

# Executive

## Final business case for a shared management team between Cherwell District Council and South Northamptonshire Council

6 December 2010

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

#### PURPOSE OF REPORT

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

This report is public
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#### Recommendations

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The Executive is recommended:

- (1) To recommend to Council at its meeting on 8<sup>th</sup> December 2010 that it approves the business case (and the eighteen specific recommendations included in it) for putting in place a shared management team between Cherwell District Council and South Northamptonshire Council by the end of September 2011.
- (2) To recommend to Council in addition that Council endorses the view of the Executive that, once a shared senior management team is in place, the Council can aspire to continued excellent performance.
- (3) To confirm that, after consultation with the Chairman of Overview and Scrutiny Committee, it is agreed that it is in the Council's interest for this decision to be taken urgently and the right to call-in is waived to enable a binding decision to be taken by Council on 8<sup>th</sup> December.

#### Executive Summary

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##### Introduction

- 1.1 On 11<sup>th</sup> October 2010 the Executive considered the draft business case for putting in place a shared management team with South Northamptonshire Council. At the same time Executive members heard from the Chairmen of the Overview and Scrutiny Committee and the Resources and Performance Board who reported back the findings and the recommendations of the two

Committees which had met jointly on 6<sup>th</sup> October to consider the business case and the consultation feedback from staff and unison.

- 1.2 In light of the feedback from the two scrutiny committees approved the draft business case, but made two additional recommendations. Firstly, that the Joint Working Group consider mechanisms for making the recruitment to the shared Chief Executive an open recruitment process. Secondly, that a joint ICT Steering Group be set up comprising members and officers from both councils to ensure that the required ICT support which is needed for joint working is properly considered in advance of the appointment of the first shared posts.
- 1.3 The Joint Working Group has considered the question of recruitment to the shared Chief Executive post and the business case now recommends that this is an open recruitment process, supported by recruitment consultants appointed by both councils. Appendix 8 of the final business case lays out the proposed Job Description and Person Specification. Recruitment consultants are being selected in advance of the 8<sup>th</sup> December by the Leaders of the two councils, supported by a small project team. The successful firm will be formally appointed on 9<sup>th</sup> December, subject to the decisions at both full councils, and recruitment to the shared Chief Executive post will start immediately after that.
- 1.4 A joint ICT Steering Group has been established and has already met for the first time. Its agreed terms of reference are laid out in Appendix 2 of the final business case.
- 1.5 The final business case is attached as Appendix 1. The Joint Working Group took into account the findings and recommendations of the scrutiny committees at both councils, as well as the consultation feedback from staff and unions at both councils and agreed a series of further changes to the final business case. None of the annual savings or costs projected for Cherwell have changed since the draft business case. The projected payback periods also remain the same.
- 1.6 Section 2 of the final business case lays out the main changes and additions to the final business case. In summary,

**Timetable** The final recommendation is for the shared senior management team to be in place by September 2011, rather than March 2011 as previously and assumes that the shared Chief Executive will be in post sometime between 1 March and 1 June 2011.

**Outline structure of the senior management team** The proposed structure remains unchanged as Chief Executive, 3 Directors and 8 Heads of Service, but the reasoning behind it is now explained in detail.

**Ringfencing of current post holders to roles** Changes have been made to this in light of feedback from staff here at Cherwell District Council.

**Further developments** The business case now recognises the opportunity we will have as two councils sharing one management team to work in partnership in a 'confederation' with other public sector organisations (other local authorities, health, the police and others) to secure further savings.

## **Proposals**

- 2.1 The Joint Working Group recommends that Cherwell District Council and South Northamptonshire Council put a shared management team in place by the end of September 2011. It is proposed that the Executive accept this recommendation and recommend this in turn to full Council who will take the final decision on whether to go ahead on 8<sup>th</sup> December.

## **Conclusion**

- 3.0 The business case is now finalised and should be recommended to full council.

## Background Information

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- 4.1 Since July 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 17<sup>th</sup> September. This final version takes into account the formal recommendations from the scrutiny committees of both councils as well as consultation feedback from staff and unions at both councils.
- 4.3 All of this work has taken place alongside work to develop 2011/12 budgets and updated medium Term Financial Strategies both here and at South Northamptonshire Council. We now know from the Comprehensive Spending Review report that grants from central government to local government will be cut by 26% over the next four years. This cut, combined with the loss of the concessionary fare budget and other factors, means that we are now facing a possible total budget shortfall of between £13.8m and £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. Putting this proposed shared management team (15 shared posts in total) in place by September 2011 makes a £2.3m contribution to the total shortfall and contributes £333,000 to the 2011/12 budget. It also opens up the possibility of further savings over the next four years should both councils agree to take joint working further.
- 4.4 Should this proposal for a shared management team not be accepted by both full councils then we will have to find the £2.3m from elsewhere. The joint meeting of the Overview and Scrutiny Committee and Resources and Performance Board on the 6<sup>th</sup> October considered our 'Plan B' – the cutting of five posts from our Extended Management Team and a range of actions to out-source and in-source work from/to our finance, human resources and legal teams. Members concluded that this was a far inferior option to the proposal for a shared management team.

## Summary of the proposal

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- 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 cumulative savings over 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.
- 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 in line with the policies at both councils. Should either council award, 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 cumulative 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**

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

<b>Option One</b>	Not to recommend the business case to full Council. However, the financial benefits are clear and the risks of delivery are 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**

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<b>Elected members</b>	The Resources and Performance Scrutiny Board and Overview and Scrutiny Committee met jointly on 6 <sup>th</sup> October to consider the business case and their findings and recommendations have been taken into account in this final business case.
<b>Unions and staff</b>	UNISON and staff at both councils have been formally consulted on the draft business case and their comments have been taken into account in this final business case.

## **Implications**

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**Financial:** These are set out in full in the business case. The contribution to the 2011/12 budget would equate to a minimum of £333,000 if the timetable proposed in the business case was achieved.

Comments checked by Karen Muir, Corporate Systems Accountant 01295 221559

**Legal:** These are dealt with in Section 8 of the business case and the proposed section 113 agreement between the two councils is set out in Appendix 3. It is proposed that, subject to the decisions of both councils on the 8<sup>th</sup> December, this legal agreement is signed by both councils on the 9<sup>th</sup> December.

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

**Risk Management:** These are dealt with in Section 9 of the business case and the risk register at Appendix 6. The risk register has been updated since the draft business case to take into account the fact that time has either eliminated risks or further mitigations have reduced their impact. There remain two risks still assessed as high even after mitigation measures. We believe we should tolerate these at this level going forward, but continue to pay detailed attention to them.

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**

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All

## **Corporate Plan Themes**

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All

## **Executive Portfolio**

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**Councillor James Macnamara**  
Portfolio Holder for Resources and Communications

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

## **Document Information**

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Appendix No	Title
Appendix 1	Final business case
<b>Background Papers</b>	
<p>12 July 2010 Report to Executive, The Case for Considering Close Joint Working between Cherwell District and South Northamptonshire Councils</p> <p>6 October 2010, Minutes of Extraordinary Joint Meeting of the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board</p> <p>11 October 2010, Report to Executive, Business case for a shared management team between Cherwell District Council and South Northamptonshire District Council</p>	
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