

SIMULTANEOUS CABINET MEETING

Monday, 14 March 2016

FURTHER TRANSFORMATION IN EAST SUFFOLK (REP1359)

PURPOSE OF REPORT

1. 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.
2. 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.
3. SCDC and WDC are committed to building 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 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.
4. The Local Government world however 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 both Revenue Support Grant and New Homes Bonus;
 - Devolution of greater powers from Central Government;
 - Potential to transfer 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.
5. 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*". Both Council Leaders have therefore asked their joint Strategic Management Team ('SMT') to investigate the various options available for further transformation of the councils' partnership working. The Cabinets are now asked whether they want SMT to develop a draft business case that explores the potential benefits of a formal merger of the two district councils.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards in the Districts
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Cabinet Member:	Councillor R Herring Leader of Suffolk Coastal District Council Councillor C Law Leader of Waveney District Council
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Supporting Officer:	Stephen Baker Chief Executive stephen.baker@eastssuffolk.gov.uk
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1. EXECUTIVE SUMMARY

- 1.1 At the request of the Leaders of SCDC and WDC, their SMT has reviewed the various options available for further transformation of the Council's partnership working.
- 1.2 SMT have considered both potential incremental and step-change; and done so in the context of the Government's emerging approach. SMT have been particularly mindful of the rapidly evolving devolution agenda and increasing financial challenges for district councils. Devolution however is the subject of much wider and more detailed conversation elsewhere and so has not been directly addressed in this report.
- 1.3 SMT have also limited their proposals to strategic transformation rather than any individual options for separate services. In broad terms any of the first four options below will however strengthen both councils' negotiating positions and ability to deliver 'double devolution' for East Suffolk. An East Suffolk merger or unitary are likely to be the strongest options in this regard.
- 1.4 Based upon SMT's review there are 5 options available to the partnership. They are not however mutually exclusive and so it is possible to create combinations of the various options. SMT believe that each option has some merit and have summarised the potential benefits and disadvantages of each, but have not commented on each option's relative chance of success. The 5 options are:
 - 1.4.1 Forming a wider partnership with 1 or more other district / borough councils;
 - 1.4.2 Merging SCDC and WDC to form a single district council for East Suffolk;
 - 1.4.3 Forming a Unitary Council for East Suffolk (or some other larger area);
 - 1.4.4 Creating a Combined Authority for SCDC & WDC (with or without other Councils);
 - 1.4.5 Forming a stand alone 'mutual style' company for East Suffolk (with or without other public and / or private sector partners).

2 BROADER PARTNERSHIP

- 2.1 SMT do not believe that there is any particular strategic benefit to forming a wider partnership at the district level, either with our immediate neighbours or further afield.
- 2.2 SMT is confident that it would be possible (subject to appropriate organisational / structural change) to deliver a wider partnership. The only benefit or reason to do so however would appear to be if this could deliver a financial saving. The financial success of the current partnership has been based upon two councils being able to share half their costs. For each new partner that is added the proportional financial benefit to the partners reduces and the overall cost and complexity of the management arrangements, travel etc increases.
- 2.3 Again obviously, this option also relies upon there being a willing partner to join with. SCDC and WDC's experience of these discussions and negotiations appears to be the exception to the rule, as many potential council partnerships elsewhere have never come to fruition.

3 MERGER

- 3.1 This is the only option of the 5 outlined that is directly 'within the gift' of SCDC & WDC and is perhaps the most natural extension of the current partnership. It is also the option that can most easily be combined with any of the other options.
- 3.2 SMT has estimated that a merger should deliver a minimum saving of £800,000 per annum, without the need for any major organisational change. It would however involve political change both to a single Leader and Cabinet, and a review of the total number of Councillors and Wards.
- 3.3 This latter aspect is exactly the same review that SCDC recently carried out. This impact of merger in the Suffolk Coastal area is therefore likely to be less significant than the Waveney area. A single district council for East Suffolk would be the largest district

council by population in England and may therefore provide the district with greater influence nationally, regionally and in Suffolk.

4 UNITARY EAST SUFFOLK

- 4.1 The potential benefits and pitfalls of unitary local government have been well rehearsed previously through the Local Government Review ('LGR') of Norfolk and Suffolk, and so have not been reproduced here. It is uncertain however whether the new Secretary of State would be open to such discussions. Similarly this could not be done in any format without, at least, an impact upon Suffolk County Council ('SCC'). It is assumed at this stage (and without any discussion with the County Council) that this would be strongly resisted by Suffolk County Council.

5 COMBINED AUTHORITIES

- 5.1 The Combined Authority approach has emerged in recent years as a way of similar councils with shared interests to come together in order to address larger issues. This has to date tended to be in more metropolitan areas to focus, for example, on transport and infrastructure.
- 5.2 There has already been some discussion at the Suffolk level of adopting this approach through a new 'Super Cabinet' of all the respective Leaders. A potential Combined Authority is also one of the options being considered jointly by Cambridgeshire, Peterborough, Norfolk & Suffolk through devolution.
- 5.3 In principle this approach could be adopted for SCDC and WDC. The SCDC & WDC Simultaneous Cabinet Meetings could be seen as an informal hybrid version of this approach. However this option for SCDC and WDC is likely to only deliver a small part, if any, of the benefits described from merger. In addition any benefits may even be offset and outweighed by the additional bureaucracy that this approach would bring.
- 5.4 The Combined Authority approach either across Suffolk or wider Local Enterprise Partnership areas may however have some advantages and enable greater change and delivery for some specific services e.g. highways, infrastructure, coastal management.

6 MUTUAL

- 6.1 A mutual is a 'wildcard' that seeks to take most of the best parts of the other options and combine them for East Suffolk. This option is likely to only be worthwhile in co-operation and agreement with other partners. In effect it would be forming a new company, partially owned by SCDC and WDC (and other partners) together with some staff shareholding.
- 6.2 This option would not fit with the devolution agenda and may even run contrary to some of the devolution principles. It would however enable local government (both tiers), police and health to come together as a single organisation delivering solely for East Suffolk.
- 6.3 In doing so there would be less, rather than more, direct democratic accountability as the delivery of the services would be one step removed from all three councils (more similar to the current Norse Group model). Local politicians would retain significant strategic influence over the company but it would be protected from radical changes arising from future local election results.
- 6.4 Each of the public sector partners would therefore take on more of a commissioning role with the company. The numbers of staff directly employed by each of the statutory organisations would be dramatically reduced but the organisations and their respective overhead costs of running those organisations would remain.
- 6.5 This hybrid option would therefore be successful if it is able to bring about significant integration between the public sector partners, drive out waste and deliver far greater change in quality of life.
- 6.6 The initial set up costs of this approach would be much higher than all the other options and it would take longest to see a return on that investment. It would also require a radical shift in the role of Councillors who would become far greater Community Leaders

and Enablers rather than decision makers. If successful however this option has the greatest chance of the widest impact for the electorate and of reducing the cost to the public purse.

7 CONCLUSION

- 7.1 Based upon its preliminary option appraisal work SMT believes that merging the two district councils represents the best option for the further transformation of the councils' partnership working. SMT has set out its wider reasons for this view at Appendix A.
- 7.2 The process of merger is 'within the gift' of the councils and prescribed through a Principal Area Boundary Review ('PABR') conducted by the Local Government Boundary Commission for England ('LGBCE'). SMT have set out a summary of the PABR process at Appendix B.
- 7.3 Similarly the councils' Chief Finance Officer has carried out a preliminary financial assessment in line with the PABR process. This is set out at Appendix C.
- 7.4 A summary of the comparative delivery implications of the five options is set out in the table below:

	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 – PABR 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 LGR
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
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

8 NEXT STEPS

- 8.1 If the Cabinets approve SMT’s recommendation then further work will be carried out, refining the work conducted to date, into a draft (LGBCE compliant) business case for the formal merger of the two district councils. It is proposed that this would then be presented at a further Simultaneous Meeting of the two Cabinets once it has been produced. This is therefore anticipated to be a Simultaneous Meeting in approximately April / May 2016.
- 8.2 If approved in principle at that time the business case would then be subject to a local advisory referendum (‘local referendum’ see Appendix B) in approximately June / July 2016, and parallel consultation with other key stakeholders and partners. In order to avoid any potential for confusion this will be timed to avoid any overlap with the national EU Referendum on 23 June 2016.
- 8.3 Subject to the outcome of the local referendum and consultation any report recommending that both councils formally request the LGBCE conduct a PABR is anticipated to be considered by each Full Council in September 2016.
- 8.4 This indicative timetable is set out below:

Stages	Indicative timings
Simultaneous Cabinet Meeting Report recommending further work to be done by officers to develop a LGBCE compliant business case	14 March 2016
Simultaneous Cabinet Meeting Report to review draft LGBCE compliant business case; and if satisfied then approve business case in principle and approve conduct local advisory referendum	April – May 2016
Local Advisory Referendum	June – July 2016
Councils consider the Business Case and Referendum outcome to determine whether to formally request the LGBCE to conduct a PABR	September 2016
LGBCE start PABR	By April 2017
LGBCE report to Secretary of State	By April 2018
Elections to any new merged council	May 2019

RECOMMENDATIONS

1. That SMT further refine the work conducted to date, regarding the further transformation of the councils’ partnership working, and produce a draft (LGBCE compliant) business case for the formal merger of the two district councils.
2. That once complete, this draft business case for merger be presented at a further Simultaneous Meeting of the two Cabinets.

APPENDICES**Appendix A**

SMT's wider reasons for proposing a merger of SCDC & WDC

Appendix B

SMT's summary of the PABR process

Appendix C

Initial financial assessment by the Chief Finance Officer

BACKGROUND PAPERS

LGBCE's Principal Area Boundary Reviews: technical guidance May 2011

https://www.lgbce.org.uk/_data/assets/pdf_file/0007/10402/pabr-technical-guidance.pdf