)**.
- 5.8 These savings would be in addition to the ones detailed at 5.1, and if delivered, **would bring the total annual saving to potentially £1.078m per year**, subject to further business cases which would explore the costs and benefits of services on a case by case basis.

Key Issues for Consideration/Reasons for Decision and Options

The approach in the recommendations is believed to be the best way forward. The following option has also been identified.

Option One	Not to recommend the business case to full Council. However, the financial benefits are clear and the risks of delivery appear to be manageable. If this case was not to be recommended to full Council the £3.430m saving generated directly by the business case would have to be found from making cuts to the council's own management team, from out-/in-sourcing a range of corporate services and almost certainly from cuts to other services, in light of the greater difficulty and time required in securing these alternative savings. Future savings of the type identified in the business case would also be foregone.
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Consultations

Elected members	The Resources and Performance Scrutiny Board and Overview and Scrutiny Committee are meeting jointly on 6 th October to consider the business case and will be reporting their findings to the Executive on 11 th October.
Unions and staff	Consultation with UNISON and staff and began on 21 st September 2010 and will close on 4 th October 2010. The outcome of this consultation will be reported to the joint meeting of the Resources and Performance Scrutiny Board and Overview and Scrutiny Committee and then on to the Executive.

Implications

Financial:	These are set out in full in the business case. Comments checked by Karen Muir, Corporate Systems Accountant 01295 221559
Legal:	These are dealt with in section 7 of the business case and the proposed section 113 agreement between the two councils is set out in draft at appendix 6. Comments checked by Nigel Bell, Solicitor 01295 221687
Risk Management:	These are dealt with in section 8 of the business case and the risk register at appendix 8. Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566
Human Resources	No immediate impact at this stage although all recruitment and redundancy processes which may follow must comply with the Council's policies and legal obligations. Comments checked by Anne-Marie Scott, Head of People and Improvement 01295 221731

Wards Affected

All

Corporate Plan Themes

All

Executive Portfolio

Councillor James Macnamara
Portfolio Holder for Resources and Communications

Councillor Barry Wood
Portfolio Holder for Policy, Community Planning and Community Development

Document Information

Appendix No	Title
Appendix 1	Business case executive summary
Background Papers	
12 July 2010 Report to Executive, The Case for Considering Close Joint Working between Cherwell District and South Northamptonshire Councils	
Report Author	Mary Harpley, Chief Executive
Contact Information	01295 221573 mary.harpley@cherwell-dc.gov.uk

DRAFT BUSINESS CASE

**from the Joint Working Group
for a shared senior management team
between**

**South Northamptonshire Council
and
Cherwell District Council**

17 September 2010

Joint Working Group

South Northamptonshire

Cllr Ian McCord (Chairman)
Cllr Caryl Billingham
Cllr Steve Clarke
Cllr Diana Dallyn
Cllr Paul Farrow
Cllr Blake Stimpson
Cllr Martin Wilson

Cherwell

Cllr James Macnamara (Vice Chairman)
Cllr Ken Atack
Cllr Nick Cotter
Cllr George Reynolds
Cllr Nicholas Turner
Cllr Douglas Williamson
Cllr Barry Wood

**Members, beyond Joint Working Group, who have participated in discussions
with other councils as part of the development of this business case:**

South Northamptonshire

Cllr Dermot Bambridge
Cllr Carole Clarke
Cllr Steven Hollowell
Cllr Timothy Jackson-Stops
Cllr John Kilmister
Cllr Mary-Anne Sergison-Brooke
Cllr John Townsend
Cllr Sally Townsend
Cllr Allen Walker
Cllr Tony Wilkinson

Cherwell

Cllr Colin Clarke
Cllr Michael Gibbard
Cllr Nigel Morris
Cllr George Parish
Cllr Debbie Pickford
Cllr Dan Sames

FOREWORD

The Joint Working Group of elected members from South Northamptonshire Council and Cherwell District Council has now produced a joint draft business case for the creation of a shared senior management team. Subject to consultation with elected members, staff and unions at both councils the Joint Working Group is recommending that a shared team is in place by the end of March 2011.

Today, Tuesday 21st September, marks the beginning of our first consultation period with elected members, staff and unions which will be open until Monday 4th October at 12 noon. During this consultation we are seeking your views and feedback on the overall proposal. A summary of comments from both organisations will be discussed at meetings of both councils' scrutiny committees on 6th October before the South Northamptonshire Cabinet and the Cherwell Executive consider the Joint Working Group's recommendations on 11th and 25th October respectively. The recommendations of the Executive and Cabinet will then go onto both full Councils on 3rd November.

Both UNISON branches have been briefed on this proposal and have been asked to submit responses to it directly to the Joint Working Group. These responses will also be available to the meetings of the scrutiny committees.

In developing this business case, the Joint Working Group was supported by officers from both councils. As you will see the Joint Working Group has put a lot of effort into learning lessons from authorities who have already taken this route. All those who have successfully shared a management team have advised us to do it and reap the rewards; none has regretted it.

We know that many District Councils in England who are not already in a formal partnership arrangement with a neighbouring district are now seriously talking about it. They are doing this to help save council taxpayers' money to preserve services for residents and to respond to expected cuts in government funding over the coming years. The discussion the Joint Working Group has been having over the last few weeks is of course part of this bigger picture. Sharing a senior management team between us will not remove the need for both councils to make other savings. However, working together would open up options unavailable previously to either council and allow us to protect more services for the longer-term.

This is not a merger of our two councils but a model that strives to show that working together is the best way we can deliver good services to our communities in the years to come. South Northamptonshire Council and Cherwell District Council will continue to be two sovereign bodies with differences in policy and procedure as now.

Should both full Councils agree to create a shared senior management team both Councils will create a Joint Personnel Committee. This would recommend the appointment of a shared Chief Executive in December, and then go on to appoint shared Directors in January and shared Heads of Service in March. There are three further shared posts included in the business case because they are part of the broader management team and are responsible for key corporate functions and these appointments would be made in April/May. There are no firm plans at this stage to share other posts, but the business case recognises that there may be a good case to do so in some areas in the future. If this is the case, further consultation will take place at the appropriate time.

At this stage we are seeking your views on the **overall proposals and rationale**. Clearly there is a much more significant potential impact on the management teams at both councils at this stage and if elected members decide to take this step on 3rd November the affected groups will be consulted in much greater detail on the new structure and posts included within it.

Consultation comments, responses and questions should be sent to our respective HR teams via Anne-Marie Scott at Cherwell District Council and Gina Thomas at South Northamptonshire Council. We are very keen to hear staff views on this critical decision so please take this opportunity to participate.

Best Wishes



Jean Morgan
Chief Executive – SNC



Mary Harpley
Chief Executive - CDC

CONTENTS

Section	Topic	Page
1	Executive Summary	7
2	Background	11
3	Lessons from councils who already share senior management teams	15
4	Potential shared roles and structures	19
5	Costs and benefits	22
6	Timing of implementation	29
7	Legal arrangements and arrangements for member appointments to shared senior team	31
8	Success criteria and project risks	32
9	Potential for savings beyond the senior management team	34
10	Engagement strategy	36
11	Recommendations	37
12	Appendices:	
Appendix 1	Terms of reference of joint working group	
Appendix 2	I&DeA report – Shared chief executives and joint management: a model for the future?	
Appendix 3	Notes from meetings with three other pairs of district councils who already have shared senior teams in place	
Appendix 4	Current senior management team structures at SNC and CDC	
Appendix 5	Illustrative shared senior management team structures	
Appendix 6	Draft 113 agreement	
Appendix 7	Proposed terms of reference of joint personnel committee	
Appendix 8	Risk register	

1.0 EXECUTIVE SUMMARY

Introduction

- 1.1 Cherwell District Council's (CDC) Executive and South Northamptonshire Council's (SNC) Cabinet agreed in June to set up a Joint Working Group to oversee the development and delivery of a detailed business case for the creation of a single senior management team to serve both councils. This document summarises the Joint Working Group's findings and recommendations. Members, staff and unions of both councils will be consulted before the Joint Working Group presents its final recommendations to the scrutiny committees of both councils and to CDC's Executive and SNC's Cabinet. The final decisions will be taken by both CDC and SNC at meetings of both full councils on 3 November.
- 1.2 Like all councils SNC and CDC face significant shortfalls in their Medium Term Financial Strategies (MTFS) in light of the expected cuts to the grants local authorities receive from central government. Government departments are almost certainly facing real terms grant cuts over 4 years of 25-40% and while the detailed assumptions of SNC and CDC are different, in some respects it is clear that the type of cost-saving activities, which have been successfully pursued in both councils in recent years, are not going to deliver the larger-scale cost reductions now required.
- 1.3 But CDC and SNC have much more in common than their financial challenges. Both councils are managing significant housing growth with the infrastructure and resource challenges this brings. Both have ambitions for improving the quality of life of their residents, and for supporting their businesses in ways which go beyond the usual remit of district councils. This work takes up significant staffing capacity which the Leaders of CDC and SNC and the Joint Working Group would like to continue for as long as possible.
- 1.4 Both councils are now well advanced with their service and financial planning for 2011/12 and beyond. Both are considering potential cuts to services. Although it is unlikely that bringing the management teams together would remove the need for any service reductions, the savings from such a move would significantly reduce the shorter and medium-term cuts required. If they adopt joint working, members of both councils will have options that would not be the case if they continue to work alone.

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Key workstreams

- 1.5 Before arriving at our recommendations we, the Joint Working Group, invested much effort in a number of pieces of work in order to present a comprehensive business case:
- 1.6 ***Lessons from councils who have already put shared management teams in place***
We visited/spoke to three pairs of district councils who share management teams, and were joined at these meetings by many other elected members from both councils.
- 1.7 ***Potential shared roles and structures***
Our work on a potential shared management team structure and roles took into account the current top-level structures of SNC and CDC, and the structures already in place elsewhere. We also considered which current roles are equivalent to which potential new roles, and therefore which current postholders would be eligible to apply for which.
- 1.8 ***Costs and benefits***
We considered the ongoing costs and benefits of a shared senior management team, the one-off costs, the affordability for both councils, and the payback periods for both. We also considered the potential models for allocating costs or savings between the councils.
- 1.9 ***Timing of implementation***
We considered the pace at which CDC and SNC should move to a shared management team, particularly in light of the all-out elections at SNC in May.
- 1.10 ***Legal arrangements and appointments to shared senior team***
We considered the legal arrangements which would need to be in place to allow SNC and CDC to share a senior management team, and arrangements for member appointments to shared posts.
- 1.11 ***Risks***
We considered the risks of combining the two current management teams into one, and the mitigating actions required to manage these risks.
- 1.12 ***The potential for savings beyond the senior management team***
In accordance with the scope of our terms of reference, we briefly considered the potential further savings which would come from CDC and SNC sharing officers at the tier below Heads of Service.

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Conclusions

We drew a number of conclusions from our work:

- 1.13 **Lessons from others**
That councils who share management teams do retain their sovereignty, and elected members of such councils remain in charge of decision-making in their respective districts.
- 1.14 That councils do share management teams successfully; that the theoretical savings have turned out to be real and often greater than predicted; that shared officers do successfully serve two councils even where the priority projects and policies are different; that councils which share management teams do carry on working in other partnerships where appropriate.
- 1.15 **Shared structure**
That SNC and CDC should share a senior management team comprising twelve posts – a Chief Executive, three Directors and eight Heads of Service – and, beyond the senior management team, three further posts.
- 1.16 **Financial benefits**
That these fifteen proposed shared posts would cost a total of £1,601,000, compared to a total current cost of £2,647,000, representing a total annual saving of £1,046,000 on the councils' current costs.
- 1.17 That CDC and SNC should share the ongoing costs of these shared posts 50/50, recognising that officers appointed to these roles will split their time equally between the two organisations. There will be an **annual saving of £360,000 for SNC and £686,000 for CDC and cumulative 5-year savings of £1,800,000 for SNC and £3,430,000 for CDC.**
- 1.18 That the one-off costs are estimated as £1,384,000, and that CDC should pay 60% of these in light of its size relative to SNC and also in order to secure broadly similar payback periods for both councils. This represents costs to SNC of £553,600 and costs to CDC of £830,400, assuming average one-off costs, and that all posts are filled internally.
- 1.19 That these one-off costs would be paid back in 1.54 years to SNC in 1.21 years to CDC.
- 1.20 That these one-off costs should include a contingency sum of £300,000.

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- 1.21 That in the worst case one-off costs would be £1,693,000, depending ultimately on which officers are appointed to the new roles. This worst case represents costs to SNC of £686,000 and costs to CDC of £1,016,000, and the payback period to SNC is extended to 1.88 years and to 1.48 years to CDC; still comfortably inside the timeframe required by the Medium Term Financial Strategies of each council.
- 1.22 That in both the average and worst case scenarios the one-off costs are fundable from the balances and earmarked reserves of both councils.
- 1.23 That it is assumed that both councils apply the statutory number of weeks (maximum 30) to redundancy calculations, but that should the number of weeks' compensation awarded be greater than this, then the additional cost is borne by the relevant council.
- 1.24 **Pace**
That this shared team should be put in place quickly.
- 1.25 **Legal arrangements and appointments to shared posts**
That a Section 113 agreement is the most appropriate mechanism to provide the legal framework for joint working, and a new joint committee is required for elected members of both councils to make appointments to posts in the shared senior management team and to carry out other required functions such as the appraisal of the shared Chief Executive.
- 1.26 **Risks**
That in light of the risk assessment and the extensive learning and advice from other councils, the benefits of CDC and SNC sharing a senior management team outweigh the risks, subject to the mitigating actions being implemented.
- 1.27 **Potential further savings beyond the senior team**
That at the tier below Service Head savings of 15-25% are probably achievable and could deliver **further annual savings ranging from £168,000 to £280,000 for SNC and £294,000 to £489,000 for CDC.** Assuming a 20% reduction in costs, such action could deliver cumulative savings over five years of **£1,120,000 to SNC (£224,000 per annum) and £1,960,000 to CDC (£392,000 per annum).**

Recommendations

- 1.28 We, the Joint Working Group, subject to consultation with members, staff and unions at both councils, recommend to the CDC Executive and the SNC Cabinet that CDC and SNC put in place a shared management team by the end of March 2011.
- 1.29 We make a further fourteen recommendations which are laid out in Section 11.

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