

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.

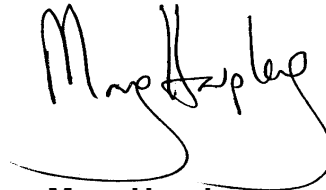
At this stage we are seeking your views on the **overall proposals and rationale**. Clearly there is a much more significant potential impact on the management teams at both councils at this stage and if elected members decide to take this step on 3rd November the affected groups will be consulted in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

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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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2.0 BACKGROUND

- 2.1 In June 2010, the CDC Executive and SNC Cabinet agreed to explore the feasibility of sharing a senior management team in order to save costs and develop closer working practices. To this end, a Joint Working Group was set up in July 2010 to oversee the development and delivery of a detailed business case for the creation of a single senior management team (CEX, Directors and Heads of Service) to serve both CDC and SNC, and to present this to the CDC Executive and SNC Cabinet on 11 October 2010, and subsequently to both Council's full council meetings on 3 November 2010. The terms of reference of this Joint Working Group are included in Appendix 1.

Financial challenges faced by both councils

- 2.2 Both SNC and CDC have successfully reduced their running costs in recent years by securing efficiencies and transforming services. Both have taken out costs and looked to find new income streams.
- 2.3 SNC revenue costs have increased very slightly over the last 4 years from £11.5m in 2007/08 to £12.1m in 2010/11. This was due in part to a decision to invest in senior capacity (following stock transfer) in order to develop an outward facing, policy-led, advocacy organisation. The council has achieved this by making significant revenue savings and by increasing revenue income (£5.4m since 2008/09 with further measures in the 2010/11 budget of £1.3m). The budget reliance on investment income has been significantly reduced, although the Council has achieved a 3% return on four packages totalling £20m which mature over the next three years. All of this has enabled the impact on frontline services to be kept to a minimum.
- 2.4 CDC has reduced its revenue costs by £5m (21%) in the last 4 years, from £23.5m in 2007/08 to a budget of £18.5m in 2010/11. Reductions in total staff costs have driven this almost entirely, reducing from £21.1m in 2007/08 to £16.9m in 2010/11. Only minor cuts have been made to services along the way. At the same time CDC has deliberately reduced its exposure to investment income, relying in 2010/11 on investment income for 6% of the revenue budget, compared to 29% in 2007/08.
- 2.5 But despite this good work, both councils face significant shortfalls in their Medium Term Financial Strategies (MTFS). Both councils are working to three MTFS scenarios, which in turn project total shortfalls for 2011/12 to 2014/15. The shortfalls are significant for both councils although the detailed assumptions around cuts to formula grant, concessionary travel pressures and other issues are different.

	Cherwell	South Northants¹
Best case	£11.3m (assumes formula grant cut by 5% per year for 3 years)	£4.2m (assumes formula grant freeze)
Realistic case	£15.8m (assumes formula grant cut by 6.5% per year for 3 years)	£6.9m (assumes formula grant cut by 10% in 2011/12)
Worst case	£16.8m (assumes formula grant cut by 20% over 2 years)	£10.3m (assumes formula grant cut by 6.5% per year for 3 years)

- 2.6 The budget on 22nd June made it clear that unprotected Whitehall departments such as Communities and Local Government (DCLG) are likely to face cuts of at least 25% over the next 4 years. Depending which departments secure a degree of protection, and assuming DCLG is not one of those, we may be facing cuts in the order of 30% over the next 4 years.
- 2.7 *However, it should be noted that cuts of this order are ‘real terms’ reductions after taking into account an element of growth for inflationary pressures in the future. The ‘cash’ reductions will be lower than the ‘real terms’ reductions being quoted. Both authorities have incorporated ‘cash’ reductions into their MTFs.*
- 2.8 We are very unlikely to have further news now until the outcome of the Comprehensive Spending Review is announced on 20th October 2010. We will then be certain of the level of cuts being imposed on DCLG, although both councils will have to wait until November/December before the provisional settlement details are announced, and until January before we are informed of our final settlement figures.
- 2.9 In seeking savings to date, both Councils have worked in partnership with other local authorities. SNC has a partnership with three other councils to prepare the Local Development Framework, which is the responsibility of the West Northamptonshire Joint Strategic Planning Committee supported by a Joint Planning Unit. It has a joint Community Partnership Unit (and a joint, statutory Community Safety Partnership) with Daventry District Council and also provides payroll services to DDC. It also works closely with Aylesbury Vale DC and Buckinghamshire CC on issues related to Silverstone Circuit, which

¹ Cherwell project their medium term revenue plan over a four year period and therefore in order to ensure comparability the South Northants projections have been provided for the same period (rather than the normal five year period reported to the SNC Budget Working Group). The five year period figures would be £5.2m (optimistic), £8.6m (realistic) and £13.0m (pessimistic).

Additionally the South Northamptonshire figures do not incorporate the £1m reduction that full council agreed in June 2010. The above figures would be reduced by £5m if these were incorporated (and the figures in the table by £4m)

straddles the districts' boundaries. CDC tendered and procured its internal audit services and its treasury management services jointly with Oxford City Council and is increasingly using the Oxford Procurement Hub to procure utilities and other services. Cherwell is currently sharing a S151 officer on an interim basis with SNC.

- 2.10 However, while both councils continue to pursue cost-saving opportunities with others where opportunities arise, the size of the potential shortfalls in both MTFs means a more strategic and more focussed approach to joint working is needed to make larger-scale opportunities possible, some of them in the short-term. In the meantime, neither council will need to undo any of these partnership arrangements. If CDC and SNC agree to share a senior management team it will be appropriate to review these as and when the right opportunities arise.

Much more in common than our financial challenges

- 2.11 One of the widely recognised necessary starting points for successful joint working at the scale proposed, is a degree of commonality between the councils and the districts they serve, allowing a shared group of officers to serve two different councils effectively and with sufficient common ground to open up the potential for efficiencies to flow from shared services.

- 2.12 SNC and CDC have a significant amount in common in terms of the districts we serve and our ambitions for service delivery and enhancing the quality of life of our residents. The following table provides a comparison between the two councils over a commonly used set of characteristics.

	Cherwell	South Northants
Land area	230 square miles	250 square miles
Current population	137,400	90,300
Population estimate (2031)	169,900	113,700
Number of Councillors	50	42
Staff (FTEs)	487	227
Revenue budget 2010/11	£18.5m	£12.1m
Band D Council Tax 2010/11	£123.50	£170.37

Our strategic priorities are similar:

Cherwell	South Northants
<ul style="list-style-type: none"> ▪ Cherwell: A District of Opportunity ▪ A Cleaner, Greener Cherwell ▪ A Safe, Healthy Cherwell ▪ An Accessible, Value for Money Council 	<ul style="list-style-type: none"> ▪ Preserve what is special ▪ Protect the vulnerable ▪ Enhance performance

2.13 In particular, both councils are trying to manage significant housing growth with the infrastructure challenges this brings. South Northamptonshire is part of the Milton Keynes South Midlands (MKSM) area – the largest national growth area – and part of Cherwell (Bicester and the surrounding area) is included in one of the South East’s Diamonds for Growth. In August 2010 both Councils supported the South East Midlands Local Enterprise Partnership proposal.

2.14 Both councils have ambitions for delivering for our districts in ways which go beyond the usual remit of district councils, working with partners to deliver members’ and residents’ priorities. Such work takes up significant staffing capacity which Leaders of both councils and the Joint Working Group would like to preserve for as long as possible.

For example:

Cherwell	South Northants
<ul style="list-style-type: none"> • Securing a flood alleviation scheme for Banbury • Delivering a national exemplar eco town at Bicester • Protecting maternity and paediatric services at the Horton Hospital in Banbury • Working to maintain the right fit between employers’ needs and local workforce skills – in good times and through recession 	<ul style="list-style-type: none"> • Helping shape the future of West Northamptonshire’s growth • Securing the future of Towcester by the Moat Lane regeneration scheme • Regenerating Brackley Town Centre – implementing the agreed Masterplan • Ensuring sustainable rural communities (Interim Rural Housing Strategy)

Service and financial planning 2011/12

2.15 Both councils are now well advanced with their service and financial planning for 2011/12. Should both councils agree to put in place a shared management team, the 2011/12 savings from such a move would prevent some shorter-term cuts to services. It is unlikely that bringing the management teams together would remove the need for any other cuts. However, working together would open up options previously unavailable to either council and unavailable to each working on its own.

3.0 LESSONS FROM COUNCILS WHO ALREADY SHARE SENIOR MANAGEMENT TEAMS

- 3.1 The IDeA report *Shared chief executives and joint management: a model for the future*, published in October 2009, lays out the joint arrangements under which nine pairs of district councils (and one district and one county council) share a group of senior officers as well as some teams and under which all have achieved efficiencies. The report (attached as Appendix 2) demonstrates that safeguarding services though greater efficiencies is now the main motivation for pursuing joint management arrangements and shared services. It concludes that the benefits go beyond the financial savings to be made from taking the first step to move to one management team, to greater opportunities for efficiencies from shared services, savings from joint procurement and a higher profile for the pairs of councils who now represent between them combined populations of up to 250,000 people. The report is also clear that such savings are achievable much faster than they would otherwise be after the creation of one shared top team.
- 3.2 The same report includes a checklist of key factors to consider when thinking about shared management arrangements:
- Ensure no large cultural differences
 - There must be similarities in the areas covered by the councils
 - The communities need to have some similarities
 - Both councils must trust the chief executive
 - There must be clear and understood governance
 - Politicians must be able to trust and work with each other.
- 3.3 The Joint Working Group, and other elected members from both councils, have invested significant time in understanding in detail the lessons to be learned from members and officers at other councils who have already trodden this path. We have visited/spoken to:
- South Oxfordshire and Vale of White Horse District Councils and spoken to both Leaders and one of the Directors
 - East Hampshire and Havant District Councils and spoken to one of the Leaders and the shared Chief Executive (the other Leader was ill on the day)
 - The shared Chief Executive of High Peak and Staffordshire Moorlands Borough Councils
- 3.4 The notes of these three sessions, subsequently discussed in detail at meetings of the Joint Working Group, are included in Appendix 3, alongside the questions we used to explore issues at the first visit to South Oxfordshire and Vale of White Horse and built on during subsequent visits. We judge these to be the most important lessons we learned:

3.5 Setting the direction

- **Sovereignty** – is not compromised.
- **Communications** – cannot do enough with members, officers, unions and stakeholders. Keep messages clear and simple, and repeat the message as it will not always be heard or understood the first time. Be consistent. Use all media, email, face to face, letters, briefings etc.
- **Trust and clarity** – both groups of members must trust the shared Chief Executive, and be clear with him/her about their expectations and priorities. It is not essential that both councils are controlled by the same political group (South Oxfordshire and Vale of White Horse).
- **Similar issues and priorities** – both districts should have some common issues and concerns, requiring similar expertise in officers.
- **Different priorities** – can be recognised and respected – whether in the way resources are allocated or paid for, or in the way constitutions remain different and distinct.
- **Shared S151s and Monitoring Officers** – this works.

3.6 Impact on structure

- **Harmonising terms and conditions** – at the outset or after appointment of senior management team, both models are possible, although not harmonising in advance adds complexity in an already complex environment.
- **Employing the shared management team** – all officers employed by one organisation or employed by “home” (originating) organisation.

3.7 The transition

- **Pace** – once the proposal is agreed, it is important to move as quickly as possible in order to minimise uncertainty for officers.
- **IT** – this is crucial to efficient working from more than one location/base for officers, and it is essential compatible IT systems are in place in both organisations as early as possible.
- **Appointing the shared management team** – by a Joint Appointments Committee/Panel, comprising members from each organisation.
- **Rigorous project management** – ensures this complex series of inter-related initiatives are delivered on time and savings/efficiencies are realised.

3.8 **Financial issues**

- ***The savings*** – these are real and deliverable.
- ***Unexpected benefits/efficiencies*** – varying from single response to government consultations, to taking good practice from one organisation and transferring to other; streamlining procedures (helps officers working across two organisations) – BUT NOTE that this should not become the rule unless acceptable to members in both organisations.

3.9 **Impact on service delivery**

- ***Changing roles*** – members become more strategic, focussed on priorities; service managers have to take on more responsibility for delivering services as senior team's focus becomes more strategic.
- ***Sharing services with other organisations*** – some sharing arrangements were “monogamous”, some more mixed.

3.10 **Impact on members**

- ***Changing roles*** - members become more strategic, focussed on priorities

3.11 **Impact on staff**

- ***Sharing services*** – this is where the greatest on-going efficiencies are to be achieved, but officers and members have to be prepared to be innovative and think about services differently to deliver savings whilst maintaining (or improving) service levels. Heads of Service need to be appointed with clear expectation that they will prepare business cases for sharing services, and implement these cases if they are approved.

3.12 **Impact on partners and community**

- ***Residents*** – all agreed that residents in general are not concerned with shared management arrangements provided service levels are maintained and Council Tax levels/increases are low; being able to demonstrate overhead savings is a vote winner in the view of politicians.
- ***Impact on stakeholders*** – in some cases, other organisations had followed suit and joined up, e.g. Police Force Basic Command Units, Citizens Advice Bureaux and Local Strategic Partnerships in order to reduce duplication of meetings, consultations etc.

3.13 **With hindsight**

- ***Travel between sites*** – minimise by use of teleconferencing, telephone and email, otherwise can be very time-consuming to travel several times a day between sites.
- ***One way door*** – once shared management has been begun, there is no return – not only due to cost considerations, but also because it is successful in delivering efficiencies and protecting front line services.
- ***No regrets from anyone*** – and hearty recommendations to follow them all down this path.

Conclusions

Lessons learned

- 3.14 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.
- 3.15 That councils do share management teams successfully.
- 3.16 That the theoretical savings have turned out to be real, and often greater than predicted.
- 3.17 That shared officers do successfully serve two councils, even where the priority projects and policies remain different.
- 3.18 That councils which share management teams do carry on working in other partnerships where appropriate.

4.0 POTENTIAL SHARED ROLES AND STRUCTURES

- 4.1 The terms of reference of the Joint Working Group in effect put 31 posts across SNC and CDC in scope. The current top-level structures at both councils are detailed in Appendix 4.
- 4.2 It is proposed that CDC and SNC share a senior management team comprising twelve posts – a Chief Executive, three Directors, and eight Heads of Service. This level of resource is in line with other shared teams, and both current Chief Executives are of the view that this is the right level of resource going forward.
- 4.3 It is proposed that the final structure for the senior management team is agreed by both councils only once the shared Chief Executive has been appointed. However, Appendix 5 illustrates three possible structures with headline pros and cons. The final structure could be one of these or a variation on any of them.
- 4.4 It is proposed that a further three posts are shared by the two councils at this stage – a Communications Manager, a Corporate Performance Manager, and a Programme Manager. These posts are being added now, as these roles are captured by the scope of the Joint Working Group's terms of reference and help deliver further savings.
- 4.5 This business case assumes in the first instance that all fifteen new roles are open only to the current holders of specific posts in both councils in order that both councils can fulfil their legal obligations to those members of staff they put at risk by putting in place a smaller shared management team. This process of 'ring-fencing' roles results in jobs being ring-fenced to officers already in broadly similar roles at an equivalent level. In this instance it results in six ring-fences and the following eligibility to apply for roles in the new structure:

	New shared posts	Current posts in ring-fence
Ring-fence 1	1 Chief Executive	2 Chief Executives (2)
Ring-fence 2	3 Directors	5 Directors (3 at SNC and 2 at CDC)
Ring-fence 3	8 Service Heads	14 Service Heads (4 at SNC and 10 at CDC as 1 CDC post is vacant) 2 SNC lead officers with responsibility for service planning, budget and team management (Waste Services Manager and IT & Customer Services Manager)
Ring-fence 4a	Communications Manager	1 SNC Communications Manager (CDC Communications Manager post is vacant)
Ring-fence 4b	Corporate Performance Manager	1 SNC Corporate Performance Manager 1 CDC Corporate Planning, Performance and Partnerships Manager
Ring-fence 4c	Programme/Projects Manager	1 SNC Programme Manager 2 CDC Improvement Project Managers

4.5 After the appointment of the shared Chief Executive, and confirmation of the final structure, all 27 staff remaining in scope (15 at CDC and 12 at SNC) will be consulted formally on the proposed structure and then asked to express interest in any of the roles for which they are eligible and/or voluntary redundancy on the basis that any requests for voluntary redundancy may not be accepted. This will potentially reduce the 'pool' at an early stage and facilitate contractual notice being issued earlier than may otherwise be possible, and therefore savings being realised earlier. Voluntary redundancies will only be accepted if the business case is robust both in terms of future service need and finances.

- 4.6 The business case assumes that the combined 'talent pool' across the two councils is of sufficient quality to be able to appoint internal candidates to all fifteen proposed shared posts. However, should an appointment or appointments not be made from the available internal candidates, additional redundancy payments and further recruitment costs will be payable. A contingency of £300,000 has been built into the business case to deal with these eventualities and any other unforeseen costs, should they arise.

Conclusions

Best structure

- 4.7 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.

5.0 COSTS AND BENEFITS

5.1 SNC and CDC together spend a total of £2,647,000 on their current, separate senior teams and other roles in scope:

	SNC		CDC		Total	
	Number	Cost £000s	Number	Cost £000s	Number	Cost £000s
Chief Executive	1	144	1	144	2	288
Directors	3	340	2	213	5	553
Heads of Service	4	381	11	878	15	1,259
Other posts	5	295	4	252	9	547
Total	13	1,160	18	1,487	31	2,647
		44%		56%		

Cost of new structure

5.2 The cost of the proposed new shared senior management team is £1,601,000. This represents a total annual saving of £1,046,000.

	Total	
	Number	Cost £000s
Chief Executive	1	157
Directors	3	371
Heads of Service	8	850
Other posts	3	223
Total	15	1,601

5.3 In arriving at the senior team costs we have made the worst case assumption that a 10% uplift is awarded to the highest salary at each tier across the two authorities in order to reflect the additional responsibilities taken on by the new postholders, and the fact that they will now be serving two authorities. Actual salaries will need to be set once posts have been established, either via external evaluation or through market testing.

5.4 In arriving at the cost of the other posts, we have assumed in the business case that successful candidates will be paid a joint working allowance of 10% above the highest current salary.

- 5.5 These posts are non-member appointments and would fall within the normal evaluation processes employed at each authority. The authorities currently have different evaluation schemes, and therefore further consideration is required in relation to assessing a fair salary for the job that reflects the additional responsibilities of the role, and is the same amount regardless of the authority the successful candidate comes from. The impact on the rest of the authority is also a relevant consideration at this level.
- 5.6 The concept of a joint working allowance is an interim arrangement to facilitate joint working below service head level ahead of harmonisation of pay scales and formal re-evaluations. It is a process used in other authorities to recognise the additional duties, responsibilities (and potentially travel) associated with joint working, and also to incentivise posts to ensure the joint organisation is able to attract and retain competent staff. It is particularly relevant in the CDC/SNC partnership because of the significant disparity in pay scales and pay structures.

To share costs or to share savings?

- 5.7 Detailed discussions with a range of local authorities revealed that we need to make a choice up front between sharing costs or savings, and that there are pros and cons for each.
- 5.8 If the costs of a shared senior management structure are shared then the savings made by each council will not be equal, as we currently spend different amounts on our senior management structures.
- 5.9 If the savings are shared then the costs of the new structure are not shared equally going forward. This could lead to an expectation from the authority funding the larger share of the costs that its members have the right to greater access to and attention from officers in the shared senior management team than the other authority.
- 5.10 Detailed discussions were held with the following authorities who already share senior management teams. Their arrangements are:
- South Oxfordshire and Vale of White Horse – share costs equally
 - High Peak and Staffordshire Moorlands – share costs equally
 - East Hampshire and Havant – share costs equally but will review the arrangement after 12 months
 - Adur and Worthing – share costs, but not equally. For example housing is apportioned 90:10 as one authority still has its housing stock.
 - Hambleton and Richmondshire – share costs, but not equally.
 - Bromsgrove and Redditch – share costs equally with the exception of housing as one authority still has its housing stock.

In summary all the authorities we contacted share costs rather than savings.

- 5.11 We are proposing that the ongoing costs of the new shared senior management team are shared 50/50 between SNC and CDC, representing an annual saving of £360,000 for SNC and £686,000 for CDC.

One-off costs

- 5.12 The one-off costs of putting this shared team into place are estimated to be £1,384,000, although the final figures will depend on which members of staff are appointed to the new team and which are not.

One-off costs	£000s
Estimated termination payments (average)	712
Redundancy contingency (20%)	143
General contingency	300
Recruitment costs	113
Consultancy advice (HR/Legal etc.)	100
Training/outplacement support	16
Total estimated one-off costs	1,384

- 5.13 We propose that CDC should pay 60% of these one-off costs in light of its size relative to SNC and in order to secure broadly similar payback periods for both councils. These costs would be shared as follows:

- CDC £830,400
- SNC £553,600

This approach is currently the subject of discussions with our respective external auditors. We do not anticipate they will have any problems with this and we will be certain before the scrutiny committees consider this case.

- 5.14 These figures assume that both councils apply the statutory number of weeks (maximum 30) to redundancy calculations, which is the current practice at CDC but not at SNC. A review of this policy is being undertaken at SNC as part of its ongoing review of HR policies generally and a report is being drafted for consideration at the 12th October meeting of Appointments and Personnel Committee for potential recommendation to the 3rd November meeting of the SNC full council.

5.15 The costs of termination payments are difficult to estimate at this stage as we cannot predict the outcome of the recruitment process. The costs above are the average costs of termination payments at each tier across the authorities, multiplied by the number of posts that will be made redundant at each tier.

5.16 However, we can calculate the minimum and maximum costs of termination and these are included in the next table to arrive at best and worst case one-off costs. We continue to assume that an internal candidate will be appointed to each post and we retain the contingency figure of £300,000.

One-off costs	Best case £000s	Worst case £000s
Estimated termination payments (average)	288	1,164
Redundancy contingency (20%)	0	0
General contingency	300	300
Recruitment costs	113	113
Consultancy advice (HR/Legal etc.)	100	100
Training/outplacement support	16	16
Total estimated one-off costs	817	1,693
Share of one-off costs (60:40)		
CDC	490	1,016
SNC	327	677

Payback periods

5.17 The table below demonstrates the payback periods for the overall project and for each council in the best, average and worst case scenarios.

		Best case £000s	Average £000s	Worst Case £000s
TOTAL PROJECT	One off costs	817	1,384	1,693
	Ongoing savings	1,046	1,046	1,046
	Payback period (years)	0.78	1.32	1.62
CDC	One off costs	490	830	1,016
	Ongoing savings	686	686	686
	Payback period (years)	0.71	1.21	1.48
SNC	One off costs	327	554	677
	Ongoing savings	360	360	360
	Payback period (years)	0.91	1.54	1.88

Balances

5.18 In considering a project such as this, members need to be mindful of the impact on the general fund balances of each council.

5.19 General fund balances are the 'contingency of last resort' for all councils and it is perfectly normal for one-off project costs to be funded from such balances. The financial modelling has considered the level of general fund balances held for each council and the impact the three best, average and worst case scenarios would have on them.

The results are summarised below:

	Best case £000s	Average £000s	Worst Case £000s
Cherwell District Council			
General fund balances (31.03.10)	1,777	1,777	1,777
Estimated costs	490	830	1,016
General fund balances remaining	1,287	947	761
South Northamptonshire Council			
General fund balances (31.03.10)	2,539	2,539	2,539
Estimated costs	327	554	677
General fund balances remaining	2,212	1,985	1,862

5.20 Both SNC and CDC are also considering other cost reduction exercises which will also have one-off costs associated with them, and these also need to be considered as a draw on general fund balances. Possible costs for further phases of joint working will also draw on these balances.

5.21 In addition to their general balances CDC and SNC have the following earmarked reserves set aside for particular projects and potential liabilities:

- CDC earmarked reserves (31.03.10) £7.0m
- SNC earmarked reserves (31.03.10) £4.0m

5.22 These reserves can be un-earmarked at any time and transferred back to general fund balances if the liabilities they are covering diminish or if the projects they are held for are stopped, reduced or are underspent.

5-year view

5.23 The five-year cumulative impact of the savings and costs is summarised below. Total savings before implementation costs to SNC over the next five years total are potentially £1,800,000 and total savings to CDC in the same period total potentially £3,430,000.

5-year savings overview	SNC £000s	CDC £000s	Total £000s
Savings from shared senior management team and three other shared posts	1,800	3,430	5,230
Implementation costs – senior team plus three posts only (average cost estimate)	-554	-830	-1,384
5-year savings (estimate)	1,246	2,600	3,846

Other options considered and dismissed

5.24 The Joint Working Group have considered and dismissed the possibility of limiting the joint working to a shared Chief Executive. The value of the total annual savings is £131,580 and therefore not considered worthwhile.

5.25 The Joint Working Group have considered and dismissed the possibility of limiting the joint working to a shared Chief Executive and Directors. Although the total annual savings are £313,388, and higher than for just a shared Chief Executive, the value of these savings is still not considered worthwhile.

Conclusions

Financial benefits

5.26 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.

5.27 That CDC and SNC should share the costs of the fifteen shared posts and that they should share these costs 50/50 between the councils, 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.

- 5.28 That the one-off costs of putting this shared team into place are estimated as £1,384,000 and that CDC should pay 60% of these in light of its size relative to SNC and 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.
- 5.29 That these one-off costs would be paid back in 1.54 years to SNC in 1.21 years to CDC.
- 5.30 That these one-off costs should include a contingency sum of £300,000.
- 5.31 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. 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.
- 5.32 That in both the average and worst case scenarios, the one-off costs are fundable from the balances and earmarked reserves of both councils.
- 5.33 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 and would impact on their payback period.

6.0 TIMING OF IMPLEMENTATION

6.1 The following timetable for appointments is proposed:

November 2010	Business case approved; Joint Appointments Committee convened; recruitment consultants appointed; shared Chief Executive job description and person specification agreed
December 2010	Chief Executive appointed
December 2010 – January 2011	Formal consultation on final shared senior management structure with affected group
January 2011 (end)	Approval of final structure and job descriptions and person specifications for Directors and Heads of Service
February 2011	Directors appointed
March 2011	Heads of Service appointed
April – May 2011	Job descriptions and person specifications for Communications Manager, Corporate Performance Manager and Programme Manager finalised and posts appointed

6.2 This is the Joint Working Group's preferred timetable as it:

- Reduces the period of uncertainty for the staff affected
- Secures full year savings in 2011/12 from the creation of a shared Chief Executive, Directors and Heads of Service, totalling £847,000.
- Secures almost full year savings in 2011/12 from the creation of the other three shared roles, totalling £199,000

6.3 The alternative would be to appoint the Chief Executive and Directors before the 2011 elections and delay the Heads of Service appointments until late May/June:

November 2010	Business case approved; Joint Appointments Committee convened; recruitment consultants appointed; shared Chief Executive job description and person specification agreed
December 2010	Chief Executive appointed
December 2010 – January 2011	Formal consultation on final shared senior management structure with affected group
January 2011 (end)	Approval of final structure and job descriptions and person specifications for Directors and Heads of Service
February/March 2011	Directors appointed
Late May/June 2011	Heads of Service appointed
July 2011	Job descriptions and person specifications for Communications Manager, Corporate Performance Manager and Programme Manager finalised and posts appointed

The Joint Working Group does not recommend this alternative.

Information Technology

- 6.4 We have heard from other councils how critical it is to get compatible IT arrangements in place across the two authorities as soon as possible. The opportunities available from joint working IT have not yet been considered in detail and will need to be addressed at an early stage if this business case is approved.
- 6.5 Technologies to facilitate the efficient operation of joint management arrangements will need be assessed and implemented as a priority – e-mail and diary management, remote file access, shared telephony etc. – with further opportunities to be identified through a review of IT projects currently underway in both councils.
- 6.6 Both councils recognise the potential opportunity offered by the end of the existing outsourcing contract with Capita at SNC in April 2012 and early work will be required to ensure that this opportunity is fully harnessed.

Conclusions

Pace

- 6.7 That this shared team should be put in place quickly.

7.0 LEGAL ARRANGEMENTS AND ARRANGEMENTS FOR MEMBER APPOINTMENTS TO SHARED SENIOR TEAM

- 7.1 Section 113 of the Local Government Act 1972 allows a local authority to place one or more of its staff at the disposal of another local authority to carry out the latter's functions. This is done by way of legal agreement known as a Section 113 agreement. These can be used to share single officers, management teams or entire departments. The agreement would set out such matters as what work the shared officers carry out for both councils, how they are appointed and who pays their wages and expenses. The agreement would also deal with issues of dispute resolution and termination. The Joint Working Group is recommending a rolling arrangement as opposed to a fixed term but with reviews in year 2 and at 5 yearly intervals thereafter with a right for either council to withdraw with six months notice following the unsuccessful resolution of any dispute. A draft of the proposed agreement between SNC and CDC is attached at Appendix 6.
- 7.2 Councils who already have shared management teams have used Section 113 agreements as the legal framework for joint working. They are tried and tested.
- 7.3 Arrangements are required to allow members of both councils to make appointments to joint posts and to deal with other matters relating to these joint posts. The councils would need to set up a joint committee of elected members to appoint the posts in the senior management team.
- 7.4 The proposed terms of reference of a Joint Personnel Committee are laid out in Appendix 7. This Joint Personnel Committee will be in addition to the committees at both councils which deal with HR issues. This new committee will need to be convened in early November.

Conclusions

Legal arrangements and arrangements for members to make appointments to shared posts

- 7.5 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.

8.0 SUCCESS CRITERIA AND PROJECT RISKS

Success criteria

8.1 Both councils want to see the following from the project:

- Financial savings of sufficient scale achieved to prevent the need for substantial service cuts
- Front line services unaffected or improved for the same or reduced level of cost
- Corporate priorities achieved
- Partnerships performance unaffected or improved
- Key projects delivered –

For SNC specifically:

- Moat Lane regeneration and potential relocation
- Affordable Choices
- Customer Service Improvement
- HS2 collaboration with action groups/mitigation

For CDC specifically:

- 'Eco Bicester'
- Bicester town centre development
- Banbury 'Brighter Futures'
- Banbury Cultural Quarter

For both councils:

- Hospital services (Horton Hospital, Brackley and Bicester hospitals)
- Local Development Frameworks.

Risk assessment

8.2 The Joint Working Group has developed a full project risk register including impact/probability scores, mitigating measures and responsibilities and this is laid out in full in Appendix 8.

8.3 The key risks are:

- Failing to secure member support for a shared management team
- Other projects suffer due to a lack of capacity
- The practical arrangements required are not thought through

8.4 Although these remain scored 'high' even after mitigation measures the Joint Working Group believes we should tolerate these risks at this level going forward, but continue to pay detailed attention to them.

Conclusions

Risks

- 8.5 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.

9.0 POTENTIAL FOR SAVINGS BEYOND THE SENIOR MANAGEMENT TEAM

Fourth tier savings

9.1 A piece of work has been carried out to consider the potential savings at the next tier of the organisation (the fourth tier). Indicatively this would bring a further 62 posts into scope as follows:

	South Northants		Cherwell		Total	
	Number	Cost £000s	Number	Cost £000s	Number	Cost £000s
Fourth tier posts	22	1,120	40	1,958	62	3,078

9.2 It is important to stress that the number of fourth tier posts in the new officer structure cannot be determined at this stage. If members so wished, this would follow on from the appointment of the senior management team but it is reasonable to anticipate that fewer 'middle managers' would be required.

9.3 The following analysis is provided to give an indication of savings for each authority (to add to the savings already laid out in this business case) if the middle management structure could be reduced by 15%, 20% and 25%. There should be no expectation that these savings are achievable at this stage.

	South Northants £000s	Cherwell £000s	Total £000s
Current cost	1,120	1,958	3,078
15% reduction in current costs	168	294	462
20% reduction in current costs	224	392	616
25% reduction in current costs	280	489	769

9.4 There are two further important points to make about the above analysis:

- To achieve the above we need to move away from a 50:50 cost sharing model for this level of the organisation, and the reductions would need to be on current costs. This approach is different to the approach applied to the senior management team but is reasonable as we move more into the operational areas where, broadly, Cherwell should be picking up a greater charge because they are a larger authority.

- There will be some middle management posts contained in the above analysis which will already be subject to possible deletion as a result of the budget proposals that are being worked up and evaluated at each authority.

Further savings

- 9.5 Savings beyond the fourth tier become increasingly hard to estimate. It is expected that there will be savings as teams and systems are brought together over time, but to estimate what these are likely to be at this stage is difficult and would require significant further work.

Conclusions

Potential further savings beyond the senior team

- 9.6 That savings at the tier below Service Head of 15-25% are probably achievable and could deliver a further annual savings ranging from £168,000 to £280,000 for SNC and a range of £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).

10.0 ENGAGEMENT STRATEGY

10.1 A detailed and shared engagement strategy is being finalised to ensure that all internal and external stakeholders are identified and informed as appropriate. Each organisation will continue to follow existing internal and external communications process, adopting the following principles:

- Communication should be regular and timely
- All key messages should be delivered by senior leaders wherever possible
- All communication should be consistent and joint wherever practical
- There should be varied channels for communication to ensure accessibility.

10.2 The following key stakeholder groups have been identified:

- Elected Members
- Management teams
- Trade Unions
- Employees
- Press
- Partner organisations
- Local community groups
- Audit commission / other regulators.

10.3 Key milestones have been identified (primarily decision points). Trade Unions are being kept fully briefed and joint press releases agreed ahead of any information being released into the public domain.

10.4 The respective scrutiny meetings in October will receive the initial staff consultation feedback which will then be considered by the Cabinet and Executive meetings in October. Formal consultation relating to risk of redundancy will be invoked if final ratification is received from both Councils on November 3rd.

11.0 RECOMMENDATIONS

- 11.1 The Joint Working Group, subject to consultation with members, staff and unions at both councils, recommends 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 and that:
- 11.2 Both SNC and CDC will remain separate councils and will retain their sovereignty. Elected members of both councils will remain in charge of decision-making in their respective districts.
- 11.3 CDC and SNC share a senior management team comprising twelve posts: a Chief Executive, three Directors and eight Heads of Service and that the final structure and responsibilities of the senior management team be agreed between the shared Chief Executive, once appointed, and members of both councils before further appointments are made.
- 11.4 A Joint Personnel Committee be set up and that this committee, supported by external recruitment consultants, recommends the appointment of the shared Chief Executive to both full Councils and appoints to the Directors and Heads of Service.
- 11.5 The shared Chief Executive be appointed in December, the Directors in February 2011 and the Heads of Service in March 2011.
- 11.6 SNC and CDC share three further posts – Communications Manager, Corporate Performance Manager and Programme Manager – and that these posts be appointed to as soon as possible after end March 2011.
- 11.7 Officers appointed as the shared Chief Executive, Directors and Heads of Service be appointed on new terms and conditions to be agreed by the Joint Personnel Committee.
- 11.8 Officers appointed to the three other shared posts retain their current terms and conditions, with further consideration given to the remuneration levels for those roles in recognition of the new requirement to work across both councils.
- 11.9 It is expected that all successful internal candidates will remain employed by their original employer, though in exceptional cases (particularly in the light of recommendation 11.8) they may be employed by the other authority.
- 11.10 CDC and SNC both sign a Section 113 agreement to allow them to share a senior management team and three other posts in the way proposed.
- 11.11 The Joint Working Group continues, but with new terms of reference, to oversee the implementation of the above recommendations.

- 11.12 SNC and CDC continue with their existing shared arrangements for service delivery with other local authorities, and these are reviewed either as they come up for renewal or as appropriate.
- 11.13 CDC and SNC agree to consider in due course individual business cases for integrating posts at the tier below Service Heads, and teams below that.
- 11.14 Once SNC and CDC decide to consider service level business cases, they work towards a common set of terms and conditions for all staff below Service Heads so that these can be put in place early on.
- 11.15 Both councils receive a post project report in March 2012, reviewing the implementation of these recommendations.