

## Appendix 2

### **OUTLINE BUSINESS CASE FOR SHARED MANAGEMENT: SOUTHERN BUCKS DISTRICT COUNCILS**

#### **1.0 INTRODUCTION AND BACKGROUND**

1.0 The financial outlook for the public sector, including local government has in recent weeks been made clear by the coalition government. With a target of around 30% savings to be made over financial years 2011/12 and 2012/13, the challenge facing local government is major. As in most local authorities across the country, the three southern Bucks District Councils of South Bucks, Wycombe and Chiltern have been modelling worst case scenarios over the last few months and have now put these into budget plans following agreement by full councils in February. The objectives of all three have been to make the necessary savings to set a legal budget and keep Council Tax to a 0% increase for 2011/12, while maintaining front line services to council taxpayers as far as possible, particularly the vulnerable.

1.1 While plans for the next 2 years are becoming clearer, the likely settlement for 2013/14 and 2014/15 is completely unknown.. We need to plan for the possibility that that settlement is as severe as the next 2 years. A Local Government Finance Review is due to be undertaken this summer however for the present we need to work on the general assumption that our grant is likely to reduce over time and we will need to become ever more innovative in what services we provide, and how, all at lower cost.

1.2 There is already extensive partnership work across the 3 authorities which has been developed over a number of years. Examples include:-

- Paper sort
- Joint waste collection contract between Chiltern/Wycombe
- Plans for joint Building Control Wycombe/Chiltern
- Joint Legal service between South Bucks/Chiltern

1.3 The Leaders of the three southern districts have been meeting since last October to consider how this partnership between the authorities could be moved on further to maintain services as far as possible while saving cost. The Leaders wish to pursue the approach of Shared Management Teams and have requested the three CExs to develop a Statement of Intent and Outline Business Case. Leaders have had discussions with their respective Cabinets and Groups, who have been supportive of the principle.

1.4 Shared Cexs and Management Teams are being trialled or have been adopted in a number of authorities across the country. It was begun by Adur and Worthing adopting a joint CEx and management team in 2006. There are now around 16 pairs of authorities preparing to take the step of sharing CExs/management teams and it is acknowledged that motivations are primarily financial. A number of lessons are emerging from these partnerships including:-

- Financial savings is a key objective
- Political leadership is crucial to the success of the shared arrangement
- Agreeing as a partnership of equals with democratic sovereignty maintained and not a takeover by one authority of another
- The expected scope of the arrangement needs to be defined and agreed from the outset
- Communication with staff, Members, partner organisations and the public is essential
- A trigger for the sharing is often the retirement/departure of a CEX
- There is a need to invest in capacity to implement. Some authorities have established a transformation team to achieve integration effectively.
- The impact of transformational change is not to be under estimated

1.5 To date there are no other shared arrangements between 3 authorities and feedback indicates that three is a stretching initiative. The proposed arrangements would produce a combined population of 325,000 across the three authorities.

## 2.0 OPTIONS

Options to sharing management include:-

- Sharing CEXs only- this hampers the chance of making synergies across services through shared operational management
- Developing closer partnership working only-this misses the opportunity of saving cost and achieving synergy at senior management level
- No change - this is not considered an option given the financial challenges on local government
- Full merger of all 3 councils- this is not an option Leaders wish to pursue as they want to retain individual sovereignty of each organisation
- Work towards shared management team over next 2 years, taking advantage of natural wastage - cheaper option insofar as it avoids redundancy.

These points are further examined in the Risk Analysis below which is indicative as further work will need to be done on this aspect .:

## 3.0 RISK ANALYSIS

Key risks include:

<b>Risk Identified</b>	<b>Impact</b>	<b>Probability</b>	<b>Approach to Mitigation &amp; Management</b>
Setting up shared Chief Exec/Mgmt team arrangements distracts senior staff from current essential transformation work to achieve savings.	H	H	Establish clear timescale for planning and implementation to ensure it works for all 3 authorities.

<b>Risk Identified</b>	<b>Impact</b>	<b>Probability</b>	<b>Approach to Mitigation &amp; Management</b>
Reduction and sharing of senior management will require more strategic and less operational focus across all three authorities.	H	H	Experience shows this may require re-structuring throughout all levels of the organizations in order to establish new teams.
Senior officer pressure of managing three organizations.	H	H	Strong member support of officers going through change and recognition of need for changed ways of working between leaders/shared chief exec and members/shared management team.
Recognition of one chief executive and management team for three Councils	H	H	There will be efficiencies through the shared services agenda but in essence there are three organizations for the chief executive and management team to run. Members will need to recognize that the chief executive cannot be in three places at once and will need to prioritize. Appropriate deputizing arrangements will need to be made.
A reluctance by some of the shared management arrangements.	H	M	Communication that this option will achieve more efficient and better services, without duplication of effort. However this should be managed in a phased approach linked to the shared services agenda and clarity that all parts of all three organizations will be involved.
Doing nothing	M	L	Changes in future local government policies at a national or regional level and future savings requirements could enforce shared practices. "Choose to be ahead of the game".
Perceptions of losing control and of a "takeover" not a "merger".	M	H	Sovereignty of Councils will remain and Councils will take their own decisions. Clear ongoing communications plan to continue to clarify this.
Trust breakdown between Authorities	H	M	Strong communications in place and successes are seen. Shared Chief Executive needs to build strong relationships with all three leaders very quickly.
Unequal costs/savings incurred by different authorities.	M	L	Sufficient and robust financial arrangements are needed to ensure each Council benefits from the arrangements.
Political activity influences decisions not based on business	H	M	Clear communications plan required and senior political commitment to

<b>Risk Identified</b>	<b>Impact</b>	<b>Probability</b>	<b>Approach to Mitigation &amp; Management</b>
case analysis.			"win-win" business case decisions for all authorities.
Change in politics at 2011 elections	M	M	Statement of principles to be agreed before May elections. Appointment of shared Chief Exec to take place after May elections.
Risk for officers of competitive recruitment processes.	M	M	HR rules need to be explicit during recruitment and restructuring processes and streamlined across all three authorities wherever possible.
Timescale slip and savings are not made.	M	L	Clear timescales and project plan to be agreed at the outset.
Sharing Chief Exec and management team across three authorities will be a "first", with no experience or lessons learned to be gleaned from elsewhere.	H	H	Ensure the implications of actions and decisions are very fully considered at first stages. Clear ongoing communication plan. Ensure timescale is measured and not rushed.
Risk of one or more authorities pulling out of the arrangement.	H	M	Intense Leader/Cabinet/ Senior Officer involvement needed from the start of the project and throughout to build and maintain relationships and understanding and assist in negotiations.
Consultation and selection processes fall short of legal and contractual requirements risking litigation, reputational damage and financial loss. Challenges may impact timescales.	H	L	Affected staff consulted before final decisions. Process to include measures to minimise redundancies including consideration of the suitability of available posts in the new structure for existing post holders before advertising.

## 4.0 COSTS

4.1 Current Structure across the three councils is :

- Three CE's
- Five Directors
- Nineteen Heads of Service

Costs are :

- WDC £1.3m
- CDC £1.0m
- SBDC £0.7m
- Total £3.0m including oncosts

4.2 Possible Structure has been used for costing purposes only at this initial stage

4.3 Potential Compensation Costs are in the range of :

Worst case = £2.4m assuming all external appointments, pension strain built in, redundancies paid.

Best case = £650k assuming 13 redundancies.

Mid point of these would be a one-off cost of £1.75m

4.4 Other costs include recruitment consultancy/executive search, independent advice.

There may be other knock-on costs or savings once a new team is in place but these have not been factored in.

## **5.0 SAVINGS**

Based on the illustrative structures used for costing purposes, the savings are likely to be in the order of £1.3m per year across all three councils, thus giving a payback period of between 1.5 and 3+ years.

## **6.0 COMMUNICATIONS**

To be developed to identify key messages and audiences.

## **7.0 TIMESCALES**

SBDC will have a vacancy at CE level, CDC is holding a number of senior vacancies and all three councils have heavy programmes of transformation and major projects including support services in WDC and SBDC, transfer of housing stock in WDC and HS2 in CDC. The capacity and timescales therefore need to recognise these demands.

14/3/11 v3