‘EAST SUFFOLK COUNCIL’ APPENDIX A

The proposal for merging Suffolk Coastal & Waveney District Councils

CONTENTS

EXECUTIVE SUMMARY

This document is not purely a financial business case but is Suffolk Coastal District Council and Waveney District Council's wider, more detailed, case for merging to become one new Council for East Suffolk.

The conclusions of this document therefore demonstrate how through merger East Suffolk would be best placed to address the shared challenges we face, grasp more opportunities, and deliver on our collective priorities of (i) financial self-sufficiency, (ii) encouraging growth across East Suffolk, and (iii) enabling our communities to develop from within, to maintain their unique quality of life.

It is possible to caricature any decision to merge as either a compromise whereby a level of local democracy is being sacrificed in order to make further savings of tax payers' money; or as something councils are being forced into by virtue of the scale of funding reductions from Central Government. This document demonstrates however that whilst merger does deliver change, both financially and democratically, it is not a trade off of one against the other, and it is a choice we are making in order to more effectively deliver our Vision for East Suffolk on behalf of our residents.

Suffolk Coastal and Waveney have been successfully working 'in partnership' operationally since 2008. This partnership has continued to evolve, has generated cumulative savings of over £16m since 2010, and has increasingly become a strategic partnership with a single, shared, Vision - encapsulated in a joint East Suffolk Business Plan. It would be possible for the Councils to continue to make some savings in this way but we have largely exhausted the nature of further savings, innovation and extent of significant improvements in service delivery that can be delivered from such a partnership.

Merging to become a single Council for East Suffolk is the next logical step in the natural evolution of our 'in partnership' working. Compared with the other potential options considered (see Section 2) it is simple to implement, low risk (see Appendix C) and involves limited transitional costs (see Section 4). Most importantly, following the significant success of our innovative 'in partnership' working, it will ensure that the Councils do not begin to stagnate; and are best prepared to be able to act with flexibility and agility to respond to future challenges and opportunities facing local government, and specifically in East Suffolk.

As demonstrated in this document, merging to become a 'Super District' for East Suffolk would deliver over a further 50% increase in cashable and non-cashable annual savings – estimated to be around £1.3m per annum (of which approximately £900k will be directly cashable after a one year transition period). In addition it would be a transformation from being an operational and partly strategic partnership into becoming a fully integrated operational, strategic and political 'goldilocks' marriage – still small enough to be local, provide accountable democracy, and understand and enable our communities; but large enough to make greater investments in growth, housing and infrastructure, and challenge and lobby even more effectively on behalf of East Suffolk.

Recommendations

1. That the Cabinet of Suffolk Coastal District Council and the Cabinet of Waveney District Council each endorse the proposal to create a new single Council for East Suffolk as their preferred way forward.
2. That a summary of this detailed proposal be developed to inform and engage with both the local electorate and stakeholders regarding the Cabinets' preferred approach between 1 November 2016 and 12 December 2016.
3. That an independent telephone poll survey be commissioned, of a representative sample of 1000 residents across East Suffolk, to understand in detail their informed views regarding merger.
4. That following the completion of recommendations 1 to 3 a further report and recommendations be submitted to Suffolk Coastal District Council and Waveney District Council, in January 2017, seeking endorsement of the proposed approach and agreeing a timetable for implementing a new single Council for East Suffolk.

INTRODUCTION

Background

Suffolk Coastal District Council ('SCDC') and Waveney District Council ('WDC') have been working increasingly closely together since first sharing a Chief Executive in 2008. This strong and successful partnership culminated most recently in the adoption of a new joint Business Plan, designed to integrate the Councils' business planning approach for East Suffolk. A copy of the East Suffolk Business Plan is attached at Appendix A.

This was a unanimously supported positive step towards adopting a more business-like approach to developing financial self-sufficiency, encouraging growth across East Suffolk and enabling our communities to develop from within, to maintain their unique quality of life.

Working 'in partnership' together has already enabled the Councils to save over £16m since 2010. SCDC and WDC are however committed to building further upon this successful shared services partnership working to enhance the quality of life for East Suffolk's residents. Bringing the Business Plans together was an important part of creating such continuous improvement, within this ground-breaking operational and strategic partnership. The new Business Plan contains the Councils' long-term joint ambitions for East Suffolk, reflecting their determination to push the boundaries of what they can achieve together.

This is also vital as the Local Government world is continually changing and the Government is committed to further public sector reform. Both councils face a number of key challenges, including:

- The need for investment in growth and infrastructure projects;
- Addressing increasing housing demand and costs;
- Growing employment opportunities and wages;
- Significant reductions in Central Government funding for councils (both Revenue Support Grant and New Homes Bonus);
- Devolution of greater powers from Central Government;
- Double Devolution transfer of functions & responsibilities from Suffolk County Council;
- Further alignment and integration across the public sector;
- Improving education and skills;
- Better use of technology;
- Further welfare reform.

Both Councils are committed to ensuring that East Suffolk is in the best possible position to respond to, and take advantage of, these emerging opportunities and challenges. With this in mind one of the planned actions for East Suffolk, as set out in the Joint Business Plan, is to "*Explore the options for further integration between the partner authorities for more streamlined and resilient district services, and evaluate the potential for greater East Suffolk autonomy*".

The options for further transformation in East Suffolk

At the request of the Council Leaders of SCDC and WDC, their joint Strategic Management Team ('SMT') has reviewed the various options available for further transformation of the Council's partnership working. SMT considered both potential incremental and step-change; and did so in the context of the Government's emerging approach. SMT were also mindful of the rapidly evolving devolution agenda and increasing financial challenges for district councils. SMT concluded that there are 5 available options:

1. Forming a wider partnership with one or more other district / borough councils;
2. Merging SCDC and WDC to form a single district council for East Suffolk;
3. Forming a Unitary Council for East Suffolk (or some other larger area);
4. Creating a Combined Authority for SCDC & WDC (with or without other Councils);
5. Forming a stand alone 'mutual style' company for East Suffolk (with or without other public and / or private sector partners).

The original comparative summary of these options is set out in the table below. Based upon its preliminary option appraisal work SMT concluded that merging the two district councils represents the best option for the further transformation of the councils' partnership working. In particular SMT noted that merger is the only option that is directly 'within the gift' of SCDC and WDC, is the most natural extension of the current partnership, can most easily be combined with any of the other options, and was estimated should deliver a minimum saving of £800,000 per annum.

	Councils involved	Governance	Delivery timescales	Costs & savings potential	Relative ease of delivery
Broader Partnership	Not aware of other willing / suitable councils	Shared with other council(s)	Unknown – depends upon identification of a partner(s)	Limited as be proportioned across more partners	Difficult – strong political relationships would need to be built and any misperceptions addressed. It will also inevitably involve disruption through staff restructuring
Merger	SCDC & WDC only	New district council - replacing SCDC & WDC	In place by May 2019	Estimate net savings of £800k p.a.	Easy – Principal Area Boundary Review process only
Unitary	SCDC, WDC, & SCC	New unitary council - replacing SCDC, WDC & SCC (in part)	Unknown – Principle needs to be agreed by Secretary of State	Limited as would inherit SCC budget gap & higher transitional costs	Difficult – see previous Local Government Review
Combined Authority	Not aware of willing councils	Shared with councils involved	Before 2019	None – estimated to add cost as a result of additional bureaucracy	Unknown - Subject to Cities & Local Government Devolution Act
Mutual	SCC & wider public sector (e.g. police & health)	Jointly owned company with other partners	Depends on partners, but 3 years minimum	Unknown - estimated at over £1m p.a. although higher transitional costs	Difficult – radical change that would require significant negotiation and further legal advice

Simultaneous Cabinet Meeting – 'Further Transformation in East Suffolk' (14 March 2016)

The Councils' Cabinets met together on 14 March 2016 to "*Explore the options for further integration between the partner authorities for more streamlined and resilient district services, and evaluate the potential for greater East Suffolk autonomy*" in the context of SMT's initial conclusions. A copy of the relevant report is attached at Appendix B. The Cabinets agreed with SMT's initial conclusions and decided that SMT should be asked to produce the more detailed proposal for the formal merger of the two district councils.

The Department for Communities & Local Government's principles

Merging two district councils to create a new 'Super District' for East Suffolk requires the consent of the Secretary of State for Communities & Local Government. In order to develop this more detailed proposal for the merger of the two district councils, officers have spoken to and met with representatives from the Department for Communities & Local Government. This was to ensure that the nature of this proposal and the considerations contained within it align with the principles that the Secretary of State will apply when assessing such a proposal.

The Department for Communities & Local Government ('DCLG') have established five broad principles that they have adopted for considering proposals. It should be noted however that these are not statutory tests and nor do they form statutory guidance. As such there are no wider definitions or details for the five principles. The principles, which are equally weighted, are that the proposal would provide:

- better local/public services;
- significant cost savings;
- greater value for money;
- stronger and more accountable local leadership; and
- sustainability in the medium to long term.

This document is SMT's more detailed proposal for merger. SMT have been guided in producing this document by the Councils' Business Plan; and in particular by the need to develop the Councils' financial self-sufficiency, encourage growth across East Suffolk, and enable our communities to develop from within, to maintain their unique quality of life. SMT have also been mindful that both Councils are committed to ensuring that East Suffolk is in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges facing local government. In producing this proposal SMT has also been mindful of the Department for Communities & Local Government's five principles, as outlined above.

This document will now be presented back to a further Simultaneous Cabinet Meeting for Councillors to consider whether to endorse the conclusions in this paper.

VISION

Strategic Context

SCDC and WDC first started working together in 2008 when the then SCDC Chief Executive became a shared Chief Executive for both councils – immediately generating annual savings of over £70k. Once the Local Government Review process ended in 2010 shared working between the two councils rapidly expanded, based upon our original business case for forming a unitary 'East Suffolk' council, to include the next two staffing tiers of the organisation. Today there is a single Corporate Management Team for both Councils which is less than half the size of the original two management teams – again delivering annual savings of around £1m. Similarly since 2010 the councils have gradually integrated over 64% of all the staff into single staffing teams for both councils (this includes over 73% of the service teams). Working 'in partnership' has allowed SCDC and WDC to create greater staff capacity, resilience, and savings of over £16m since 2010.

There are 90 district councillors representing the wider East Suffolk area (42 SCDC & 48 WDC). This is a reduction from the number of councillors that originally formed the partnership as SCDC reduced its number of councillors from 55 to 42 in 2015. Both Councils are currently Conservative led with mixed political opposition groups of varying sizes. Unlike the staffing resource, the political and governance arrangements of the two Councils have remained largely separate. Each has its own Leader and Cabinet (with broadly aligned portfolios for each Cabinet Member), committee system and Constitution. Similarly each Council raises its own council tax and sets separate budgets to deliver its services. There has however been some political integration of the two Councils through mechanisms such as Simultaneous Cabinet Meetings, adopting a joint Business Plan and performance reporting, merged partnerships (e.g. Local Strategic Partnership & Community Safety Partnership), and shared representation at county-wide meetings e.g. Suffolk Health & Wellbeing Board.

Both SCDC and WDC understand the imperatives of finding solutions to the financial challenges facing them both; and working 'in partnership' in this way has significantly helped both to do so in the past. As a result of the impact of the Government's most recent Comprehensive Spending Review however we know that further combined savings rising to around £9m per year are required over the next three years as a result of increased cost pressures and dramatically reduced Central Government funding.

It is this challenge that is underpinning both Councils' clear strategic priority to become financially self-sufficient. This is not about arbitrarily reducing council spending but is about making appropriate savings through working more efficiently and changing how we deliver services. Our plans of how we will do this are set out in more detail within the Councils' Business Plan; and they also significantly include generating new income to replace some of the reductions in Central Government grants.

It is also recognised however that the potential solutions to these financial challenges should not be considered in a vacuum, but are part of a broader strategic framework and vision for the two Council areas. Even more important therefore is what the Councils do and the outcomes the Councils are trying to achieve for the resident of East Suffolk. It is for this reason that the other two key strands of the East Suffolk Business Plan are about generating economic growth and enabling communities.

Vision

Elected councillors are representatives of their communities but they are also an employer and policy maker; they are in the driving seat to articulate the vision and aspirations that our residents should expect from them as custodians of public money. Politically SCDC and WDC have unanimously shared a common 'Vision' across East Suffolk for the last 8 years. Our Vision is to "Maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk"

We want all our residents to fulfil their potential. We want our towns and communities to remain safe. We want our elderly and young to be protected and supported. We want our businesses and their workers to flourish and our economy to prosper. We want our residents to be healthy and to enjoy our coast and countryside; our history, art and culture.

Our area is central to the future economic growth of the country. Our ports are a major gateway for Britain to Europe and the world. Through wind, wave, gas and nuclear energy we are a significant energy supplier to the whole of Britain. We are home to key multi-nationals and small and medium sized businesses in manufacturing and industry, which are the bedrock of the UK economy. Similarly we have centres of excellence in technology, education and the arts.

An international reputation for culture and the arts is also part of what makes our ‘Quality of Life’ so special. Our area is special, with its blend of urban life, market towns and rural villages, unspoilt coastline and internationally recognised and protected countryside.

Tourism is an important part of our economy. Visitors are attracted by the character, culture, festivals, music, art, food, drink, clean beaches and spectacular coastline, river valleys, and the outstanding countryside and wildlife.

Capitalising on these strengths will also enable us to address some significant local challenges, such as the need for new homes that are affordable and local to our communities, the management of our long and eroding coastline, the economic and health inequalities caused by deprivation, the difficulties some of our isolated communities have in accessing local services and the emerging issues presented by an increasing ageing population.

Our objective is to achieve the right balance for our area, so that we attract the inward investment to take advantage of our economic opportunities (particularly from sustainable energy) and address the social challenges of our diverse area, while at the same time protecting and enhancing all that is best and unique about our natural and built environment, whether it is our coastline, our countryside, or our traditional villages and market towns.

Successfully delivering our Vision will significantly improve the economic, social and environmental wellbeing of our area. It will safeguard the prospects of current and future generations and improve everyone’s quality of life.

This Vision for the area we serve was not created overnight; it has evolved from what already existed and from the collective aspirations of our communities. It did not happen by chance but emerged as part of the journey that SCDC and WDC have been on ‘in partnership’ together – reflecting the similarities between the communities that we serve and our shared challenges regarding the cost and demand for our services.

A single ‘Super District’ for East Suffolk

As a result East Suffolk already has in place a clear and comprehensive Vision for the place and people we would serve as a new single organisation. We know what needs to be done and why – and we are already doing it. We already have a shared history and strong foundation of continually improving performance and consistent, robust, performance management upon which to build. Merging to become a single organisation is therefore the next natural incremental extension of our shared services, ‘in partnership’, approach described above. Most importantly, however, for the reasons set out in this document, we believe that we would deliver our Vision far more effectively, quickly and efficiently as a single East Suffolk ‘Super District’.

Although SCDC and WDC, as politically sovereign councils, have their own sub-cultures and values, a clear ‘in partnership’ culture and set of values has also developed over the last 8 years. Although we have not previously captured or codified these, the Councils work to a common set of principles and the way in which we work together and our ambition for East Suffolk could be characterised as:

- An organisation that leads the way, focuses on its citizens through their eyes and their perspective and provides affordable access to services;
- A high performing flexible organisation offering value for money in all that it does;
- An organisation that listens to, engages with, and empowers communities;
- An ambition that is rich in endeavour and common sense where enterprise and innovation is key to success and we engage, empower and listen to communities;

- A culture of openness and trust where staff and councillors exhibit the highest levels of personal and public integrity and accountability to their electorate;
- A concern to protect vulnerable people and to work with the voluntary sector where our objectives are mutual;
- High visibility of councillors in their local areas working with local people to provide local solutions;
- A commitment to create flexible local working arrangements that suit what Town and Parish Councils and local stakeholders feel is right for them;
- A modern and progressive attitude where technology is a tool to maximise effectiveness and communication;
- A mixed economy of sustainable service delivery where collaboration and partnership is key;
- Devolved services and decision making where it is appropriate and desired by the local community;
- An attitude where what we do must be local enough to be relevant but large enough to be effective and efficient;
- Outcomes that residents can see, where process and bureaucracy supports our aims rather than hinders it;
- An organisation that wants to advocate for its electorate on matters of general concern using effective scrutiny to probe and question the intentions of other agencies.

In the event of SCDC and WDC merging to become a single 'Super District' for East Suffolk then it will be necessary to submit a proposal to the Secretary of State, including a proposal about the size of the new Council (the number of councillors). The current councillors will therefore need to determine how the new Council will operate, including how many councillors should be appointed to the new Council, the committee governance structure it should adopt for decision making, and its mechanisms for effective local engagement and representation. These will also inform the work of the Local Government Boundary Commission for England ('LGBCE') in carrying out an Electoral Review of the ward boundaries for the new Council. The work carried out by the LGBCE will be subjected to its own dedicated period of consultation if the Secretary of State authorises SCDC and WDC's proposal to merge.

Financial Self Sufficiency

SCDC and WDC's evolving 'in partnership' approach since 2008 has undoubtedly improved local services, generated significant savings, and resulted in investment that has strengthened the capacity and resilience of both Councils. There remains some scope for each Council to continue to deliver further efficiency through working 'in partnership'. However, against the background of savings and efficiencies that have already been achieved by both Councils, and in comparison with the savings now needed, new efficiencies are likely to be both limited in their nature and proportionately difficult and more costly to extract e.g. through business re-engineering reviews in individual service and process areas that are already generally only employing a low number of full-time equivalent staff across both Councils.

Similarly working 'in partnership' has not and cannot remove the corporate overheads generated by still being two separate legal and political entities. Whilst the partnership has therefore achieved far more than the majority of other district councils in England have tried or been able to achieve for their residents, it cannot be seen as a sustainable solution or panacea to the current financial climate facing local government, and in particular district councils.

The Councils' Financial Self Sufficiency ambition and strategy is clearly set out within the joint East Suffolk Business Plan. Further fundamental transformation of the current partnership between the Councils is therefore necessary if this, and the Councils' wider shared Vision for the residents of East Suffolk, are to be achieved. Whilst it is clear that merging the Councils will not, on its own, provide all the solutions to the Councils' future budget challenges, it would be a core component of becoming Financially Self Sufficient. Maintaining the status quo, building on existing partnership working, and taking further opportunistic initiatives, will simply not deliver the level of savings required to meet the combined budget deficit, whilst also maintaining key services for residents.

The financial impacts of creating a new 'Super District' for East Suffolk are considered in section 4 of this document. The detail set out below however identifies the eleven key ways in which operating as a single East Suffolk 'Super District' would be significantly cheaper, create additional capacity and reduce financial risks.

The question of how many councillors should be elected to a new East Suffolk Council has not be considered yet by the current SCDC and WDC Councillors, for the reasons explained above. For the purposes of the financial modelling in section 4 it has been assumed at this stage that the new Council is represented by 65 Councillors. This is based upon the indicative views of the LGBCE that they would estimate that a council the size of East Suffolk would usually have between 60 and 70 councillors. The mid point of this range (65 Councillors) has therefore been selected for the purposes of the financial modelling in section 4. It is possible to adjust the number of councillors up or down to see the financial impact of different assumptions. It should also be noted that whilst there is no explicit requirement for the new Council to reduce the number of councillors. DCLG would expect, as part of their five principles, that the Councils evidence that the number of councillors they wish to represent the new District is what is needed in order to provide strong and accountable local leadership of the 'Super District'; giving regard to both the administration of the governance of the new Council, and the need to provide appropriate local representation for their electorate in each ward.

As a result of the current governance arrangements for each Council, as described above, there are a number of service areas that have not become single teams. These include Democratic Services, Elections and Communications. There are also a number of service areas where there is a duplication of some work by virtue of being two Councils. These include Internal Audit, Financial Services, Legal Services, Human Resources, Planning Policy, Procurement and Commercial Partnerships. Finally the councils currently incur additional external costs, e.g. External Audit, by virtue of operating as separate organisations. All of these aspects are considered in more detail within section 4. It should also be noted that two service areas have not been merged as a result of working 'in partnership' as they are unique to their respective councils. These are the council housing service for WDC and Port Health at Felixstowe for SCDC.

In addition to the services directly delivered 'in partnership' by both Councils, a number of other partnership arrangements are pivotal to the successful delivery of the shared Vision for East Suffolk both now and in the future. SCDC and WDC have long histories of successful partnership working, both together and with other organisations. Examples of these include the Anglia Revenues Partnership, the Joint Emergency Planning Unit, tourism through the Destination Management Organisation, Suffolk Sport, Sentinel Leisure Trust, the Marina Theatre, and Suffolk Coastal and Waveney Norse.

Experience shows that our successful partnerships are those that are simple, straightforward and involve only a small number of partners. Where local authorities in Suffolk have tried to establish more wide-ranging partnerships, and through them tackle complex corporate or wider sector issues, they have failed. Suffolk Pathfinder, Local Government Review and the Joint Waste Authority all fall into this category. This is also true where another potential partner has had to treat SCDC and WDC as separate contractual entities e.g. SCDC's original Building Control partnership. The relatively simple change to become a single Super District, and one legal entity, will automatically remove both this perceived and technical obstacle.

By continuing to operate as two separate councils SCDC and WDC are however failing to optimise the opportunities for East Suffolk through partnership working. This includes examples where one council, but not the other, is party to a successful partnership; or the partnership involves both SCDC and WDC but additional cost and bureaucracy is being created for the partnership by SCDC and WDC being separate legal and governance entities e.g. the Norse partnerships. Creating a new 'Super District' for East Suffolk would therefore enable us to work with current and prospective partners to develop the optimum partnership arrangements to serve East Suffolk in the short, medium and long term. This may involve the realignment of partnership boundaries, with the agreement of partners, so that the new Council becomes a member of a reduced number of streamlined, simplified partnerships. The new Council would also use its increased scale as an opportunity to renegotiate partnerships and contracts on more favourable terms.

Although both Councils have been able to agree a joint East Suffolk Business Plan to 2023, by operating as two organisations they are failing to maximise the governance efficiencies that would be delivered by becoming a single council – for example one constitution, one set of service priorities and strategies, one set of service standards, one set of polices and procedures, and one set of all the documentation that supports these.

Both politically and organisationally, leading and managing two separate organisations is far more complex - continually trying to balance the issues between the two authorities, both with subtly different requirements and expectations. There is currently significant duplication of time, effort and resources by management staff and in leadership, especially in obtaining approval to common priorities, strategies, policies and decisions for East Suffolk. Merging to become a single Council therefore provides the opportunities to become more financially efficient, as described in section 4, but also to 'free up' capacity and resources to deliver more for the residents of East Suffolk.

Finally, although it has not been a substantial issue during the history of SCDC and WDC working 'in partnership', they remain political organisations. As such the current partnership carries a significant financial risk to its sustainability in the event of political change (either through elections or of leadership) or conflict arising between the two councils. This risk would be entirely mitigated by the creation of a new single 'Super District' for East Suffolk.

Encouraging growth across East Suffolk

There are a number of synergies and shared issues that originally drew SCDC and WDC to work together 'in partnership' in 2008. These included our shared geography and infrastructure challenges such as the railway, A12, market towns, rural broadband and coastline. This also included the nature of the economy in East Suffolk, which is typified by having a small number of nationally and internationally significant businesses in technology, ports & logistics and the public sector; but dominated by a huge number of SMEs, especially micro businesses, in and around our market towns e.g. tourism, creative industries, agriculture and food & drink. Most significantly East Suffolk is also the 'Energy Coast' – combining the expanding off-shore wind sector and nuclear power at Sizewell B and C.

East Suffolk's proximity to the buoyant Greater South East economy is also crucial for a large proportion of local businesses and supports our high value tourism sector. This strength in tourism is built upon our magnificent natural and built environment but this also attracts investors from all sectors e.g. the rapidly expanding, high value, film sector.

This shared economy across East Suffolk also shares the same economic constraints, especially with under-achievement educationally, a skills & wages gap, the impact of welfare reform, poor transport & communications infrastructure, lack of commercial land supply, coastal erosion & flooding risks, and a lack of 'affordable' social and private housing to rent & buy.

Working in partnership, SCDC and WDC have already delivered some notable successes, including:

- £73m of government funding towards a 3rd crossing in Lowestoft:
- £4.7m in 'Pinch point' infrastructure funding;
- Development of the Suffolk Energy Gateway ('formerly 4 villages by-pass) scheme;
- Over £29m for various coastal management schemes, especially £10m in Felixstowe;
- £25m for a Tidal Gate with further flood protection;
- Regeneration through sucessful delivery of the Lowestoft Enterprise Zone;
- Portas Pilots and Coastal Community funding of over £1.75m;
- Business Improvement District for Lowestoft;
- Coastal Community Teams for Felixstowe and Lowestoft, and £140k of Coastal Revival Funding;
- Overall secured almost £7m of external funding since 2013/14;
- Developed and supported the creation of one of country's leading Destination Management Organisations for East Suffolk.

There remain however a variety of interconnected economic challenges and opportunities for East Suffolk which have been encapsulated in both the East Suffolk Business Plan but more specifically in the East Suffolk Growth Plan. This includes providing a more mixed and balanced economic focus overall to build on and complement the strengths of both areas – especially in combining the energy coast potential of Offshore Wind in Waveney and Nuclear in Suffolk Coastal.

There also remains the need for investment in growth and infrastructure projects which, operating as two smaller district councils, we neither have the capabilities nor resources to deliver in a timely manner. Operating as a larger, single political organisation for East Suffolk will enable the new 'Super District' to have the scale required to be able to directly borrow and invest in solutions ourselves; and reinvest local business rates more effectively for further sustainable growth. The 'Super District' will also have the strength and weight of influence to support and negotiate with the new Norfolk & Suffolk Combined Authority, Mayor, and New Anglia Local Enterprise Partnership for greater investment and delivery of economic growth within East Suffolk.

This critically includes housing growth. Currently SCDC and WDC have adopted different models of social / affordable housing delivery as a result of their different constraints (WDC is investing £10m in building Council Housing but is limited by its Housing Revenue Account borrowing cap, and SCDC is recycling over £1.5m of s.106 and New Homes Bonus in the development of rural exception sites). Coming together as a new 'Super District', supported also by being a single Planning Authority with aligned Local Plan, will enable an enhanced and streamlined approach that will significantly accelerate the number of additional, truly affordable, homes being built across East Suffolk.

Enabling our communities to develop from within, to maintain their unique quality of life

Through the adoption of an East Suffolk Enabling Communities Strategy, both SCDC and WDC have put local communities at the heart of everything the two councils do – recognising the vital role of Ward and Town/Parish Councillors in representing, championing and enabling our communities; and prioritising, listening to and understanding residents' needs in order to most effectively support each community to be more sustainable, resilient, vibrant and thrive.

We firmly believe that local government can, and should, work more closely with communities and the 'champions' within them, those who put their time and energy into making things better in their group or community. This means both councils making it possible or easier for communities to do the things that they most want to do – rather than doing things 'to' or 'for' them.

With the right support, local people are best placed to find the most innovative and effective solutions to issues in their communities – and we can help them to understand what these issues are and how they can identify what is most important to local people. We already have an excellent enabling track record, helping our communities to tackle the issues that matter most to them, whether this is developing affordable homes for local people, supporting people with dementia (and their carers) or buying and running a community building as a hub for local young people.

This has also included, with our partners in the voluntary, public and private sector, taking a more 'whole system', place based, and integrated approach to sustainable economic, environmental, and community development, and encouraging communities, families and individuals to take greater responsibility for their own health and wellbeing. There are examples of this mirrored across East Suffolk, most notably through 'Lowestoft Rising' and 'Felixstowe Forward'; but which are also beginning to emerge elsewhere in East Suffolk such as in Leiston, Saxmundham and Halesworth.

Despite having a joint Strategy since 2015, however, it has not been applied and implemented consistently across the two districts because of the different political dynamics and resources of SCDC and WDC; rather than necessarily because of the differences between different places. There are significant examples of best practice and success, such as those listed below, that have not been made consistently available to all communities in East Suffolk:

- Community Enabling Budgets of £5,500 per Councillor in SCDC;
- £25k Council Leader's Enabling Communities fund in WDC;
- Capital and Revenue grants totalling £153k in SCDC;

- Small grants pot of £4k for WDC;
- Different levels of resource to support 'community enabling' – one Community Development Officer at SCDC and two at WDC;
- Specialist community & business flood resilience support following successful crisis and risk management of the tidal surge in December 2013;
- £4m Heritage Lottery funded community regeneration of Felixstowe Sea Front Gardens;
- Establishing community led trusts and social enterprises e.g. the Marina Theatre and Southwold Harbour.

There remains therefore a significant opportunity for the communities of East Suffolk that can be harnessed by East Suffolk becoming a single 'Super District'. By utilising some of the savings and capacity created by becoming a single Council it will be possible to adopt enhanced, stronger, more effective and consistent locality arrangements for all the communities of East Suffolk, building upon existing, place-based approaches, including our emerging place 'relationship manager' model. These would still be based upon our belief that local knowledge, energy and enthusiasm are essential in delivering better services in our communities; and trusting and helping individuals and communities to take even greater control and responsibility for themselves. These would also support and facilitate high quality democratic decision-making, be it by the 'Super District', Suffolk County Council, as devolved to Town and Parish Councils, or any new arrangements at a local level. Section 6 of this document outlines the plans for future consultation and stakeholder engagement to develop such locality arrangements.

Currently there is a disparity between SCDC and WDC, and amongst our 90 district councillors in East Suffolk, who represent significantly different numbers of electors. These vary from the largest ward in Kesgrave West where each Councillor represents 2,714 electors, to the smallest in Southwold & Reydon where each Councillor represents 1,493 electors. Electoral equality is a fundamental democratic principle. Creating a single 'Super District' for East Suffolk will therefore provide the opportunity to ensure greater electoral equality and fairness whereby each elector's vote is worth the same as another's across East Suffolk.

In addition creating a new single council will require a review of the current warding pattern across East Suffolk. This will therefore provide an opportunity to re-draw ward boundaries that better reflect the actual functional community areas rather than being defined by historical local government boundaries. This should be less significant an issue in the current SCDC area as the current wards were re-drawn ahead of the elections in 2015; but it will especially be the case in the WDC area and on the 'boarder' between SCDC and WDC where real, symbiotic, communities that function and operate together, are currently being divided between two different district councils and split across Suffolk County Council divisions.

Certainty with regard to merger may also provide a wider set of options and local choice in relation to the current Community Governance Review of the un-parished areas of Lowestoft. This review is being carried out in order to create one or more town or parish councils for Lowestoft in 2017. It would probably not be possible as it stands however to create a single Town Council for Lowestoft (made up of the whole of this unparished area) as this could be considered to be disproportionately large compared to the Waveney district as a whole. Such a size of Town Council (44,000 electors) would however be comfortably possible within a larger 'Super District' area of East Suffolk.

Further Opportunities

In addition to the cogent and compelling financial, economic growth and enabling communities reasons for merger there are further opportunities that can also be more readily exploited and accelerated by creating a single 'Super District' for East Suffolk. These include, but are not limited to:

- As set out in section 4 it will be necessary, in merging to form one single 'Super District', to equalise the current Council Tax rates of SCDC and WDC. This in itself will only have a nominal impact on electors as there is only an annual difference of £0.09p between each council's current

Band D council tax rate. The additional financial strength and resilience created by becoming a single 'Super Council' (see section 4) will also enable the new Council to provide protection against any dramatic future council tax rises due to the greater value for money being generated in using the existing funds of each council.

- As a larger 'Super District' (one of, if not the largest by population in England) the new Council will automatically have a greater ability to represent local people with a stronger voice across Suffolk, particularly in relation to issues of other public sector services in the County Council, Health and Policing. Similarly, as described above, East Suffolk will have a greater strength and 'hand' when negotiating and influencing at a regional level, whether with the Combined Authority or the New Anglia Local Enterprise Partnership. This reach of influence will also extend more nationally as East Suffolk would be able to take a more leading role with organisations such as the District Councils Network.

- As previously described SCDC and WDC have been working in partnership together for 8 years. Many of the opportunities to improve public services, particularly through adopting best practice from one another, have already been realised as a result of working so closely together. Most significantly however taking the next step to become a single 'Super District' will create increased capacity and capabilities. This would enable the new Council to accelerate further alignment and integration across the public sector in East Suffolk. The Councils already work widely in partnership, including with Suffolk County Council, Public Health and the Police but, as explained above, operating as a single organisation will allow for much simpler collective delivery with such partners.

- In addition the larger Council would have the scale and abilities to directly take on and deliver more functions, responsibilities and services on its own. As a larger Council, with a stronger negotiating position, the 'Super District' would be better placed to influence a greater transfer of services, particularly from Suffolk County Council. Uniquely, a new 'Super District' would be able to ensure that such services are delivered at a truly local level and in ways that are properly tailored to the needs of our different local communities. As described above, however, it is not intended that such devolution of local services would stop there and we would work, as part of the design of the new locality arrangements, to ensure that towns, parishes, communities and groups who want to take on such services for themselves are enabled to do so.

- Much of the current debate regarding Devolution involves passing down responsibilities and greater powers from Whitehall to a new Combined Authority and directly elected Mayor for Norfolk and Suffolk. However East Anglia has adopted a clear principle of 'subsidiarity' in relation to Devolution. This is also sometimes referred to as 'Double Devolution' and is the concept by which services should be delivered at the most appropriate level within the public sector and each local area, regardless of whether that is a town or parish council, district council, county council, unitary authority or the combined authority. We are clear that the scale and capacity, described above, that will be created by becoming a new 'Super District' will provide the opportunities for such Double Devolution and resulting improved <u>local</u> public services for residents and local communities in East Suffolk; that would not otherwise have been possible with the current smaller district council arrangements.

- Where, however, it is not right for services to devolve down, but that they are retained at a county level or moved up to the new Combined Authority, the 'Super District' will be able to utilise its greater scale and levels of influence to advocate both more loudly and effectively on behalf of the people of East Suffolk.

FINANCIAL BUSINESS CASE

Background

As outlined in section 1, since the Councils began working in partnership, significant savings have been made as a result of the integration of services. Both councils have essentially been on a journey of transformation, and the proposal for a formal merger is a logical further step in a process that is continually evolving and developing.

As a result, the financial analysis associated with this detailed case is rather different than the case that would normally be associated with local government reorganisation proposals. In the past, proposals of this type have generally been from a “standing start” position where there is limited integration and partnership working between the separate organisations. This has even been the case in relatively recent proposals, such the Babergh and Mid Suffolk merger proposal in 2011, that was a reference point for earlier initial considerations.

Although this Financial Business Case identifies those costs and savings directly attributable to a merger, it also focusses on the financial strength and opportunities that would accompany the creation of a stronger council with a higher net worth than the current separate authorities.

This analysis places a formal merger in the wider context and timeframe of the Councils’ transformation process, using 2015/16 as a baseline position. The process would not be complete with the creation of the new authority in April 2019. The new authority would present new opportunities for policy harmonisation, fundamental review of service delivery, and development of a new organisational culture, all of which would be against the backdrop of the key objective of financial self-sufficiency.

East Suffolk – Financial Position

Suffolk Coastal and Waveney District Councils have a number of marked differences in their financial profiles, both in terms of their balance sheets, and their revenue budget positions. Merger of the two authorities would form part, but by no means all, of the solution to closing the budget gaps currently faced by both councils, both by generating direct savings and enabling consideration and delivery of a strategic East Suffolk response to the financial position.

The table below presents a summary merged balance sheet for East Suffolk based on the 2014/15 Statement of Accounts, the last audited set of accounts. In very broad terms, a merged authority would benefit from the strength brought about by high liquidity and strong asset base, and arguably increased financial resilience and opportunities. Whilst there would not necessarily be immediate or directly quantifiable advantages, the combined balance sheet would undoubtedly be stronger and qualitatively more favourable. East Suffolk would essentially be a financially strong with a high net worth council.

East Suffolk Combined Balance Sheet as at 31 March 2015

	SCDC	WDC	East Suffolk
	2014/15	2014/15	2014/15
	£'000	£'000	£'000
Long Term Assets	48,628	262,564	311,192
Current Assets	61,313	31,748	93,061
Current Liabilities	(32,287)	(16,113)	(48,400)
Long Term Liabilities	(40,753)	(144,859)	(185,612)
Net Assets	36,901	133,340	170,241
Capital Reserves	(6,091)	(12,926)	(19,017)
Revenue Reserves	(13,322)	(17,323)	(30,645)
Unusable Reserves	(17,488)	(103,091)	(120,579)
Total Reserves	(36,901)	(133,340)	(170,241)

In terms of the revenue position of the two councils, probably the most significant difference concerns the position of the authorities in the Business Rates Retention system, and the relative importance of localised business rates and government grants as income sources.

As at 2016/17, Waveney has estimated net business rates income (including Section 31 grants and Renewables income) of around £4.6m. In contrast, Suffolk Coastal Business Rates income from all sources is estimated to be nearly £8.1m, including income of over £3.4m above the Government's Business Rates Baseline for the authority. Waveney consequently has a greater reliance on Revenue Support Grant, which has been subject to major Government spending reductions and policy changes.

It is important to note that in 2020/21, the Business Rates system will be completely re-set when the Government moves towards 100% local retention of business rates. This re-set will also be accompanied by the transfer of additional responsibilities to local government, which could include a requirement to part-fund areas such as housing benefits. At this stage, it is impossible to predict the financial positions of both authorities under the new arrangements from 2020/21 onwards.

Furthermore the 2016/17 Local Government Finance Settlement indicated very significant reductions to Revenue Support Grant in both 2016/17 and over the medium term to 2019/20. RSG is effectively being phased out over this period, with Suffolk Coastal entering a negative RSG position in 2019/20, which will need to be paid over to the Government.

A single authority would have a significantly different profile to the two current districts. Based on MTFS forecasts, the table below illustrates the comparative net budget and reserves and balances position of the new authority as at 2018/19 compared with the existing position.

Suffolk Coastal DC and Waveney DC Merger
Forecast Net Budget Requirement and Reserves 2018/19

	Suffolk Coastal	Waveney	East Suffolk
Net Budget Requirement			
	£'000	£'000	£'000
Council Tax	7,675	5,797	13,472
Revenue Support Grant	168	836	1,004
Business Rates Baseline	2,768	3,776	6,544
	10,611	10,409	21,020
	%	%	%
Council Tax	72%	56%	64%
Revenue Support Grant	2%	8%	5%
Business Rates Baseline	26%	36%	31%
	100%	100%	100%
Reserves			
	£'000	£'000	£'000
General	3,928	3,993	7,921
Earmarked (excl Port Health)	12,099	3,604	15,703
Total	16,027	7,597	23,624
Reserves as % of Net Budget	151%	73%	112%

Source: MTFS figures 2016/17 Budget reports

Notes:

Business Rate income is assumed at Baseline level, not including any assumptions of growth, or income above this level

SCDC Reserve figures do not include one-off Collection Fund changes relating to Sizewell Business Rates appeal or any assumption of additional Business Rates income.

Merger would enable a fundamental review of the earmarked reserves and balances held by the two separate authorities. In a number of areas, both authorities hold earmarked reserves for the same stated purpose, and merger would entail consideration of revised and potentially lower levels for these. These reviews could potentially both release funds back to the revenue budget, and reduce total contributions from revenue in subsequent years. An example of this might be the reserves held in respect of delivering the Local Development Framework. East Suffolk would be able to make more efficient use of its reserves, both in providing for future revenue commitments, and in enabling consideration of capital financing options, which are referred to in more detail later in this report.

Financial Business Case Methodology

The report to the Simultaneous Cabinet meeting on 14 March 2016 provided a very rough indication of the Ongoing Savings / Costs and One-off Transition Costs that could potentially be expected as a result of the creation of a new authority, based largely on recent experience in other authorities that have produced Business Cases in respect of potential mergers.

Since that meeting, officers have initiated further work, including a more detailed review of potential costs and savings on a service by service basis, although this is only one part of the process. In a large proportion of service areas, Suffolk Coastal and Waveney have already achieved a high degree of integration and savings in the management and delivery of services. Further savings that could be generated as a result of merger are related to the elimination of the relatively fixed costs of being separate authorities; those areas where merger removes impediments to further integration; and continuation of the councils' integration and transformation, including in some areas, the opportunity to review and harmonise service delivery and policy.

Compared to the initial rough analysis, this detailed analysis has indicated slightly lower levels of ongoing savings in corporate and support services than initially estimated, largely as a result of the degree of integration already achieved. However, in these areas, this reduction has been estimated to be significantly offset by a lower than originally estimated level of transition costs. A higher proportion of identified potential savings relate to non-staffing costs, reducing the potential for staff termination costs, which are the largest element of transition costs.

There is scope for further integration in the management and delivery of direct services, particularly for those services where the separate geographical, contractual, and policy considerations of the separate authorities have presented obstacles.

The following sections of this report provide some more information on the basis of these estimates for Ongoing Savings and One-Off Transition Costs. Ongoing Savings have been categorised over the headings of:

- Democratic Costs
- Corporate Costs
- Support Service Integration
- Direct Services including Strategic Partnerships

Further sections of this report consider two other financial aspects of a potential merger - Council Tax Equalisation and Capital Finance considerations.

Overall, this financial analysis indicates that a merger could potentially produce significant savings as part of the overall transformation programme. Estimated Transition Costs would be likely to be paid back early in year 1, with potential for subsequent ongoing savings as the new authority became embedded and established its new identity and culture. The level of ongoing savings identified in this report at around £900k should be regarded as a realistic and achievable target.

This financial analysis has to be accompanied with significant caveats. Only a relatively small proportion of the potential savings identified would automatically result from a merger simply because there was one authority rather than two. The majority of estimated savings would be dependent on both the existing councils and the new authority implementing policy decisions to achieve the East Suffolk Business Plan objective of Financial Self-Sufficiency.

Ongoing Savings

<u>Democratic Costs</u>

As noted in section 3, the question of how many councillors should be elected to a new East Suffolk Council has not been considered yet by the current SCDC and WDC Councillors. For the purposes of financial modelling, it has been assumed at this stage that the new Council is represented by 65 Councillors. This is based upon the preliminary views of the LGBCE that they would estimate that a council the size of East Suffolk would usually have between 60 and 70 councillors. The mid point of this range (65 Councillors) has therefore been selected for the purposes of the financial modelling.

The level of allowances will also be subject to the recommendations of an Independent Remuneration Panel (IRP) and the decision of the new Council. To provide a cautious estimate of potential savings, it has been assumed that the new scheme would pay both the highest current allowance in each Members Allowance Scheme, and would also continue to pay any allowance that it is currently paid by one or other of the authorities. This modelling, based upon the 15/16 Schemes, gives an estimate for potential savings of £115k. Within the 60 to 70 councillor range referred to above, 60 councillors would indicate estimated savings of around £135k, reducing to around £94k with 70 councillors, the variable here being the total amount paid in Basic Allowances.

Although it is reasonable to assume that a merger would result in a reduction in the overall number of members in the authority, it should be reiterated that there is no requirement for the new Council to change the number of councillors.

Corporate Costs

In this financial analysis, a quantified estimate has been made in respect of a number of corporate areas where a merger would effectively automatically generate cashable savings compared with the current arrangements.

In addition to these estimates, however, an extremely important element of a merger that needs to be recognised is the gain in efficiency and capacity that would be released. Particularly at SMT and Corporate Management Team ('CMT') level, serving two authorities generates a considerable level of diseconomies, especially in attending committee meetings, briefing members, report writing, etc. In these areas, a merger would create a high-level of efficiency savings that, whilst not immediately cashable, would create "headspace" for management and increased effectiveness. To express this in financial terms, a 20% efficiency gain for SMT and CMT, and a 10% efficiency gain for fourth-tier managers is estimated to be equivalent to around £350k per annum.

Overall, a merged authority would be more cost effective and cost efficient, reflecting delivery of a single Business Plan and more strategic procurement and service delivery arrangements.

Examples of corporate areas that would effectively see immediate savings include external audit fees, corporate memberships, and banking. External audit fees contain a significant element of fixed cost relating to the existence of both authorities as separate entities, and savings could be expected in both corporate audit costs, and the audit of benefit subsidy claims. Corporate memberships, such as Local Government Association ('LGA') membership, would effectively halve as a result of merger, and banking charges would also be expected to reduce.

Support Services Integration

A detailed review has been carried out of all Support Service areas. Although the majority of these have already achieved a high degree of integration, considerable savings are still capable of being achieved where the existence of separate authorities directly generates additional work which can be quantified as cashable savings, a good example being Committee administration work.

Direct Services including Strategic Partnerships

A review has also been carried out of all Direct Service areas. Again, although the majority of these have already achieved a high degree of integration, there are areas where the existence of two separate authorities creates diseconomies in service delivery, and, moreover, a merger presents the opportunity for a review of all Strategic Partnerships and implementation of a wide range of policy-harmonisation measures, including in areas such as fees and charges. An example of this is the current arrangements for the services and contracts delivered separately to the authorities by Suffolk Coastal Norse and Waveney Norse, the combined value of which amounts to around £15.4m pa. The figure included in the financial analysis for Direct Services integration, policy harmonisation, and contract review of £300k represents around 2% of this value.

One-Off Transition Costs

Estimates of one-off transition costs have been made on both a service-by-service basis, and at a corporate level, taking into account as far as possible the projects needed to deliver the two authorities on their transformational journey to the merger date and beyond as the new authority becomes embedded. Allowances for corporate one-off costs include estimates for Change Management, Contract Novation and Branding and Signage.

Potential termination costs have been built up by reference to the service-by-service analysis for Support Services Integration as referred to above. Termination costs cover both redundancy and pension costs, and are in reality dependent on the precise age, length of service, and salary of independent staff. A realistic and prudent view has been taken of the possible costs of this nature arising from further integration. In comparison to the earlier very rough estimates, termination costs are estimated to be at a lower level, primarily as a result of lower numbers of staff potentially affected, the identification of higher levels of potential savings from non-staff costs, and the age composition of both councils' staffing compliment.

These one-off transition costs can potentially be funded from capital receipts using the new flexibility in the use of capital receipts introduced by the Government from April 2016. However, they are shown in this analysis in order to demonstrate achievement of payback within a relatively short period. Transformation and efficiency funding has also been made available from the LGA, and this has been built into the overall analysis.

Summary Financial Analysis

A summary of the Financial Analysis work that has been quantified at this stage is shown below as a high-level summary, which is supported by detailed service by service workings. This summary is focussed on the narrower consideration of the costs and benefits associated with a merger, which could assist the DCLG in consideration of this proposal. Consequently, a number of areas where the new authority would need to further develop its approach to deliver the financial advantages associated with being a stronger, single, authority have not been built into this summary. Using these relatively narrow parameters, this summary indicates payback of estimated transition costs early in year 1 following establishment of the new authority, and ongoing savings are estimated to progressively increase during this analysis period when the new authority will be becoming increasingly embedded.

In addition to these identified ongoing savings, further potential revenue savings could result from review of both earmarked reserves and capital financing policy, as referred to later in this section. Additional non-cashable savings of £350k per annum are also expected through the management efficiencies and capacity created, as explained under the Corporate Costs section on page 18.

East Suffolk Merger Potential Savings				**Summary**				
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ongoing Costs / (Savings)								
Democratic Costs	**0**	**0**	**0**	**-115**	**-115**	**-115**	**-115**	**-115**
Corporate Costs	**0**	**0**	**0**	**-101**	**-101**	**-101**	**-101**	**-101**
Support Services Integration	**0**	**0**	**0**	**-206**	**-366**	**-366**	**-366**	**-366**
Direct Services inc Strategic Partnerships	**0**	**0**	**0**	**-300**	**-300**	**-300**	**-300**	**-300**
Total Ongoing Costs / (Savings)	**0**	**0**	**0**	**-722**	**-882**	**-882**	**-882**	**-882**
One-Off Transition Costs								
Termination Costs	**0**	**0**	**129**	**28**	**19**	**0**	**0**	**0**
Other Transition Costs	**15**	**50**	**40**	**0**	**0**	**0**	**0**	**0**
Total One-Off Transition Costs	**15**	**50**	**169**	**28**	**19**	**0**	**0**	**0**

OTHER FINANCIAL CONSIDERATIONS

Council Tax Equalisation

If the councils merge it would be necessary to set the Band D council tax to one figure that applies to all households within the boundaries of the new council. The increases in Council Tax for 2016/17 agreed by both councils have resulted in the Council Tax Band D figures being £152.37 for Suffolk Coastal and £152.46 for Waveney, an extremely small difference of 9p.

Suffolk Coastal's tax base (number of Band D equivalent properties) is 47,944.87, and Waveney's is 35,386.24. The total council tax requirement of the two councils in 2016/17 is shown below.

	Tax Base	Band D	Council Tax Income
		£	£'000
Suffolk Coastal	47,944.87	152.37	7,305
Waveney	35,386.24	152.46	5,395
Total	83,331.11		12,700

At current levels, the taxes of the two authorities are so close that council tax equalisation would not be a material issue in respect of the transition costs or ongoing costs/savings of a merged authority.

However, should the taxes of the two authorities subsequently diverge prior to merger, a strategy would need to be adopted that achieved equalisation over a defined period of time.

The 2016/17 Local Government Finance Settlement marked a change in Government policy towards Council Tax – Council Tax Freeze Grant is no longer payable and is not a consideration for Council Tax levels, and the referendum limit for excessive council tax increases was relaxed to £5 or 2%, whichever is the greater. Any equalisation, if required, would need to take these limits into account.

If council tax equalisation is a requirement, it does not have to be achieved in one year, but as part of the Suffolk Local Government Review work in 2008, it was generally proposed that equalisation would be achieved over a four year period.

Capital Finance Considerations

The level of Minimum Revenue Provision (MRP) for the merged authority, typically around 4% of the amount borrowed or other determined amount, would be determined by the future financing requirements of the authority's capital programme and the financing policy adopted. There could be some potential to reduce the external borrowing requirements that would normally be projected if other sources were utilised, such as reserves or capital receipts. Based on an estimated borrowing of around £1m per year, which results in a MRP of around £40k (assuming a rate of 4%), and the use of capital receipts could effectively reduce this revenue impact by around £35k per year. The cumulative effect of adopting this approach would be of an increasing magnitude over the years, but would obviously be dependent on the availability of capital receipts or other resources.

Further options that could be available to the new authority would be to undertake repayment of, or not refinance, existing debt. By way of illustration, not re-financing fixed debt that is due to mature in the period 2022/23 to 2024/25 could theoretically generate revenue savings of around £110k per annum. However, this course of action would again be dependent on both the availability of resources, and consideration of other priorities. In addition, the option of making premature repayments of debt would also need to take into account penalties associated with this.

No allowance has been made at this stage in this financial summary for any revenue savings arising from these possible revisions to capital financing policy - the new council would need to fundamentally review its capital programme priorities and funding, and financing considerations would form an element of this. A review of other funding policies would also be required in areas where these are different between the two authorities, such as vehicle acquisition.

Some relatively minor savings could be expected in respect of treasury management costs and banking charges and these have been built into support service integration savings in this financial summary. As far as investments are concerned, these are already largely treated as being combined, and the larger amounts that would be available for deposit in a merged council are unlikely to generate meaningfully greater returns. Current developments towards looking at the "pooling" of investments on a wider multi-authority basis may also precede this aspect of a merger in any event.

RISK MANAGEMENT

The purpose of this document, as set out in Section 2, is to consider the more detailed case for the formal merger of SCDC and WDC. Appendix C sets out the strategic risks associated with merging to form a single 'Super District' for East Suffolk and the measures that are already in place or could be taken to deal with (mitigate) these.

As explained in detail above, the primary consideration and objective in merging is delivery of the East Suffolk Business Plan and ensuring that East Suffolk is in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges facing local government. Ensuring value for money for council tax payers, financial savings and future resilience in all aspects of service delivery is therefore critical.

Significant change will always cause concern and anxiety. However, both Councils have a successful history of partnership working and managing change. As a result SMT do not believe there are any significant issues that cannot be resolved or that would have significant financial implications that would undermine the merger proposal being presented.

Set out below are the key risks and consequences associated with not progressing further transformation as East Suffolk:

- Detrimental impact on service provision - cuts to or removal of services.
- Reductions in current levels of service performance and / or customer satisfaction across the area.
- Savings and efficiencies targets are not met.
- Greater pressure on council tax levels.
- Reductions in capacity of some service areas and associated redundancies.
- Inadequate capacity to meet the challenges facing the Councils, leading to poor services, the needs of communities and citizens not being met, and lower customer satisfaction levels.
- Insufficient capacity to maintain the 'in partnership' approach and working.
- Reduced staff morale.
- Increased Councillor and public dissatisfaction.
- Disjointed or contradictory political and managerial leadership in a period of considerable change.
- Political change resulting in strain between the councils, competing priorities, inefficient use of resources and / or termination of the 'in partnership' relationship.

PUBLIC ENGAGEMENT & NEXT STEPS

This further detailed case for merger will be considered at a Simultaneous Cabinet Meeting on 25 July 2016. The Cabinets will be asked to endorse the recommendations on page 2 of this document.

Since the Cabinets considered the original report on 14 March 2016 the Government announced a specific devolution deal for East Anglia. Councillors have previously raised some concerns about the potential implications of this devolution process, and the timing of the EU referendum and Lowestoft Community Governance Review, on the process for public engagement regarding merger. Although the EU referendum has now passed, similar concerns regarding capacity and the potential for public confusion have now also been echoed by the Department for Communities & Local Government.

On this basis the original indicative timetable for merger has been amended accordingly, as set out below. The shaded sections relate to the current Community Governance Review of the unparished areas of Lowestoft and have been included for completeness. The parts in bold font denote formal council meetings.

The original indicative timetable included provision for a non-binding local advisory referendum in June / July 2016, as required by the LGBCE. Councillors had expressed concerns about this process for a number of reasons. These included the timing of it – given the potential clash of timing with the EU referendum, Lowestoft Community Governance Review and summer holidays; the likely costs of it – estimated at £100,000; and the overall value of it – given that it is a non-binding vote, designed to suit the needs of the LGBCE.

DCLG has also since made it clear that whilst meaningful public engagement is extremely important, such a referendum is of limited value, especially given the potential of such a referendum to significantly distract from the important devolution process taking place between July and October 2016. The DCLG are clear that the decision whether to submit a proposal to merge is, and should be, one for the democratically elected Councillors of SCDC and WDC to take, and it is for them to consider how best to engage their local people in this process. DCLG have therefore recommended that any proposal for merger by SCDC and WDC should be done under the recent powers created by section 15 of the Cities and Local Government Devolution Act 2016. This will involve any proposal for merger being put directly to the Secretary of State rather than to the LGBCE. Similarly SCDC and WDC's proposals for the size of the new council (number of councillors) would be put directly to the Secretary of State. As a result the LGBCE would carry out a more limited role, developing new ward boundaries for any new council. The additional benefit of this approach would be that SCDC and WDC would achieve clarity regarding the new council approximately nine months earlier; and would therefore have from approximately September 2017 through to April 2019 to fully prepare for implementation of the new council.

Effective, value for money, public engagement remains a priority for SCDC and WDC. We already believe, as a result of previous informal comments received from members of our electorate to the effect of 'why haven't you merged' and through the Lowestoft Community Governance Review, that there is public support for the logic of creating a single 'Super District' in East Suffolk. It is proposed however that detailed public engagement is carried out from 1 November 2016 to 12 December 2016, and that this should include telephone polling (between 10 – 15 minutes) of 1000 residents of East Suffolk. The interview will be based upon the contents of this proposal document and will question a representative sample of East Suffolk residents (by age, gender and location).

The results of this polling will also further refine the communications and stakeholder engagement plan. It is intended that this plan will inform residents regarding the potential for, and likely impacts of, merger to form a 'Super District'. The plan will establish the key stakeholders (both internal and external to the Councils), their likely communications and engagement needs, and the ways in which both Councils can most effectively address those needs through targeted two-way communications using a range of different approaches. As such, the plan will build on what has already been successfully rolled out to date in keeping both Councillors and staff informed, by introducing similar approaches for external stakeholders such as town and parish councils, the media and residents. Finally, and critically, the plan will be used to help inform consideration of how the locality arrangements for a 'Super District' in East Suffolk can be further enhanced to complement the East Suffolk Enabling Communities Strategy that SCDC and WDC jointly adopted in 2015.

STAGES	INDICATIVE TIMINGS
Simultaneous Cabinet Report recommending approval of the ‘Proposal for merging Suffolk Coastal and Waveney District Councils’	25 July 2016
Second phase of consultation for the parishing proposals for Lowestoft	July 2016
Consult Suffolk County Council regarding the principle of merging Suffolk Coastal and Waveney District Councils	July 2016
Consultation regarding the final parishing proposals for Lowestoft	October 2016
Public engagement regarding the ‘Proposal for merging Suffolk Coastal and Waveney District Councils’ and representative polling of 1000 residents	1 November – 12 December 2016
WDC Full Council Meeting Report to approve parishing of Lowestoft	16 November 2016
Joint Member Working Group formed to consider electorate forecasting	November 2016
WDC & SCDC Full Council meetings Report to approve proposal to merge SCDC & WDC	January 2017
Send proposal to merge to DCLG	January 2017
WDC Full Council Meeting Report to approve Lowestoft Parishing Order	February 2017
Joint Member Working Group formed to consider council size (number of councillors) for merged council	February – April 2017
Directly elected Mayor, Suffolk County Council & new Lowestoft town / parish council(s) elections	4 May 2017
WDC & SCDC Full Council meetings Report to approve council size proposal	May 2017
Send approved council size proposal to DCLG	June 2017
Order made by Secretary of State to create new council for East Suffolk (including the name and size of new council) from April 2019	September – October 2017
Joint Member Working Group formed to consider warding proposals based upon the approved council size & governance arrangements for the new council (including constitution, allowances, Cabinet & committee structures etc)	October 2017
LGBCE warding process begins (including public consultation)	October 2017 – September 2018 (LGBCE to confirm how long is required)
WDC & SCDC Full Council meetings Report to approve budget, council tax & governance for new council	February 2019
New council legally takes effect	April 2019
Elections to new council	2 May 2019

APPENDIX C - RISK MANAGEMENT & MITIGATION

The assessed strategic risks and mitigating actions associated with becoming a single 'Super District' for East Suffolk are listed below and detailed in the subsequent tables:

1. Lack of clarity on overall vision and outcomes to be achieved for East Suffolk.
2. Expected financial and capacity benefits are not realised.
3. Deteriorating performance and / or customer satisfaction.
4. Reduced ability for partners to do business with SCDC and WDC.
5. Staff and / or Councillors do not see the need for, or are resistant to, change.
6. The loss of key project staff.
7. Uncertainty and confusion arising from political and governance transition to new Council.
8. Inadequate locality arrangements for democratic engagement with our communities.
9. Lack of public engagement, understanding and support from the public.
10. No approval from the Secretary of State.
11. Lack of capacity or capability to deliver a merger.
12. Changes in the external environment.
13. Different service standards and / or approaches.

1: Lack of clarity on overall vision and outcomes to be achieved for East Suffolk		
Possible Trigger	**Potential Impact**	**Action/control**
• Change in local political control • Divergence of political priorities • Lack of Councillor 'buy-in'	• Lack of clear political direction to the partnership. • Reduced commitment to the partnership. • Political relationships deteriorate. • Difficulties in service delivery. • Member and officer time consumed with managing relationships. • A period of recrimination between the two Councils. • Embarrassment to both Councils. • A managed (or unmanaged) return to separate arrangements. • Additional costs (which could outweigh any savings in the early period).	• Clear, long term, strategic vision with concise, precise, place specific, outcomes in place through East Suffolk Business Plan. • Established and robust political governance arrangements. • Senior political and management sponsorship and support. • Regular performance management and reports of progress in delivering the outcomes.

2: Expected financial and capacity benefits are not realised		
Possible Trigger	**Potential Impact**	**Action/control**
• Business case is not managed and monitored adequately. • Inability to reduce staffing numbers. • Lack of investment availability. • Systems not brought together. • Services not redesigned adequately.	• Savings and service benefits not delivered. • Ongoing costs of operating multiple systems. • Staff using multiple systems. • Deteriorating services. • Need to revisit services and service delivery arrangements.	• Clear and effective programme management and governance arrangements. • Clear and managed benefits realisation plan. • Clear and managed People Strategy and workforce planning. • Change programme effectively managed. • Continued monitoring of financial resources. • Joint consideration of Medium Term Financial Plans. • Effective ICT Strategy. • Investment in ICT delivery. • ICT considered carefully as part of service delivery plans. • Securing of investment availability prior to embarking on projects. • Detailed and well considered process design as part of implementation of new arrangements.

3: Deteriorating performance and / or customer satisfaction		
Possible Trigger	**Potential Impact**	**Action/control**
• Merger transition period to 2019 is not managed and monitored adequately. • Systems not brought together. • Services not redesigned adequately.	• Deteriorating services. • Disruption and / or reduction in service levels and / or accessibility • Reduction in service availability. • Customer confusion – where to go, who to speak to, who is their Council? • Loss of credibility locally and politically.	• Clear and effective programme and project management and governance arrangements. • Clearly formulated service delivery and performance standards linked to change management and service planning. • Keep staff, the public, partners and other stakeholders fully informed at all times.

4: Reduced ability for partners to do business with SCDC and WDC		
Possible Trigger	**Potential Impact**	**Action/control**
• Engagement during merger transition (to Sept / Oct 2017 and then upto May 2019) is not managed adequately. • Uncertainty as to what the new Council will look like and be like to do business with. • Staff resistance to change. • Political uncertainty post 2019.	• External partners reluctant to enter into new agreements until after September / October 2017 or May 2019. • Partner confusion – where to go, who to speak to, who is their Council?	• Pro-active and timely engagement and reassurance from politicians and senior officers with key partners, stakeholders and suppliers throughout the transition period. • See also Risk 5 below • Clear vision and values developed and communicated to all stakeholders.

5: Staff and / or Councillors do not see the need for, or are resistant to, change		
Possible Trigger	**Potential Impact**	**Action/control**
• Lack of staff or political 'buy in'.	• Employee dissatisfaction and demotivation leading to poor performance. • Delays in implementing new arrangements and appointing to posts. • Difficulties with organisational culture. • Staff leaving. • Ongoing poor industrial relations. • Councillor resignations	• Clear and managed People Strategy and workforce planning. • Effective ongoing staff and councillor communication, engagement, consultation and co-production. • Ensure communication channels are used to their full potential to keep all councilors and staff fully informed at all times. • Effective and aligned Organisational and Member Development activity. • Clear HR Policies and transitional arrangements. • Finalise harmonising Terms and Conditions. • Reinforce refreshed corporate values and Member / Officer protocol • Use of joint, cross party, Member Working Groups.

6: The loss of key project staff		
Possible Trigger	**Potential Impact**	**Action/control**
• There is a long transition and implementation period for merging SCDC and WDC which increases the likelihood of staff changes.	• Delays in implementing new arrangements • Stakeholders confusion – where to go, who to speak to? • Delayed delivery of savings and service benefits.	• Internally seconded project management supported by broad Project Team and Councillor & senior officer project sponsorship. • Clarity and regular review of timescales and milestones.

7: Uncertainty and confusion arising from political and governance transition to new Council		
Possible Trigger	**Potential Impact**	**Action/control**
• Failure to agree and adopt a revised Constitution for the 'Super District'. • Political reluctance to 'tie the hands' of the new Council.	• Inability to perform key governance functions, including decision making and scrutiny. • Reduction in openness, transparency and public confidence in the decisions of the Council. • Key financial or policy decisions detrimentally delayed until after May 2019.	• Established and robust political governance arrangements and relationships. • Use of joint, cross party, Member Working Groups to begin governance work from October 2017. • Pro-active and timely engagement and reassurance from politicians and senior officers with key partners, stakeholders and local communities throughout the transition period. • Shadow arrangements put in place for 2018/19.

8: Inadequate locality arrangements for democratic engagement with our communities		
Possible Trigger	**Potential Impact**	**Action/control**
• Creation of a geographically larger Council resulting in it being more remote from its localities and communities.	• Reduction in Council's ability to understand and address different local needs. • Reduced ability to form local partnerships as a result of more distant relationships. • Less sustainable and resilient communities resulting in increased public sector demand and costs. • Failure to deliver the East Suffolk Enabling Communities Strategy.	• Joint Enabling Communities Strategy in place and being delivered since 2015. • Introduction of a place based approach for the Active Communities and Economic Development and Regeneration Teams where a lead officer is identified as 'relationship manager' for each large settlement. • Clear, long term, strategic vision with concise, precise, place focused outcomes in place through East Suffolk Business Plan. • Ongoing pro-active and timely engagement from politicians and senior officers with key partners, stakeholders and local communities.

9: Lack of public engagement, understanding and support from the public		
Possible Trigger	**Potential Impact**	**Action/control**
• Public do not understand or support the reasons for merger. • Confusion with Devolution. • Distraction as a result of other national politics e.g. Brexit	• Reduction in mutual ability to understand and address different local needs. • Less willingness to form local partnerships with the Council. • Reduction of connection with and trust in the Council. • Customer confusion – where to go, who to speak to, who is their Council? • Loss of credibility locally and politically.	• Comprehensive communications and stakeholder engagement plan. • Detailed public engagement between 1 Nov 2016 and 12 Dec 2016. • Telephone polling of a representative sample of 1000 residents of East Suffolk. • Pro-active and timely engagement and reassurance from politicians and senior officers with key partners, stakeholders and local communities throughout the transition period. • Staff fully briefed and able to disseminate key messages to the public.

10: No approval from the Secretary of State		
Possible Trigger	**Potential Impact**	**Action/control**
• The proposal submitted to the Secretary of State is not sufficiently compelling. • Change of Secretary of State.	• Unable to implement the merger of SCDC and WDC.	• Ongoing engagement with DCLG officials in relation to the process and draft proposal, any risks and government expectations. • Clear, comprehensive and compelling articulation of the proposal and vision for East Suffolk. • Continually inform / involve civil servants, MPs, Ministers and associated bodies (e.g. Boundary Committee, LGA) in the work taking place.

11: Lack of capacity or capability to deliver a merger.		
Possible Trigger	**Potential Impact**	**Action/control**
• Lack of change management resources. • Poor programme and project management. • Loss of key staff – especially at senior management level, who take with them knowledge and experience. • Underestimate of the overall capacity required to deliver the wider East Suffolk Business Plan.	• Failure to optimise the potential efficiencies from May 2019. • Ineffective governance arrangements that require further review and amendment. • Project failure of other Business Plan objectives.	• Effective and flexible programme and project management. • Senior political and management sponsorship and support. • Clear and effective programme management and governance arrangements. • Clear and managed benefits realisation plan. • Clear and managed People Strategy and workforce planning. • Change programme effectively managed. • Continued monitoring of financial resources. • Continued robust performance management of the East Suffolk Business Plan.

12. Changes in the external environment		
Possible Trigger	**Potential Impact**	**Action/control**
• National political change or uncertainty. • Further deterioration in the economic climate. • Local government reorganisation. • Implementation of Devolution for Norfolk & Suffolk. • New Government initiatives and policies.	• A halt or delay to merger of SCDC and WDC. • Merger will result in the new 'Super District' only having one vote on some partnership bodies e.g. any new Combined Authority, Anglia Revenues Partnership	• Continue to appraise Government of the work taking place. • Flexible business and service planning and delivery arrangements. • Regularly monitoring and reflecting upon national developments and Government announcements. • Ensuring that the weight and strength of East Suffolk's voice outweighs the previous impact of SCDC's and WDC's two votes.

13: Different service standards and / or approaches		
Possible Trigger	**Potential Impact**	**Action/control**
• Shadow Cabinet fails to agree on key policy or service variations for East Suffolk.	• Unjustified inconsistent service standards and approach adopted across East Suffolk.	• Programme of policy reviews during 2018 conducted by the Shadow Cabinet - of the limited differences in current approach between SCDC and WDC – reaching a revised approach for East Suffolk where appropriate or establishing clear principles of adopting different services to reflect the needs of the different communities in East Suffolk.