

BUSINESS CASE

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

**South Northamptonshire Council
and
Cherwell District Council**

18 November 2010

Joint Working Group

South Northamptonshire

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Cllr Nick Cotter

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Cllr Nicholas Turner

Cllr Douglas Williamson

Cllr Barry Wood

FOREWORD

At the moment, many district councils in England are either in a formal partnership arrangement with a neighbouring district or are 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. Experience in other parts of the country shows that efficiencies can be gained from a shared chief executive, management team and specialist positions between two authorities. All those who have successfully shared a management team have advised us to do it and reap the rewards; none has regretted it.

In presenting this joint business case to both councils, the Joint Working Group are inviting you to consider whether these models of joint management in the broadest sense offer both councils the flexibility to select the model which best reflects our local needs in the future, and whether or not they advance the cause of localism.

These recommendations, if adopted, will have far reaching consequences for both organisations. Before reaching an informed decision you must satisfy yourself that this alternative approach will deliver better services for the residents and businesses of South Northamptonshire and Cherwell, and give us the best management structure that will help us achieve our ambitions.

The initial saving is a significant amount that will go a long way to addressing our current financial situation, as we are under pressure from the effects of the recession as well as major reductions in grant support from Government.

There is no doubt higher savings could be achieved from a single team, but we must also be sure that we have the capacity and capability to deliver good services throughout both councils.

Public sector finances are going to be severely reduced, yet residents will continue to rely on their district council for good quality services and to champion their local community. By becoming more strategic and efficient in the way we work we can strive, not only for better councils, but councils that are heard more loudly when it comes to national decision making.

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 quality services to our communities in the years to come. Cherwell and South Northamptonshire will continue to be two sovereign bodies with differences in policy and procedure as now.

This final version of the business case builds on the draft first presented to Members of both councils on 17 September. It takes into account the comments received from Members, both formally through the Councils' Cabinet and Executive, as well as the respective scrutiny committees. It also

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takes into account the comments received from the Trade Unions and staff at both Councils.

We want to thank the Joint Working Group for all their efforts, as well as all the Members who have participated in extensive discussions over the last few weeks. We also want to thank the officers who have supported the work of the Joint Working Group and all the members of staff who have contributed views to the consultation and to the further development of the business case.

The Rt Hon Eric Pickles MP, Secretary of State for Communities and Local Government, has encouraged Local Authorities to consider the benefits of shared management and shared services, and said that the decision is up to us.

This is the final version of the business case. It is now up to you, the Members of each council, to decide a way forward.

Best Wishes



Mary Clarke
Leader – SNC



Barry Wood
Leader – CDC

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1.0 EXECUTIVE SUMMARY AND RECOMMENDATIONS

Introduction

1.1 Cherwell District Council's (CDC) Executive and South Northamptonshire Council's (SNC) Cabinet agreed in July 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. The Joint Working Group delivered a draft business case in September. Members, staff and unions of both councils have been consulted since then, as have the formal scrutiny committees of both councils and CDC's Executive and SNC's Cabinet. In arriving at this final document the Joint Working Group have taken the comments from all respondents into account. This final version of the business case summarises the Joint Working Group's findings and recommendations in advance of the final decisions to be taken by both full councils on 8 December.

1.2 The Comprehensive Spending Review report, published 20 October 2010, made it clear that local authorities can expect cuts of 26% to formula grant settlements over the next 4 years, with significant front-loading of cuts in 2011/12 and 2012/13. While the detailed assumptions about the final settlement of SNC and CDC are different, 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.

It was also announced in the Comprehensive Spending Review that DCLG will allocate up to £200m of additional capitalisation directions in 2011-12 only, in order to allow councils to restructure their services for example by capitalising redundancy costs. Both authorities will apply for such a direction at the appropriate time in order to protect dwindling revenue resources. If approved this will mean that capital receipts can be used to fund some, if not all, of the transitional costs.

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 bringing the management teams together would not remove the need for any service reductions, the savings from such a move would significantly reduce the shorter and medium-term cuts

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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.

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. In response to comments we received on the draft business case we have gone back to some of these councils with specific questions.

1.7 ***Potential shared roles and structures***

We are recommending that the most appropriate shared management structure is one Chief Executive, three Directors and 8 Heads of Service. However, in response to consultation comments, we have been clearer in this final business case as to how and why we arrived at this.

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***

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 2011, has been a key consideration of the Joint Working Group.

1.10 ***Legal arrangements and appointments to shared senior team***

We have considered the legal arrangements which would need to be in place to allow SNC and CDC to share a senior management team, and the 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; that councils working together across county boundaries do not face any particular difficulties

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 apart from the shared Chief Executive post which is subject to an external recruitment process and may be an internal or external appointment.

1.19 That these one-off costs would be paid back in 1.54 years to SNC in 1.21 years to CDC.

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- 1.20 That these one-off costs should include a contingency sum of £339,000.
- 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 as quickly as possible.
- 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).** This is based on 2010-11 budgets before the implementation of any budget proposals.

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Recommendations

1.28 We, the Joint Working Group, following consultation with members, staff and unions at both councils, recommend to the full councils of both CDC and SNC that CDC and SNC put in place a shared management team by the end of September 2011.

1.29 We make a further eighteen recommendations: that

Sovereignty

- 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 line with their visions, strategic aims, objectives and priorities.

Shared management team

- 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.
- Recruitment to the shared Chief Executive commences immediately, using the Job Description and Person Specification attached in Appendix 8, via an open recruitment process which will be supported by recruitment consultants appointed by both councils.
- The shared Chief Executive is appointed in February 2011 and shared Directors and Heads of Service are appointed by July/August and by September respectively, subject to the final structure being approved first by both full councils.
- 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.
- SNC and CDC share three further posts – covering the functions of communications, corporate performance and programme management – and that these posts be appointed to as soon as possible after end September 2011.
- 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.

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- All successful internal candidates remain employed by their original employer, though in exceptional cases they may be employed by the other authority; successful external candidates to be employed by one or other employer on a case-by-case basis.
- Both councils apply at the appropriate time to the Department of Communities and Local Government for approval to capitalise the costs of creating a shared management team in order to protect revenue resources as far as possible.

Formal and informal structures for joint working

- A Joint Personnel Committee be set up and works to the terms of reference in Appendix 4; that this Committee, supported by recruitment consultants, recommends the appointment of the shared Chief Executive to both full councils and appoints to the Directors and Heads of Service.
- A Joint Appeals Committee be set up to hear any appeals related to the shared posts and works to the terms of reference in Appendix 5.
- The Joint Working Group is disbanded and a new Joint Arrangements Steering Group is now set up and works to the Terms of Reference in Appendix 7 to oversee the implementation of the above recommendations.
- CDC and SNC both sign on 9th December the Section 113 agreement in Appendix 3 to allow them to share a senior management team (including all statutory officers) and three other posts in the way proposed.

Current and future partnership working

- 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.
- Both councils look to build directly on the creation of a shared management team by extending partnership working, creating a confederation of local authorities and other public sector organisations (including health and police) which could collaborate in a model resembling a gateway contract or framework agreement for mutual benefit.

Future development of joint working

- 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.

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- 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.

Project review

- Both councils receive an interim update in September/October 2011 and a post project report in September 2012, reviewing the implementation of these recommendations.

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2.0 SUMMARY OF CHANGES TO FINAL BUSINESS CASE

- 2.1 In developing this final business case we have taken into account the comments from members, staff and unions at both councils. We point out through the document where we have made changes or provided additional explanation.

The main areas are:

The reasons behind the recommended shared structure of one Chief Executive, three Directors and 8 Heads of Service – In hindsight the draft business case did not make this clear and we have laid out our reasoning now in more detail (in paragraph 5.3)

Timetable -- We had proposed that the shared senior team should be in place by March and we are now proposing end September 2011. We are recommending that work to appoint the shared Chief Executive should start immediately after 8 December, assuming both councils decide to proceed. This is now an open recruitment process and will inevitably take longer to conclude. The timetable now assumes that Directors will be appointed in July /August 2011 and Heads of Service in September 2011.

Cross-county working – We have explored the challenges and opportunities of cross county working in more detail and lay these out in paragraph 4.14.

Capacity of officers in shared posts – We have explored these in more detail and lay these out in paragraph 5.3.

Ringfencing – we have revisited our thinking on which current post holders would be eligible to apply for which roles, reflected in paragraph 5.6.

Comprehensive Spending Review – the outcome of this and its likely consequences are covered in section 3.

Cultural differences – these are explored in paragraph 4.15.

Organisational changes and recent performance – the recent history of the restructuring activity and performance at both councils is covered in paragraphs 3.22 and 3.23.

Extended partnership working – Creating a Confederation – Recognition of the potential to develop opportunities with other authorities in the public sector, putting the two councils in a strong position to address anticipated future challenges, is covered in paragraphs 3.13 and 3.14.

3.0 BACKGROUND

- 3.1 In July 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 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, and subsequently to both Council's full council meetings on 8 December 2010.

Financial challenges faced by both councils

- 3.2 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.
- 3.3 SNC revenue costs have increased slightly over the last 5 years from £11.2m in 2006/07 to £12.8m 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. 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.
- 3.4 CDC has reduced its revenue costs by £5m (21%) in the last 4 years, from £23.5m in 2006/07 to a budget of £18.5m in 2010/11. Reductions in total staff costs have driven this almost entirely, reducing from £21.1m in 2006/07 to £16.7m 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 30% in 2007/08.
- 3.5 But despite this good work, both councils face significant shortfalls in their Medium Term Financial Strategies (MTFS). Both councils have been 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. The table in the first draft of the business case has been augmented to include the potential impact of the Comprehensive Spending Review (CSR) announcements which were made on 20 October 2010.

	Cherwell	South Northants
Best case	£11.3m (assumed formula grant cut by 5% per year for 3 years)	£4.2m (assumed formula grant freeze)
Realistic case	£15.8m (assumed formula grant cut by 6.5% per year for 3 years)	£6.9m (assumed formula grant cut by 10% in 2011/12)
Updated position after CSR	£13.8m - £16.8m	£8.9m
Worst case	£16.8m (assumed formula grant cut by 20% over 2 years)	£10.3m (assumed formula grant cut by 6.5% per year for 3 years)

- 3.6 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), £11.6m (CSR updated) and £13.0m (pessimistic).
- 3.7 Additionally the South Northamptonshire figures do not incorporate the £1m reduction that full council agreed in June 2010. With the exception of the CSR updated position, the above figures would be reduced by £5m if these were incorporated (and the figures in the table by £4m).
- 3.8 The CSR updated position above would need to be adjusted by £4.4m (and the figures in the table by £3.5m as a result of due diligence on the £1m reduction now being complete and verifying this figure as £0.876m)
- 3.9 The Comprehensive Spending Review report on 20th October made it clear that local authorities are facing cuts of about 26% over the next 4 years. The table above reflects the impact the announcements at the national level have had on the medium term revenue plans for each council assuming the national position is reflected in the local settlements.
- 3.10 However, the local situation and the phasing of the cuts are still key issues. We still do not know the provisional formula grant settlements both councils will receive for 2011/12 onwards, although the detailed provisional information for each council will be issued by the DCLG in early December, with final settlement figures to follow in January. However, the frontloading of the cuts suggests we will be facing potentially greater cuts in 2011/12 than we had previously thought. Any further news on our provisional settlements will be presented to both councils on 8 December.

- 3.11 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 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.
- 3.12 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.

Extended Partnership Working – Creating a Confederation

- 3.13 This document is focussed on the business case for establishing a shared senior management team between CDC and SNC in accordance with the Joint Working Group's terms of reference. The shared Chief Executive will create a shared management team (Directors and Heads of Service), tasked with delivering the priorities of each sovereign council. This single officer core would have the potential to be the first stage in a process which could then be extended to develop opportunities with other authorities (including, but not limited to county, borough, district councils, health and police), adjacent and, possibly non-adjacent. This would put the two councils – via the shared officer core – in a strong position to address the anticipated challenges facing the public sector as a whole in the next few years.
- 3.14 In this way, the two originating organisations – CDC and SNC – would develop a model resembling a gateway contract or framework agreement, open for others to join in the future, creating a confederation of Authorities with a strong delivery focus and a strong policy drive at the core. This would provide critical mass and balance within the South East Midlands Local Economic Partnership.

Much more in common than our financial challenges

- 3.15 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.
- 3.16 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
Spend per head of population	£134.47	£134.49
Spend per household	£315.24	£338.18
Band D Council Tax 2010/11	£123.50	£170.37

- 3.17 Although CDC's population is higher (the effect of Banbury), CDC's spend per head of population and household are almost identical and demonstrate that differences in revenue spend are driven by differences in population.
- 3.18 Differences in council tax levels have been driven by different approaches to council tax increases at the two councils. In recent years CDC has chosen to levy consistently a below-inflation increase, while SNC has chosen to maximise the amount of income being received through council tax. Information on council tax levels, annual and cumulative percentage increases are detailed for each authority in the tables below:

South Northamptonshire	2007-08	2008-09	2009-10	2010-11
Council Tax Increases (average Band D)	£150.31	£157.68	£165.41	£170.37
Net Increase % (+)/ Decrease (-)	4.90%	4.90%	4.90%	3.00%
Cumulative % Increase (+)/ Decrease (-)	4.90%	9.57%	14.03%	16.37%

Cherwell	2007-08	2008-09	2009-10	2010-11
Council Tax Increases (average Band D)	£118.45	£120.00	£123.50	£123.50
Net Increase % (+)/ Decrease (-)	3.00%	1.31%	2.92%	0.00%
Cumulative % Increase (+)/ Decrease (-)	3.00%	4.22%	7.08%	6.88%

3.19 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"> ▪ Enhance performance ▪ Preserve what is special ▪ Protect the vulnerable

3.20 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. Both councils are part of the South East Midlands Local Enterprise Partnership (SEMLEP) which was given the green light by the coalition government in October.

3.21 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’, residents’ and businesses 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)

- 3.22 Both councils have undergone significant organisational change in the last few years.

South Northamptonshire

Since 2006-07 there have been two significant and linked organisational restructures.

Firstly, on the 17 March 2008 the council transferred its housing stock to a Registered Social Landlord (South Northants Homes) and with the transfer saw the vast majority of staff from the Housing and Property and Direct Services Divisions transfer to the new organisation under the TUPE arrangement. Approaching 100 members of staff transferred which represented almost 30% of the council's workforce.

In parallel to the stock transfer programme, which was led by the Chief Executive, the senior management team and members were considering an organisational review. This was the second restructure which became known as Organisation Design Review (ODR) and saw the organisation change into one organised into Directorates for:

- Policy
- Service Delivery
- Corporate Services and Community Engagement

The purpose of the review was for the council to become a 'policy led' and 'enabling' authority. To do this additional capacity was incorporated across the whole of the organisation and at every level and saw the creation of a number of new posts.

Cherwell

Cherwell District Council's pay bill has reduced from £21m in 2007/08 to £16.7m in 2010/11. This has been as a result of:

- A radical restructure in 2007/08 which redesigned the senior team structure and cascaded right through the organisation
- A further restructure of just the senior management team in 2009/10, which reduced the corporate team to the Chief Executive and two Directors and removed another Head of Service role
- The negotiated buy out of performance related pay
- A continuous (and continuing) programme of service by service value for money reviews which has systematically reduced the cost of services across the Council.

- 3.23 Both councils have focussed on improving their performance:

South Northamptonshire

South Northamptonshire was assessed as fair under the CPA arrangements in 2004 and chose not to seek a re-assessment when the Audit Commission invited Councils to do so in 2007.

Since 2004 its Use of Resources score had continually improved. Performance rose from being mediocre nationally and in the county to being the best in the county and in the top quartile nationally.

The Council had improved its performance from an overall score of 2 (adequate) in 2004-05 to an overall score of 3 (performing well) in 2007-08.

Organisational Assessment introduced a 'harder test' in 2008-09, SNC dropped to a score of 2. The Audit Commission indicated that in some areas it was performing close to level 3.

For the financial year 2009-10 the Audit Commission indicated that potentially the SNC score could increase to a level 3. However, with the announcement that the Commission would be abolished, all performance assessment work ceased before any formal position was arrived at.

Cherwell

Cherwell District Council was judged a CPA good council by the Audit Commission in 2004. In March 2009 Cherwell was judged, under CPA, to be an excellent council and secured the 7th highest score for any district council under CPA. Within this overall score CDC was awarded the maximum points available for both 'ambition' and 'achievement' in recognition of the entire organisation's aspirations for the district and excellent track-record in delivering promised outcomes.

In the one and only CAA assessment CDC scored an overall 3 (three 3s) for Use of Resources and 3 for managing performance. CDC lost out on an overall 4 at moderation with only 3 district councils scoring higher than CDC did.

Service and financial planning 2011/12

- 3.24 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 and would minimise reductions in front line services.

4.0 LESSONS FROM COUNCILS WHO ALREADY SHARE SENIOR MANAGEMENT TEAMS

- 4.1 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 9) 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.
- 4.2 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.
- 4.3 The Joint Working Group, and other elected members from both councils, 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.
- 4.4 The notes of these three sessions, subsequently discussed in detail at meetings of the Joint Working Group, are detailed in Appendix 10 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:

4.5 **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.

4.6 **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.

4.7 **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.

4.8 **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.

4.9 **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.

4.10 **Impact on members**

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

4.11 **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.

4.12 **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.

4.13 **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.

4.14 In response to questions asked during the consultation on the draft business case we have sought to understand in more detail what specific challenges and/or advantages are presented by working across counties. We spoke again to Simon Baker, Chief Executive of Staffordshire Moorlands and High Peak Borough Councils who reported that:

- Cross-county/cross-regional working had not led to any problems for either district council, and there were some (but not strong) advantages.
- Cross-county working has not posed any real issues for partners. The two county councils had some initial worries, but these were soon resolved and by the time the two councils decided to work together were not issues.
- The two councils have not gained the benefit of the ‘strength of speaking for two’ within each county. But this has meant that the shared approach has been less of a threat to the two county councils than that presented by two districts in the same county working closely together.
- Joint working has had no effect on the two councils’ relationships with larger partners. Both councils have partners in both counties at a range of levels, from very local to cross-county. Both councils started out as respected partners in their respective partnerships, and that has not changed. They have kept their autonomy and continue to make local partnering arrangements to fit their respective priorities. There has been no change in the ability of the two councils to influence the achievement of their respective objectives via partnership working.
- In terms of the practicalities of reduced senior management capacity and whether it is sufficient, the fact is that the Chief Executive and Directors simply do not go to as many meetings as previously. The new Executive Team is ruthless about deciding who goes to what meeting – they simply prioritise and only go to critical things. The Executive Team back each other up so any one of them can substitute for the other

(which reflects current practice at SNC and CDC). There is more delegation to Heads of Service and from them to middle managers, which provides good career development for all managers.

- If Staffordshire Moorlands and High Peak Borough Councils were to enter into their shared arrangements again, they would do nothing differently in respect of cross-county working.
- 4.15 In light of the IDeAs report reference to ensuring “no large cultural differences,” we have reflected on how the shared senior management team, and in particular the shared Chief Executive, will need to work hard to counter any perception of one council “taking over” the other.

Each council aspires to deliver excellent services, and each organisation has an active “learning” culture. Both are Investors in People (IIP) compliant. The most recent reports highlight training and development strengths, as well as the fact that each organisation has been through a considerable change programme in the past three to four years.

Existing cultural differences across the organisations, whilst not huge, flow at least in part from the different leadership styles of the two current Chief Executives and the styles of the two Council Leaders and other Members. With the appointment of senior officers, the two organisations have the opportunity to discuss leadership style and culture with candidates, and ensure that in the future the best is taken from each, respecting the sovereignty and autonomy of each authority.

Conclusions

4.16 *Lessons learned*

- 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.
- 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 remain different and where the two councils operate in two different counties (and former regions).
- That councils which share management teams do carry on working in other partnerships where appropriate.

5.0 POTENTIAL SHARED ROLES AND STRUCTURES

- 5.1 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 shown in Appendix 11.
- 5.2 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. Appendix 12 contains 3 illustrative shared senior management team structures.
- 5.3 In light of responses to the consultation we lay out in this final version of the business case more of our reasoning for the so-called ‘one, three, eight’ model.
- The ‘one, three, eight’ model has been arrived at by considering the experience of other councils with a shared Chief Executive. This is the model most frequently used by councils who together cover districts and populations comparable to the scale of those which will be covered by a management team shared between SNC and CDC. In each case this has been found to be an appropriate structure in terms of the number of posts and the capacity available to both councils. It has also made compelling financial sense elsewhere and does so in our case.
 - We consider that three Directors will be required to provide the senior management capacity to deliver the agendas of both councils effectively and to a high standard. Appointing fewer Directors for this first phase could lead to delays in implementing joint working across the two councils, and/or jeopardise the delivery of priorities and key strategic projects. Capacity of this order will be needed at this level in order to drive the transformation agenda, to deliver on priorities and ensure that the organisations work effectively together. This will be kept under review by the shared Chief Executive and members.
 - With eight Heads of Service (HoS), there will be a wide span of expertise across the broad responsibilities of the two Councils. Most, if not all, Heads of Service will have equal responsibilities across both councils. Again the number of HoS should be kept under review by the shared Chief Executive and senior Members.
 - During at least the first two years of the new arrangements, it will be essential to have sufficient transformational senior management capacity to drive through the changes in ways of working and to ensure that the efficiencies set out in the outline business case are delivered as a minimum.
 - In light of the consultation feedback we have spoken in further detail to South Oxfordshire and Vale of White Horse about the capacity of a

shared management team of this scale. It is clear from the discussion that there is some capacity to be gained by the removal of duplication between two similar jobs, but there are some other important drivers of increased capacity: the recruitment of the best people from the combined talent pool to shared posts; a robust approach by staff in the shared posts to prioritisation; and the fact that these shared posts are bigger roles with greater time commitment required from the staff in them.

- 5.4 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. Once appointed the shared Chief Executive will work with the two Leaders and other leading members from both authorities to agree a detailed structure, using the 'one, three, eight' model as the starting point but with flexibility within the new budget for the shared management team laid out in this business case. The final structure will need to complement the shared Chief Executive's particular strengths and skills, as well as supporting the priorities of both councils.
- 5.5 It is proposed that a further three posts are shared by the two councils at this stage – to cover the functions of communications; corporate performance and programme management. 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.
- 5.6 The role of shared Chief Executive will be open to internal and external candidates simultaneously. The other fourteen new roles will be 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 three 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	3 Directors	5 Directors (3 at SNC and 2 at CDC)
Ring-fence 2	8 Heads of Service	14 Heads of Service (4 at SNC and 9 at CDC as 1 CDC post is vacant and another will be by end March 2011) 2 SNC managers with responsibility for service planning, budget and team management (Waste Services Manager and IT & Customer Services Manager)
Ring-fence 3	3 Lead Officer posts	1 SNC Communications Manager; (CDC Communications Manager post is vacant) 1 SNC Corporate Performance Manager; 1 CDC Corporate Planning, Performance and Partnerships Manager 1 SNC Programme Manager; 2 CDC Improvement Project Managers

- 5.7 After the appointment of the shared Chief Executive, and confirmation of the final structure, all 26 staff remaining in scope (14 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 financial considerations.
- 5.8 In the event that an appointment or appointments are not made from the internal candidates across the two councils, additional redundancy payments and further recruitment costs will be payable. A contingency of £339,000 has been built into the business case to deal with these eventualities and any other unforeseen costs, should they arise.

Conclusions

Best structure

- 5.9 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.

6.0 COSTS AND BENEFITS

6.1 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
Lead Officers	5	295	4	252	9	547
Total	13	1,160	18	1,487	31	2,647
		44%		56%		

Cost of new structure

6.2 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
Lead Officers	3	223
Total	15	1,601

6.3 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.

6.4 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.

- 6.5 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.
- 6.6 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?

- 6.7 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.
- 6.8 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.
- 6.9 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.
- 6.10 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.

- 6.11 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

- 6.12 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)	647
Redundancy contingency (20%)	129
General contingency	339
Recruitment costs	155
Consultancy advice (HR/Legal etc.)	100
Training/outplacement support	14
Total estimated one-off costs	1,384

- 6.13 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

Our respective external auditors have both confirmed that they have no problems with this.

- 6.14 These figures assume that both councils apply the statutory number of weeks (maximum 30) to redundancy calculations, which is now the policy at both CDC and SNC.

- 6.15 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.

6.16 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 £339,000.

One-off costs	Best case £000s	Worst case £000s
Estimated termination payments (average)	205	1,158
Redundancy contingency (20%)	0	0
General contingency	343	266
Recruitment costs	155	155
Consultancy advice (HR/Legal etc.)	100	100
Training/outplacement support	14	14
Total estimated one-off costs	817	1,693
Share of one-off costs (60:40)		
CDC	490	1,016
SNC	327	677

Payback periods

6.17 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

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

- 6.19 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

- 6.20 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.

It was announced in the Spending Review that DCLG will allocate up to £200m of additional capitalisation directions in 2011-12 only to allow councils to restructure their services - for example by capitalising redundancy costs. Both authorities will apply for such a direction at the appropriate time in order to protect dwindling revenue resources. If approved this will mean that capital receipts can be used to fund some, if not all, of the transitional costs.

- 6.21 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

- 6.22 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

6.23 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

6.24 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.

6.25 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.

6.26 A regular theme in the consultation feedback was to do joint working but from the 'bottom up' rather than the 'top down'. Apart from this being outside the scope of the Joint Working Group's Terms of Reference, examples of this to date have proven that this is harder to achieve than a 'top down' approach.

Conclusions

6.27 *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.
- 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.

- 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.
- That these one-off costs would be paid back in 1.54 years to SNC in 1.21 years to CDC.
- That these one-off costs should include a contingency sum of £339,000.
- 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.
- That in both the average and worst case scenarios, the one-off costs are fundable from the balances and earmarked reserves of both councils.
- 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.

7.0 TIMING OF IMPLEMENTATION

7.1 The following timetable for appointments is proposed:

December 2010	Business case approved; shared Chief Executive job description and person specification agreed; recruitment of shared Chief Executive launched, supported by recruitment consultants
February 2011	Chief Executive appointed to start between 1 March and 1 June 2011
March – July 2011 (depending on the start date of shared Chief Executive)	Formal consultation on final shared senior management structure with affected group
By end July 2011 (may be earlier, depending on the start date of shared Chief Executive)	Approval of final structure and job descriptions and person specifications for Directors and Heads of Service
July/August 2011 (may be earlier, depending on the start date of shared Chief Executive)	Directors appointed
September 2011 (may be earlier, depending on the start date of shared Chief Executive)	Heads of Service appointed
October – November 2011 (may be earlier, depending on the start date of shared Chief Executive)	Job descriptions and person specifications for roles covering communications , corporate performance and programme management finalised and posts appointed

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

- Retains the finalisation of the shared management structure until the new shared Chief Executive is in post, ensuring that she/he is accountable for the final structure and its success.
- Recognises the importance of moving as quickly as possible to remove the uncertainty faced by staff in affected posts.
- Taking the worst case timetable still secures significant savings in 2011/12 from the creation of a shared Chief Executive, Directors, Heads of Service and Lead Officers. These total £527,000 with the remaining £519,000 following in 2012-13. The total saving of £1,046,000 is consistent with the original business case.

The profile of savings can be split for each Council as follows:

- SNC
 - £194,000 in 2011-12
 - £166,000 in 2012-13

- CDC
 - £333,000 in 2011-12
 - £353,000 in 2012-13

7.3 The alternative would be to delay the Directors and Heads of Service appointments until the autumn but the Joint Working Group does not recommend this alternative.

Information Technology

7.4 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. 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.

7.5 In response to comments during the consultation both councils have already established a joint ICT Working Group, the terms of reference of which are included at Appendix 2. Establishing this group so early will also help both councils respond to the potential opportunity offered by the end of SNC's existing outsourcing contract with Capita at SNC in April 2012.

Conclusions

Pace

7.6 That this shared team should be put in place as quickly as possible.

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

- 8.1 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 sets 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 also deals with issues of dispute resolution and termination. The Joint Working Group is recommending a rolling arrangement as opposed to a fixed term but with an interim review in September/October 2011 and full 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.
- 8.2 Councils who already have shared management teams have used Section 113 agreements as the legal framework for joint working. They are tried and tested.
- 8.3 We recommend that both councils sign the Section 113 agreement attached as Appendix 3 immediately after the 8 December, assuming both councils agree to the proposed shared arrangements.
- 8.4 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 and another to deal with any appeals related to these posts.
- 8.5 The proposed terms of reference of a Joint Personnel Committee are laid out in Appendix 4. 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 immediately after 8 December to appoint and commission the recruitment consultants supporting the recruitment of the shared Chief Executive and up to three further times during January and February.
- 8.5 The proposed terms of reference of a Joint Appeals Committee are laid out in Appendix 5. This Joint Appeals Committee will be in addition to the committees at both councils which deal with appeals.

Conclusions

- 8.6 That a Section 113 agreement is the most appropriate mechanism to provide the legal framework for joint working and two new Joint Committees are required.

9.0 SUCCESS CRITERIA AND PROJECT RISKS

Success criteria

9.1 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

9.2 The Joint Working Group has developed a full project risk register including impact/probability scores, mitigating measures and responsibilities and this is detailed in full in Appendix 6.

9.3 The key risks are:

- Failing to secure member support for a shared management team
- Other projects suffer due to a lack of capacity.

9.4 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

- 9.5 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.

10.0 POTENTIAL FOR SAVINGS BEYOND THE SENIOR MANAGEMENT TEAM

Fourth tier savings

10.1 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. The assumed costs and number of posts are based on the 2010-11 budget:

	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

10.2 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.

10.3 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

10.4 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.

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- 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

10.5 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

10.6 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).