

Council

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

8 December 2010

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

PURPOSE OF REPORT

To seek Council's approval to accept the recommendation of the Cherwell District Council and South Northamptonshire Council Joint Working Group to put in place a shared senior management team.

This report is public

Recommendations

Council is recommended to:

- (1) Agree the overarching recommendation of the Cherwell District Council and South Northamptonshire Council Joint Working Group, endorsed by the Executive, to put in place a shared management team by the end of September 2011.
- (2) Agree the further eighteen recommendations made by the Joint Working Group, and endorsed by the Executive, as follows:

Sovereignty

- 2.1 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

- 2.2 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.

- 2.3 Recruitment to the shared Chief Executive commences immediately, using the Job Description and Person Specification attached in Appendix 8 of the business case, via an open recruitment process which will be supported by recruitment consultants appointed by both councils.
- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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

- 2.10 A Joint Personnel Committee be set up and works to the terms of reference in Appendix 4 of the business case; 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.
- 2.11 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 of the business case.
- 2.12 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 of the business case to oversee the implementation of the above recommendations.
- 2.13 CDC and SNC both sign on 9th December the Section 113 agreement in Appendix 3 of the business case 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

- 2.14 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.
- 2.15 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

- 2.16 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.
- 2.17 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

- 2.18 Both councils receive an interim update in September/October 2011 and a post project report in September 2012, reviewing the implementation of these recommendations.
- (3) Appoint Cllrs Atack, Cotter, Irvine, Reynolds and Wood as the five Cherwell District Council members on the **Joint Personnel Committee** and Cllrs Atkinson, Bolster and Williamson as the named substitutes and delegate authority to the Head of Legal and Democratic Services to amend the Constitution to take account of this new Joint Committee.
- (4) Appoint Cllrs Blackwell, Macnamara and Rose as the three Cherwell District Council members on the **Joint Appeals Committee** and Cllrs Clarke and Emptage as the named substitutes and delegate authority to the Head of Legal and Democratic Services to amend the Constitution to take account of this new Joint Committee.
- (5) Appoint Cllrs Atack, Cotter, Macnamara, Reynolds and Wood as the five Cherwell District Council members on the Joint Arrangements Steering Group and Cllrs Turner and Williamson as the named substitutes.
- (6) Appoint Veredus as the recruitment consultants to provide support to the Joint Personnel Committee in arriving at a recommendation for the appointment of the shared Chief Executive.
- (7) Address recommendation 2.5 above by resolving that the terms of reference of the Joint Personnel Committee also include the determination of the terms and conditions of employment of the shared Chief Executive, Director and Head of Service posts subject to any salary levels being within the parameters set by the business case.

- (8) Endorse Executive's recommendation that, once a shared senior management team is in place, the Council can aspire to achieve continued excellent performance.

Executive Summary

Introduction

- 1.1 On 12th July 2010 the Executive agreed to establish a Joint Working Group of elected members with South Northamptonshire Council to examine the business case for sharing a senior management team between the two Councils, recognising at the same time that this may well lead to joint teams for service delivery in the future.
- 1.2 Cherwell District Council's members on the Joint Working Group have been:
- Cllr James Macnamara (nominated as Vice Chairman)
 - Cllr Ken Attack
 - Cllr Nick Cotter
 - Cllr George Reynolds
 - Cllr Barry Wood
 - Cllr Nicholas Turner (substitute)
 - Cllr Douglas Williamson (substitute)
- 1.3 The Joint Working Group published a draft business case on 17th September. Before this draft business case was considered by the Executive on 11th October 2010 it was discussed in detail by the Overview and Scrutiny Committee and the Resources and Performance Board who met jointly on 6th October. A number of changes were made to the draft business case on the recommendation of the Chairmen of the Overview and Scrutiny Committee and the Resources and Performance Board and in response to feedback from staff and UNISON. Other changes were made as a result of the views of elected members, staff and UNISON at South Northamptonshire. None of the annual savings or costs projected for either Council have changed since the draft business case. The projected payback periods also remain the same.
- 1.4 The final business case is attached as Appendix 1 and proposes a shared senior management team of twelve posts, with three further posts to be shared at this stage. Putting these shared posts in place will deliver an **ongoing annual saving of £686,000 to this Council, adding up to £3.430m cumulative savings over 5 years**. The business case's recommendations are reproduced in full as recommendations 1) and 2) to all members at the beginning of this paper.
- 1.5 Two formal Joint Committees need to be created if both Councils agree to put a shared management team in place. The proposed terms of reference of the Joint Personnel Committee are set out in Appendix 4 of the business case and the proposed Cherwell District Council membership is set out in recommendation 3). The proposed terms of reference of the Joint Appeals Committee are set out in Appendix 5 of the business case and the proposed Cherwell District Council membership is set out in recommendation 4).

- 1.6 Subject to the decision of both Cherwell District and South Northamptonshire Councils at recommendations 1) and 2) it is proposed that the Joint Personnel Committee meets for the first time on 9th December to agree, among other things, a number of matters relating to the recruitment of the shared Chief Executive. This will include briefing Veredus if they are appointed as the recruitment consultants by both Councils, following a procurement process which has been run by Cherwell District Council on behalf of both Councils and has involved the Leaders of both Councils in the decision about the preferred consultant.
- 1.7 It is also proposed that a Joint Arrangements Steering Group will be created as a successor to the Joint Working Group which will now be disbanded. The proposed terms of reference are set out in Appendix 7 of the business case and the proposed Cherwell District Council membership (identical to the Cherwell membership of the Joint Working Group) is set out in recommendation 5).
- 1.8 The members of South Northamptonshire Council will also consider this business case on 8th December. The South Northamptonshire Council meeting starts before the Cherwell meeting and their decision should be known by the time Cherwell members consider this item.

Proposals

- 2.1 The Joint Working Group recommends that Cherwell District Council and South Northamptonshire Council put a shared management team in place by the end of September 2011. The Executive endorsed the draft business case on 11th October, subject to some changes being made. The Executive will consider the final business case at its meeting on 6th December and is expected to recommend it for approval to full Council.

Conclusion

- 3.1 The business case is now finalised and should be accepted by Council.

Background Information

- 4.1 The draft business case for the creation of a shared senior management team with South Northamptonshire Council was published by the Joint Working Group on 17th September 2010. This final version takes into account the formal recommendations from the scrutiny committees of both councils as well as consultation feedback from staff and unions at both councils.
- 4.2 Section 2 of the final business case lays out the main changes and additions which were made to the draft business case. In summary:

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

Outline structure of the senior management team The proposed structure remains unchanged as Chief Executive, 3 Directors and 8 Heads of Service,

but the reasoning behind it is now explained in detail.

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

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

- 4.3 All of the work to finalise the business case has taken place alongside work to develop 2011/12 budgets and updated Medium Term Financial Strategies both at this Council and at South Northamptonshire Council. We now know from the Comprehensive Spending Review report that grants from central government to local government will be cut by 26% over the next four years. This cut, combined with the loss of the concessionary fare budget and other factors, means that we are now facing a possible total budget shortfall of between £13.8m and £15.8m between now and the end of 2014/15 on the basis that we take no action until the very end of this period. However, the sooner we act, the smaller the cut in actual expenditure we will need to make. Putting this proposed shared management team (15 shared posts in total) in place by September 2011 makes a £2.3m contribution to the total shortfall and contributes £333,000 to the 2011/12 budget. It also opens up the possibility of further savings over the next four years should both councils agree to take joint working further.
- 4.4 Should this proposal for a shared management team not be accepted by both Councils then we will have to find the £2.3m from elsewhere. The joint meeting of the Overview and Scrutiny Committee and Resources and Performance Board on the 6th October considered our 'Plan B' – the cutting of five posts from our Extended Management Team and a range of actions to out-source and in-source work from/to our finance, human resources and legal teams. Members concluded that this was a far inferior option to the proposal for a shared management team.

Summary of the proposal

- 5.1 The business case proposes a shared senior management team of twelve posts, with three further posts to be shared at this stage. Putting these shared posts in place will deliver an **ongoing annual saving of £686,000** to this council, adding up to **£3.430m cumulative savings over 5 years**.
- 5.2 The implementation costs associated with achieving this annual saving of £686,000 will vary depending on which staff leave the two organisations and therefore a range of costs have been estimated in the draft business case. The lowest cost estimate is £817,000. The middle case (as used in the business case) is £1.384m and the highest cost estimate is £1.693m.
- 5.3 The Joint Working Group has recommended that, regardless of which staff in which organisations are made redundant, the costs will be split on a 60:40 basis, with Cherwell District Council picking up 60% of the costs. Both District Auditors have agreed with this approach.
- 5.4 The expected overall pay back period for Cherwell District Council is 1.21 years, working on average one-off costs. This will improve to 0.71 years if

one-off costs prove to be our best case costs or drop back to 1.48 years if we face the worst case one-off costs.

- 5.5 The business case is based on a maximum of 30 weeks redundancy compensation being given at both councils in line with the policies at both councils. Should either council award, at their discretion, redundancy compensation exceeding 30 weeks then that council will be responsible for covering that additional cost.
- 5.6 The business case also identifies the possibility for further savings elsewhere in the organisations if a joint management team structure is put in place. Indicatively it sets out the level of additional savings if costs in the next tier of management were reduced by 15%, 20% and 25%.
- 5.7 If 20% reductions were identified in the next tier of management, as a result of the opportunities to work more closely once the senior management team were in place, this would equate to an approximate further **ongoing annual saving for Cherwell District Council of 392,000 (or £1.960m cumulative over 5 years)**.
- 5.8 These savings would be in addition to the ones detailed at 5.1, and if delivered, **would bring the total annual saving to potentially £1.078m per year**, subject to further business cases which would explore the costs and benefits of services on a case by case basis.

Key Issues for Consideration/Reasons for Decision and Options

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One

Not to approve the business case.

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

Consultations

Elected members

The Resources and Performance Scrutiny Board and Overview and Scrutiny Committee met jointly on 6th October to consider the business case and their findings and recommendations have been taken into account in this final business case.

Unions and staff UNISON and staff at both councils have been formally consulted on the draft business case and their comments have been taken into account in this final business case.

Implications

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

Comments checked by Karen Muir, Corporate Systems Accountant 01295 221559

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

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

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

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566

Human Resources No immediate impact at this stage although all recruitment and redundancy processes which may follow must comply with the council's policies and legal obligations.

Comments checked by Anne-Marie Scott, Head of People and Improvement 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Final business case
Background Papers	
12 July 2010 Report to Executive, The Case for Considering Close Joint Working between Cherwell District and South Northamptonshire Councils	

6 October 2010, Minutes of Extraordinary Joint Meeting of the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board
11 October 2010, Report to Executive, Business Case for a Shared Management Team between Cherwell District Council and South Northamptonshire Council
6 December 2010, Report to Executive, Final Business Case for a Shared Management Team between Cherwell District Council and South Northamptonshire Council

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