Executive

The Case for Considering Close Joint Working between Cherwell District and South Northamptonshire Councils

12 July 2010

Report of the Leader of the Council

PURPOSE OF REPORT

To agree to establish a Joint Member Working Party to examine the business case for sharing senior management structures between Cherwell District Council (CDC) and South Northamptonshire Council (SNC), recognising that this may well lead to joint teams for service delivery in the future.

This report is public

Recommendations

The Executive is recommended:

- (1) To establish a Joint Member Working Party to examine the business case to create a shared senior management structure between Cherwell District Council and South Northamptonshire Council with a view to reporting its findings to the Executive and then to full Council on 18 October 2010.
- (2) To approve the Terms of Reference for this Joint Member Working Party (attached as Appendix 1).
- (3) To nominate Cllrs Wood, Reynolds, Macnamara, Atack and Cotter to the Joint Member Working Party with Councillors Turner and Williamson as substitutes.

Executive Summary

Introduction

- 1.1 Both CDC and SNC face significant medium term financial deficits, as well as short term financial challenges. These need to be addressed, but at the same time, both Councils want to protect valued front-line services for as long as possible. They also want to retain the capacity to serve their respective Districts over and above the normal work of District Councils, as both already do.
- 1.2 Many District Councils have already put in place arrangements to share

management teams, and have then moved on to consider sharing specific services and/or procuring jointly from others while remaining separate and sovereign organisations and securing savings.

Proposals

1.3 To establish a Joint Member Working Party to examine the business case to create a shared senior management structure between Cherwell District Council and South Northamptonshire Council.

Conclusion

1.4 There is now considerable evidence from successful shared arrangements across the country to suggest that CDC and SNC would also be able to achieve efficiencies.

3 Financial Challenges faced by both Councils

Both Councils are considering this same report at their respective 12th July Executive and Cabinet meetings.

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

	Cherwell	South Northants
Best case	£4.3m (assumes RSG freeze)	£6.1m (assumes RSG
		freeze)
Realistic	£11.3m (assumes RSG cut 5%	£9.3m (assumes RSG cut
case	per year for 3 years)	10% in 2011/12)
Worst case	£15.8m (assumes RSG cut by	£13.7m (assumes RSG cut
	6.5% per year for 3 years)	by 6.5% per year for 3
		years)

3.3 The emergency budget on 22nd June made it clear that unprotected Whitehall departments such as Communities and Local Government (DCLG) will face cuts of at least 25% over the next 4 years. Depending which departments secure a degree of protection over the next few weeks, and assuming DCLG is not one of those, we may be facing cuts in the order of 30% over the next 4 years.

However, it should be noted that cuts of this order are 'real terms' reductions after taking into account an element of growth for inflationary pressures in the future. The 'cash' reductions will be lower than the 'real terms' reductions being quoted. Both authorities have incorporated 'cash' reduction into their MTFS's.

- 3.4 We are unlikely to have further news until details of the Comprehensive Spending Review are announced on 20th October 2010, although final settlements will not be confirmed until November/December.
- 3.5 In seeking savings to date both Councils have worked in partnership with other local authorities:
 - SNC has a major 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 151 officer on an interim basis with SNC.
- 3.6 However, while both Councils continue to pursue cost-saving opportunities with others where opportunities arise, the size of the potential shortfalls in both MTFSs 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 SNC and CDC move forward to much closer working it might be appropriate to review these as and when the right opportunities arise.
- 3.7 Both Councils are embarking now on their service and financial planning for 2011/12. Should both Councils agree to explore a shared management team, some of the short-term savings from such a move could prevent shorter-term cuts to services. It is unlikely that bringing the management teams together would remove the need for any other cuts. However, it would open up options previously unavailable to either Council.
- 4 Increasingly District Councils are creating combined management and support teams to help address financial and other issues
- 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: all have achieved efficiencies as a direct result. The report 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 There will be many lessons to be learned from members and officers who have already trodden this path and we suggest identifying three pairings and focussing on understanding what they have saved from their new, focussed joint working and what they would do differently given another opportunity and why. Good candidates look to be the High Peak

and Staffordshire Moorlands Councils who sit in different counties and regions, plus South Oxfordshire and Vale of White Horse Councils who are nearby and would be willing to share their experiences.

5 Separate and sovereign organisations

5.1 Under all the current shared management arrangements, the two organisations remain separate and sovereign organisations, directed by two separate councils. There is absolutely no question that SNC and CDC would remain anything but separate, sovereign organisations.

6 More in common than our financial challenges

- One of the necessary starting points for a successful partnership 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.
- 6.2 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 tables draw out some of the common 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)	524	227
Revenue budget 2010/11	£18.5m	£12.1m
Band D Council Tax, 2010/11	£123.50	£170.37

Our strategic priorities are similar:

Cherwell	South Northants
 Cherwell: A District of Opportunity A Cleaner, Greener Cherwell A Safe, Healthy Cherwell An Accessible, Value for Money Council 	 Preserve what is special – the natural environment and character of the district Protect the vulnerable – lives and homes Encourage potential – transport and jobs Enhance performance – one council, one district and one county (Affordable Excellence)

- 6.3 In particular we are both 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.
- 6.4 We both have ambitions for delivering for our Districts in ways which go beyond the usual remit of District Councils, working with partners to deliver members' and residents' priorities. Such work takes up significant staffing capacity which both Leaders would like to preserve for as long as possible.

For example:

Cherwell	South Northants	
 Securing a flood alleviation scheme for Banbury Achieving national eco town status for Bicester Protecting maternity and paediatric services at the Horton Hospital, Banbury Working to maintain the right fit between employers needs and local workforce skills – in good times and through recession 	 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) 	

7 The potential scale of the opportunity

- 7.1 The IDeA report gives a good indication of the potential scale of early savings which are achievable from such joint senior management arrangements, while being clear that the greater prize is to be had from sharing services in the appropriate parts of the organisation. South Oxfordshire and Vale of White Horse District Councils estimate £1.1m savings per year between them from joint management arrangements. Staffordshire Moorlands and High Peak District Councils' joint management team will generate total savings of £560,000 per year from 2012.
- 7.2 At the moment we employ 751 staff between us at a total cost of £26.1m (524 full time equivalent staff costing £16.9m at CDC and 227 full time equivalent staff costing £9.2m at SNC).
- 7.3 Potential savings come from three potential steps which some pairs of Districts have taken sequentially over a period of time:
 - A shared Chief Executive and senior management team
 - Shared "back office functions" such as Finance, HR, Legal, ICT and others
 - Shared delivery of frontline services
- 7.4 The Joint Member Working Party would examine the financial benefits from moving towards a joint senior management team. It would also examine how the costs and benefits of a joint team would be apportioned between the two organisations.

8 Potential issues

- 8.1 There are many issues to be explored. Again, those who have already taken this step will have much advice to give as a starting point on these and other issues.
 - How will savings and up-front costs be allocated to the two Councils? (there are models for this developed by others which need exploring)
 - How will we meet the upfront redundancy costs?
 - How similar or different are our employee terms and conditions and what are the challenges that these might present?

• What governance arrangements will be needed to provide joint direction to the shared officer team once it is established?

9 Potential timetable

9.1 Both Councils are planning now for the actions they will have to take to meet expected cuts to government grants. By moving quickly there is potentially an opportunity to reduce the scale of required short-term service cuts by buying time to consider shared services and other options as a first source of savings, while protecting frontline services. The maximum possible benefit will come from agreeing the way forward *before* the 2011/12 service and financial planning round is much further advanced.

The proposed timetable is:

September/October Working party provides recommendations to the

CDC Executive and SNC Cabinet

Late October/early November CDC and SNC full Councils consider Executive/

Cabinet recommendations

Followed by, if appropriate: Joint appointment of one Chief Executive

Joint appointment of one team of Directors and

Heads of Service

Development of business cases for new

arrangement for specific services

10 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 proceed to appoint Members to the Joint Member

Working Party.

Option Two Establish the Joint Member Working Party

Implications

Financial: The financial savings from this initiative are potentially

considerable. There will be significant one off costs associated with the transition. The business case will calculate these and use a to-be-agreed cost sharing model to determine the financial resources which would

be needed for this project.

Comments checked by Karen Curtin, Head of Finance,

01295 221551

Legal: The legal implications of this project will be considered in

detail in the business case. It will be important to learn

lessons from other Councils who have successfully

established shared management teams early on.

Comments checked by Nigel Bell, Solicitor, 01295 221687

Risk Management: The risk management implications of this project will be

considered in detail in the business case.

Comments checked by Karen Curtin, Head of Finance,

01295 221551

Wards Affected

ΑII

Corporate Plan Themes

ΑII

Executive Portfolio

Councillor Barry Wood Leader of the Council

Document Information

Appendix No	Title	
Appendix 1	CDC/SNC Joint Member Party on Shared Senior Management	
	and Services: Proposed Terms of Reference	
Background Papers		
IDeA Shared Chief Executives and joint management – a model for the future? (October 2009)		
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Appendix 1

CHERWELL/SNC JOINT MEMBER WORKING PARTY ON SHARED SENIOR MANAGEMENT AND SERVICES PROPOSED TERMS OF REFERENCE

MEMBERSHIP

- 5 elected members from each council 4 from each controlling group and one from each opposition group
- Substitute members to be appointed 1 for each controlling group and one for each opposition group

OFFICER SUPPORT TO THE WORKING PARTY

- Two Chief Executives (or Directors as substitutes)
- Two Heads of Finance (and shared Section 151 Officer)
- Two Monitoring Officers
- Two Heads of Human Resources
- A dedicated and specifically identified Administrative Support Officer

OFFICERS/OTHERS TO BE CONSULTED BY THE WORKING PARTY

- Directors, Heads of Service and other officers as necessary
- Trade Union/staff representatives

OBJECTIVES

- 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 Cherwell and SNC and present conclusions/recommendations to the Cherwell Executive and SNC Cabinet and both Councils
- Understand the benefits gained and lessons learned from three other pairs of District Councils which have already created a joint management team and present the findings/resulting recommendations to the Cherwell Executive and SNC Cabinet and both Councils
- Scope the financial baselines and potential savings to both Councils of extending the
 concept of shared teams to the level below Head of Service for 'back office' support
 services and present the findings/resulting recommendations to the Cherwell
 Executive and SNC Cabinet and both Councils
- Recommend a mechanism/formula for the allocation of associated costs and efficiencies across the two organisations
- Detail the risks to both Councils of taking this step and recommend mitigating actions to the Cherwell Executive and SNC Cabinet and both Councils

 Propose a communications plan to elected members in both councils, to staff in both councils, to media and (when appropriate) to residents in both Districts

QUORUM

The Working Party meetings will be considered quorate if three elected members from each council are present.

DECISION-MAKING POWERS

Decisions regarding the implementation of any recommendation rest separately with each Council.

METHOD OF APPROACH

The Working Party will convene every two weeks on an evening convenient to a majority of the Members. The first meeting is to be held in the week ending 16 July 2010. The meetings will alternate between Towcester and Banbury. Officers will facilitate a standard agenda for the meetings and maintain a record of decisions and actions, together with a risks and issues log which will be updated in time for each meeting.

INTERFACES & ASSUMPTIONS

There is a strong assumption that the product of the Working Party will interface with budget construction for both Councils for 2011/12 and the respective Medium Term Financial Strategies. A corollary of this is that care must be taken not to take separate (other) decisions about top tier(s) officer structures that might hamper or confuse the potential of this proposal while the Working Party is meeting to draw conclusions.

TIMETABLE

Week ending 16 July Working Party to meet for the first time and agree

workplan (officers to provide a draft workplan).

Mid September Working Party members to report draft

findings/recommendations to controlling and opposition

arouns

11 October Formal reports to Cherwell Executive and SNC Cabinet

Late October/early November Formal decisions made by both Councils

NOTE: This timeframe enables the results to be included in 2011/12 budget preparations and effectively allows any resulting recruitment/selection processes to be completed by the end of January 2011

30th June 2010