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COMMITTEE:	**BABERGH OVERVIEW AND SCRUTINY COMMITTEE**
VENUE:	**King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich**
DATE:	**Tuesday, 31 October 2017 10.30 am**

Members

Clive Arthey	Bryn Hurren
Melanie Barrett	Alastair McCraw
Peter Burgoyne	Fenella Swan
Barry Gasper	

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A G E N D A

PART 1

ITEM	BUSINESS	Page(s)
1	APOLOGIES AND SUBSTITUTES	
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3	CALL IN OF THE DECISION FROM THE MEETING OF THE BABERGH CABINET HELD ON 13 OCTOBER 2017. REPORT BCA/17/22.	1 - 16

Call In of the Babergh Cabinet Decision from the meeting held on 13 October 2017.

Decisions made by the Cabinet on 13 October 2017 in respect of the following report was called in for consideration by the Overview and Scrutiny Committee in accordance with Scrutiny Procedure Rules as detailed on pages 141 and 142 of the Constitution.

BCa/17/22 - FUTURE OPTIONS FOR 'WORKING TOGETHER' BETWEEN BABERGH AND MID SUFFOLK DISTRICT COUNCILS

The reasons for Call In are:

1. The decision notice states that no alternative options have been considered and rejected. Clearly, however, there are many other options which should be considered before any decision to proceed with merger is made, even provisionally. For example, Suffolk County Council have not been consulted over a unitary option, even though we now share their building.

2. The decision does not appear to be listed as a Key Decision yet there could not be anything more key than an existential threat to Babergh planned by its own cabinet, not only with no mandate to do so but with a mandate from the 2011 local referendum ***not*** to do so.

3. This appears to be a decision to consult on merging with inadequate preparation and information release.

4. We are concerned about the likely bias of any consultation. Without a ***published business case***, it is difficult to see what can and will be consulted on, other than an argument constructed to meet the wishes of the Administration.

5. We believe there should be an opportunity to scrutinise the even-handedness of the consultation/surveys. Should feedback be positive from such a consultation, the Administration may seek to remove the need to challenge the business case developed thereafter, or to hold a poll. A business case published ***in advance of consultation*** would certainly ensure it builds the argument to proceed.

6. The financial appendix to the report is far from a full and unbiased picture of the current and projected situation. It reads more like a sketch of what the Administration wants us to hear.

7. Paragraphs 4.2 through 4.6 of the Chief Executive's report appear to be written about an entirely hypothetical divorce in which the weakness of Babergh's General Fund is emphasised. Yet it is quite clear that decisions already taken, for example over the Boundary Review, would make it probable that a merged council would increase Babergh's Council Tax more than halfway towards Mid Suffolk's and spend some of Babergh's much healthier Housing Revenue Account on housing in Mid Suffolk.

8. Paragraph 4.3 suggests such a divorce would be 'reputationally damaging', implying that Babergh District Council would get the blame for it in the public mind, yet there could not be anything more reputationally damaging for Babergh District Council than to go ahead with merger in defiance of the will of its own electorate clearly expressed in the 2011 referendum.

9. Paragraphs 10.1 through 10.7 of the Chief Executive's report and his Appendix 1 make the truly bizarre claim that the Mid Suffolk result in favour of merger in the 2011 local referendum provides a 'mandate' to proceed. This misrepresents the 2011 requirement that each district with its voters counted separately had to vote in favour of merger for merger to proceed. Paragraph 10.7 says that this was all a long time ago but then again cites the Mid Suffolk referendum which was held on the same day as the Babergh referendum!

Suggested action for the Call In to take:

(1) To confirm or accept the decision of the Cabinet which may then be implemented forthwith, or
(2) refer the matter back to the Cabinet for further consideration, or
(3) refer the matter to Council for a final determination, or for referral back to the Cabinet
(4) defer consideration until a specified time when further reports shall be considered.

The Call In Notice, Cabinet report and related minute is attached. The Lead Member and Lead Officer are invited to attend to respond to any questions.

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Call-in

We the undersigned wish to call in the following decision for scrutiny:

Report Title/Ref No: BCa/17/22 – Future Options for "Working Together" between Babergh and Mid Suffolk District Councils

Decisions Made by Cabinet:

1.1 To provisionally endorse the approach of formally dissolving the two district Council's and creating a new larger District Council.

1.2 To utilise Transformation Funding to jointly conduct stakeholder, public and staff engagement during Autumn 2017.

1.2a Subject to the outcome of the public engagement a draft (DCLG compliant) business case for the dissolution of BMSDCs and creation of a new single district council for the area could be considered by each Council.

Reason for decisions: In order to ensure that the two districts were in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges within Local Government and Suffolk.

Alternative Options Considered and Rejected: None

Any Declarations of Interest declared: None

Any Dispensation Granted: None

Our reasons for the call in are as follows:

1. The decision notice states that no alternative options have been considered and rejected. Clearly, however, there are many other options which should be considered before any decision to proceed with merger is made, even provisionally. For example, Suffolk County Council have not been consulted over a unitary option, even though we now share their building.
2. The decision does not appear to be listed as a Key Decision yet there could not be anything more key than an existential threat to Babergh planned by its own cabinet, not only with no mandate to do so but with a mandate from the 2011 local referendum ***not*** to do so.
3. This appears to be a decision to consult on merging with inadequate preparation and information release.
4. We are concerned about the likely bias of any consultation. Without a ***published business case***, it is difficult to see what can and will be consulted on, other than an argument constructed to meet the wishes of the Administration.
5. We believe there should be an opportunity to scrutinise the even-handedness of the consultation/surveys. Should feedback be positive from such a consultation, the Administration may seek to remove the need to challenge the business case developed

thereafter, or to hold a poll. A business case published ***in advance of consultation*** would certainly ensure it builds the argument to proceed.

6. The financial appendix to the report is far from a full and unbiased picture of the current and projected situation. It reads more like a sketch of what the Administration wants us to hear.
7. Paragraphs 4.2 through 4.6 of the Chief Executive's report appear to be written about an entirely hypothetical divorce in which the weakness of Babergh's General Fund is emphasised. Yet it is quite clear that decisions already taken, for example over the Boundary Review, would make it probable that a merged council would increase Babergh's Council Tax more than halfway towards Mid Suffolk's and spend some of Babergh's much healthier Housing Revenue Account on housing in Mid Suffolk.
8. Paragraph 4.3 suggests such a divorce would be 'reputationally damaging', implying that Babergh District Council would get the blame for it in the public mind, yet there could not be anything more reputationally damaging for Babergh District Council than to go ahead with merger in defiance of the will of its own electorate clearly expressed in the 2011 referendum.
9. Paragraphs 10.1 through 10.7 of the Chief Executive's report and his Appendix 1 make the truly bizarre claim that the Mid Suffolk result in favour of merger in the 2011 local referendum provides a 'mandate' to proceed. This misrepresents the 2011 requirement that each district with its voters counted separately had to vote in favour of merger for merger to proceed. Paragraph 10.7 says that this was all a long time ago but then again cites the Mid Suffolk referendum which was held on the same day as the Babergh referendum!

It is our view that for these and many other reasons this paper provides inadequate grounds for a decision as uncertain in process as this. We believe that this decision needs thorough scrutiny in all respects before the Administration is allowed to proceed.

Signed

Tony Bavington

Dave Busby

Sue Carpendale

Luke Cresswell

Derek Davis

John Hinton

Bryn Hurren

James Long

Alastair McCraw

John Nunn

Stephen Plumb

David Rose

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Chief Executive	**Report Number: BCa/17/22**
To: Cabinets	**DATE OF MEETING: 13/10/2017**

FUTURE OPTIONS FOR 'WORKING TOGETHER' BETWEEN BABERGH AND MID SUFFOLK DISTRICT COUNCILS

1 PURPOSE OF REPORT

1.1 Babergh District Council ('BDC') and Mid Suffolk District Council ('MSDC') have been working increasingly closely together since first sharing a Chief Executive in 2011. This strong and successful partnership culminated most recently in the adoption of the refreshed Joint Strategic Plan ('JSP'), designed to integrate the Councils' outcome based approach for both districts.

1.2 This was an unanimously supported, positive and progressive, step towards adopting a more enabled and efficient approach to addressing the Councils' shared vision and three shared priorities around:

- Economy & Environment
- Housing
- Strong & Healthy Communities

1.3 BDC and MSDC ('BMSDCs') are committed to building upon this successful shared services partnership working to create the environment where, and ensure that, individuals, families, communities, and businesses continue to thrive and flourish – meeting their full potential. Creating the JSP was an important part of ensuring continuous improvement, within this ground-breaking operational and strategic partnership. The refreshed JSP contains the Councils' long-term joint ambitions for both districts, reflecting their determination to push the boundaries of what they can achieve together.

1.4 The refreshed JSP also marked a fundamental shift for both Councils – moving from 'Working Together' as partners, to actually sharing a single vision and approach, delivering the same high level improvements for the residents of both districts together. This has been further reinforced by the adoption, and current roll out, of the joint Public Access Strategy. Similarly, the agreement to both move from the 'committee system' to a Leader and Cabinet style of governance from May 2017, and to a single public sector hub with Suffolk County Council in Endeavour House in Autumn 2017, will enable even greater levels of integration, efficiency, and mirroring of governance.

1.5 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 local 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.

1.6 Both Councils are committed to ensuring that the two districts are in the best possible position to respond to, and take advantage of, these emerging opportunities and challenges. Both Council Leaders have therefore asked their new Chief Executive to investigate the various options available to further evolve the Councils' partnership working.

1.7 Based upon this initial work the newly formed Cabinets are now asked whether they provisionally endorse the recommended approach of formally dissolving the two district councils; and creating of a new, larger, District Council; and whether to proceed to public and staff engagement.

2 RECOMMENDATIONS

2.1 That Cabinet provisionally endorses the approach of formally dissolving the two district councils; and creating of a new, larger, District Council;

2.2 That the Councils utilise Transformation Funding to jointly conduct stakeholder, public and staff engagement during Autumn 2017.

3 EXECUTIVE SUMMARY

3.1 At the request of the Leaders of BMSDCs, the Chief Executive has reviewed the various options available to further evolve the Councils' 'Working Together'.

3.2 The Chief Executive has considered, with his Senior Leadership Team ('SLT'), both potential incremental and step-change; and done so in the context of the Councils' current partnership working and the Government's position. SLT have been particularly mindful of the recent devolution agenda, the increasing financial challenges for district councils and the need to be able to respond to the emerging position following the snap General Election.

3.3 SLT have also limited their considerations to strategic transformation rather than any individual options for separate services. In broad terms any of the first four options below will strengthen both councils' negotiating positions and ability to deliver 'double devolution' within Suffolk. The creation of a new single district to replace BMSDCs is likely to be the strongest option in this regard.

3.4 Based upon SLT's review there are 5 options available. They are not however mutually exclusive and so it is possible to create combinations of the various options. SLT 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. In addition consideration has been given in this report to 'doing nothing' i.e. simply continuing with the existing partnership arrangements between the two Councils.

3.5 The 5 options are:

3.5.1 Forming a wider partnership with 1 or more other district / borough councils;

3.5.2 Dissolving BMSDCs to form a new single district council for the area;

3.5.3 Forming a Unitary Council for the area (or some other larger area);

3.5.4 Creating a Combined Authority for BMSDCs (with or without other Councils);

3.5.5 Forming a stand alone 'mutual style' company (with or without other public and / or private sector partners).

4 CONTINUING THE EXISTING 'WORKING TOGETHER' PARTNERSHIP APPROACH

4.1 As highlighted above the existing partnership arrangements began in 2011 and have been expanded since that time, such that now all of the Councils' officers work on behalf of both Councils in a single management structure. Part of the success of this partnership has been the common basis that, for the majority of services, costs are split on a 50 / 50 basis. This, together with the Councils' shared vision, has ensured the optimum efficiency in the delivery of these services.

4.2 The emerging and projected financial differences between each Council, as set out in Appendix B, demonstrate however that it is becoming increasingly difficult to manage and account for services in such a way. It is anticipated therefore that if none of the options outlined in paragraph 3.5 are adopted then the existing partnership will need to change to reflect the different service level priorities and financial capacity of the two Councils. Whilst the joint high level Vision in the JSP is likely to remain the same, the impact of these changes will inevitably reduce the current efficiencies of various services and so increase costs to both Councils.

4.3 At a more political level there are concerns that having a shared workforce and JSP, without any further evolution of the partnership, may not be sufficient to continue to bind the working relationship between the sovereign Councils. Having now reached a 'peak' partnership position in terms of relationships and efficiency, the combination of the effect described above, and in paragraph 4.2, may begin to pull the partnership apart. This has been seen elsewhere in the country, most notably the tri-borough partnership in London. This may not be an immediate risk and could gradually emerge. However, as can be seen from the effect that this had to the North Norfolk District Council and Great Yarmouth Borough Council's partnership (which related to a much smaller number of officers) the impact can also be sudden, dramatic and reputationally damaging.

4.4 In this context it is perhaps important and beneficial to also consider whether, after 6 years of the current partnership, Babergh and / or Mid Suffolk would be able to survive a 'divorce' (amicable or otherwise) and be able to go back to delivering their services without each other.

4.5 Each Council remains a sovereign body and therefore would lawfully and democratically be able to go back to operating on their own. A prudent assessment of any separation by the Chief Finance Officer, however, estimates that such a separation (without taking any mitigating action) would reintroduce management costs alone of between £0.53m and £1.06m per Council. The actual separation itself would also be far more detrimental to productivity as the various officers and structures are teased apart.

4.6 The Chief Finance Officer believes that whilst such an impact could potentially be withstood financially within Mid Suffolk District Council, as they have established a large Transformation Fund, it is clear from the current financial projections in Appendix B that the impact upon Babergh District Council's finances are likely to be catastrophic. Such action may even require the Chief Finance Officer to implement a 'section 114' report to the

Council, which would put a freeze on all spending until a balanced in-year budget position is achieved and a revised, robust Medium Term Financial Strategy adopted.

5 OPTION A - BROADER PARTNERSHIP

5.1 The Chief Executive does 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.

5.2 The Chief Executive 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 sharing 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.

5.3 Again obviously, this option also relies upon there being a willing partner to join with. BMSDCs' experience of these discussions and negotiations appears to be the exception to the rule, as many potential council partnerships nationally have never come to fruition. Similarly BMSDCs' immediate neighbouring districts to the east and west are currently focussed upon their own further integration.

6 OPTION B - DISSOLUTION TO FORM A NEW DISTRICT

6.1 This is the only option of the 5 outlined that is directly 'within the gift' of BMSDCs and is perhaps the most natural extension of the current working together. It is also the option that can most easily be combined with any of the other options.

6.2 The Council's Chief Finance Officer has estimated that this approach should deliver a minimum level of cashable and non-cashable savings of £1m per annum, without the need for any major organisational change. It would also provide overall long term financial stability as a result of combining the strengths of the respective General Funds, Housing Revenue Accounts and Reserves (see Appendix B). It would involve some political change to a single Leader and Cabinet. It should also be noted that electoral equality across the two districts should already be achieved, in any event, through the current Further Electoral Review of both districts.

6.3 As a single district council for both areas it would become one of the largest district councils by population in England and remain on a par with the other 4 Suffolk councils going through this process. It would therefore ensure parity of influence for the area within Suffolk and greater influence nationally and regionally.

6.4 The Department for Communities and Local Government ('DCLG') have been clear that the decision whether to submit a proposal to dissolve and combine existing districts is, and should be, one for the democratically elected Councillors to make, and it is for the Councils to consider how best to engage with local people in this process. DCLG have therefore recommended that any such proposal should be carried out under the powers created by section 15 of the Cities and Local Government Devolution Act 2016 (CLGDA). This section provides the primary legislation by which the Secretary of State may, by regulations, make provision about the governance arrangements of local authorities, and their structural and boundary arrangements.

7 OPTION C - A UNITARY COUNCIL

7.1 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 Secretary of State would be open to such discussions without wider agreement within Suffolk. 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 SCC; although it may, depending upon the geography of any proposal, find favour with the other Suffolk authorities.

8 OPTION D - COMBINED AUTHORITIES

8.1 The Combined Authority approach has emerged in recent years as a way of similar councils with shared interests to come together to address larger issues. This has, to date, tended to be in more metropolitan areas to focus, for example, on transport and infrastructure.

8.2 The Combined Authority model (with a directly elected Mayor) was the approach that was proposed through the Devolution negotiations in Norfolk and Suffolk; and which has now been implemented in Cambridgeshire. There has also been some discussion in the past, at the Suffolk level, of adopting this approach through a new 'Super Cabinet' of all the respective Leaders. The respective Council Leaders in Suffolk already have similar informal arrangements in place.

8.3 In principle this approach could be adopted for BMSDCs. However this option is likely to only deliver a small part, if any, of the benefits described from Option B. In addition any benefits may even be offset and outweighed by the additional bureaucracy that this approach would bring.

8.4 A 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 and infrastructure.

9 OPTION E – A MUTUAL COMPANY

9.1 A mutual company is a 'wildcard' that seeks to try to take most of the best parts of the other options and combine them. 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 BDC and MSDC (and other partners) together with some staff shareholding.

9.2 This option does not fit with the recent 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 an area.

9.3 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 Shared Revenues Partnership 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.

9.4 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.

9.5 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.

9.6 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.

10 CONCLUSION

10.1 Based upon the preliminary option appraisal work the Chief Executive believes that dissolution of the two district councils, to then form a new single district council for the combined area (Option B), represents the best option for the further transformation of the

Councils' partnership working. A wider summary of reasons for this view is set out at Appendix A.

10.2 The process to deliver Option B is 'within the gift' of the councils. This can be delivered either through a Principal Area Boundary Review ('PABR') conducted by the Local Government Boundary Commission for England ('LGBCE') or directly with the Secretary of State for Communities and Local Government under the CLGDA 2016. BMSDCs are familiar with the former process as this was pursued by both Councils in 2011.

10.3 When dissolving the two district councils and forming a new single district council for the combined area was considered in 2011 both Councils also conducted a local referendum to gauge public opinion.

10.4 In Mid Suffolk 32,601 valid votes were cast from an electorate at that time of 75,586 (43.2% turnout). 59.9% voted 'YES' and 40.1% voted 'NO'.

10.5 In Babergh 31,468 valid votes were cast from an electorate at that time of 69,723 (45.2% turnout). 39.1% voted 'YES' and 60.9% voted 'NO'.

10.6 In effect therefore the Mid Suffolk electorate provided a mandate to proceed. The overall result (when the referenda are considered together) was split virtually 50/50; but the Babergh electorate did not support this approach. BMSDCs therefore pursued the alternative option of sharing officers and services through 'Working Together', but remaining as separate sovereign Councils.

10.7 BMSDCs originally considered dissolving their respective Councils to form a new single district council in 2011. This was prior to the 'Working Together' partnership being established by the Councils and not long after the Coalition Government was formed. Since then there have been two further General Elections and changes of both Government and policy. Demand for services, need, aspiration, funding, and wider political and economic circumstances have therefore changed significantly. The success of BMSDCs' partnership working has enabled the Councils to withstand these challenges over the last six years. However, as described in paragraph 4 above, 'Working Together' is at a peak in terms of efficiency and further development; and so is unlikely to be able to provide additional resilience against future challenges. It is therefore considered appropriate, notwithstanding the referenda results in 2011, to revisit this issue now with the public, stakeholders and staff. The wider summary of reasons why this is considered to be the preferred option for the future are set out in Appendix A.

10.8 Similarly the Councils' Chief Finance Officer has carried out a preliminary financial assessment which is set out at Appendix B.

10.9 A summary of the comparative delivery implications of the five options is set out in the table below:

OPTION	Councils involved	Governance	Delivery timescales	Costs & savings potential	Relative ease of delivery
A - 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
B - Dissolution	BMSDCs only	New district council - replacing BDC & MSDC	Potentially by May 2019	Estimated net cashable & non-cashable savings of £1m p.a.	Relatively easy – CLGDA or PABR process

C - Unitary	BMSDCs & SCC	New unitary council - replacing BMSDCs & SCC (in part)	Unknown – Principle needs to be agreed by Secretary of State	Limited as would include SCC budget gap & higher transitional costs	Difficult – see previous LGR
D - Combined Authority	Not aware of willing councils	Shared with councils involved	Potentially by May 2019	None – estimated to add cost as a result of additional bureaucracy	Unknown - Subject to CLGDA
E - 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

11 NEXT STEPS

11.1 If the Cabinets informally endorse the Chief Executive's recommendation then it is proposed that this be tested through comprehensive public engagement, starting in October 2017.

11.2 Subject to the outcome of that public engagement a draft (DCLG compliant) business case for the dissolution of BMSDCs and creation of a new single district council for the area could be considered by each Council.

12 APPENDICES

(a)	Chief Executive's summary of wider reasons for proposing Option B.
(b)	Initial financial assessment by the Chief Finance Officer.

13 BACKGROUND DOCUMENTS - NONE

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Appendix A

WIDER REASONS FOR PROPOSING OPTION B

Organisationally

- Natural incremental extension of working together approach (2011 shared Chief Executive, 2011 onwards shared Senior Leadership Team extending to all services, 2013 Joint Strategic Plan, 2015 Refreshed Joint Strategic Plan, 2017 adoption of Leader/Cabinet model, 2017 move to single Headquarters, 2018/19 Joint Local Plan, 2019 Electoral equality);
- Previous informal comments from electorate to the effect of 'why haven't you merged' and specific (historical 2011) mandate from Mid Suffolk electorate;
- Staff capacity – equivalent savings of approximately £400k per annum;
- Additional efficiency and financial savings of approximately £600k per annum generated from acting as a single Council – with one Cabinet, Constitution, MTFS, Budget, Business Plan, Performance report etc;
- Long term financial stability and resilience from combining the strengths of the respective General Funds, Housing Revenue Accounts and Reserves.

For Communities

- Opportunity to create a new council with stronger 'localism' and engagement arrangement;
- Equalisation and 'protection' from either future dramatic Council Tax increases or service cuts through delivery of greater Value for Money, especially in Babergh;
- Greater alignment of Councillors at District and County to reflect community identities rather than being defined by artificial local government boundaries;
- Ability for Mid Suffolk area to benefit from becoming a more financially resilient landlord, able to develop more council and affordable housing.

More broadly

- Able to act in even more co-ordinated way for shared challenges including infrastructure (especially A140, A14 and railway) and the wider economy;
- Providing a more mixed / balanced economic focus overall to build on and complement the strengths of both areas;
- Better placed (as a larger district by population nationally) to take a leading role in the Suffolk, regionally e.g. with NALEP, and nationally e.g. with DCN; especially on rural issues;
- Better placed to be able to respond to Double Devolution – with the scale and capacity to directly deliver some current county services and functions locally ourselves, consequentially improving local services for our residents.

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Appendix B

INITIAL FINANCIAL ASSESSMENT BY CHIEF FINANCE OFFICER

Executive Summary

The projected direct financial savings to BMSDCs of implementing Option B are approximately £600k per annum. These would be generated in full, following a one year transition period. In addition, further 'non-cashable' savings of approximately £400k per annum are anticipated from an increase in officer capacity.

These are prudent financial assumptions and as such the Councils can expect these to be the minimum level of cashable and non-cashable savings that would be delivered. It is anticipated that the actual total savings will exceed £1m per annum.

More significantly, however, Option B would also provide the new council with a stronger and much more sustainable combined financial position for both the General Fund and Housing Revenue Account. This would reduce the financial risk to the Councils from a range of 6-9 to 4 and ensure that the projected combined budget gaps in the Medium Term Financial Plan (as at April 2017) reduce from a combined total of £900k to £300k.

Background

Through 'Working Together' BMSDCs have already achieved a high degree of integration and savings in the management and delivery of services. Further actions are also underway through the Enabled and Efficient strand of the Joint Strategic Plan that will deliver additional savings.

The Councils originally considered proposals to establish one new council in 2011. These were not taken forward at that time but BMSDCs did proceed with a programme of sharing officers and integrating services. This resulted in total savings of £2m per annum across the two councils being achieved by 2014/15. 'Working Together' has therefore delivered many of the same savings that would otherwise have been made through establishing one new council.

'Working Together' also includes several other ongoing transformation projects e.g. the current electoral review, which will reduce the number of councillors across the two councils; the move to a single headquarters; and the public access transformation. Savings from these activities are therefore excluded from this assessment, but will add further to the cashable savings of approximately £600k resulting from one new council, as described below.

Financial Savings

The further savings that could be generated by Option B predominantly arise from removing the costs associated with operating as two councils rather than as one. Table 1 below is an interim assessment of the Ongoing Savings / Costs and One-off

Transition Costs with the creation of a new authority. The sections below provide further details of these estimates.

Table 1

Babergh District Council and Mid Suffolk District Council - Indicative Costs and Savings

	Advance Costs £'000	Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000
Ongoing Costs / Savings (-)						
Members Allowances		-60	-60	-60	-60	-60
External Audit & Treasury Management Adviser		-75	-75	-75	-75	-75
Subscriptions		-35	-35	-35	-35	-35
Further Service Savings		-230	-445	-445	-445	-445
Total Ongoing Costs / Savings (-)	0	-400	-615	-615	-615	-615
One-Off Transition Costs						
Consultation	40					
Contract Novation	20					
Branding / Signage etc	20					
Termination Costs		335				
Total One-Off Transition Costs	80	335	0	0	0	0
Total Costs / Savings (-)	**80**	**-65**	**-615**	**-615**	**-615**	**-615**

In addition to the direct financial savings set out above and described below, an extremely important element of any new council, would be the gain in efficiency and capacity that would be released. Particularly at Senior Leadership Team level, serving two authorities generates a considerable level of diseconomy, especially in attending committee meetings, briefing members, report writing, etc. In these areas, a new council would create a high-level of efficiency savings that, whilst not immediately cashable, would create “headspace” for management and increased effectiveness. This is prudently anticipated to generate a 20% efficiency gain for Senior Leadership Team, and a 10% efficiency gain for other Extended Leadership Team corporate managers. In financial terms this is equivalent to around £400k per annum.

Members Allowances

As outlined above the current electoral review will create some savings from a reduction in the total number of councillors from the elections in May 2019. The anticipated reduction of councillors from 83 to 66 would result in a reduction of Basic Allowances of approximately £70k. At this stage it is not possible to provide a firm financial figure for this as the Councils will carry out a further Independent Remuneration Panel review of the Member Allowance Scheme prior to 2019 which could reduce such savings. Any such savings have therefore been excluded from this assessment.

Dissolving the current Councils to form a new single council would also result in a reduction in the total number of councillors with Special Responsibility Allowances, as there will only be one Cabinet, set of Portfolio Holders and Chairman and Vice-Chairman of the various committees. Although, as described above, there may be a small increase in these allowances to reflect the additional responsibility of a larger

council, it is not anticipated that this would remove all of these savings in allowances. The figure in Table 1 is therefore a prudent assessment (based on a current average between the two councils) of the minimum reduction in Special Responsibility Allowances that can safely be assumed from establishing one new council.

External Audit and Treasury Management Adviser

Savings can be anticipated on external audit fees as a result of the need to only audit one set of accounts, statements, etc. and it would only be necessary to have one contract with an external treasury management adviser. The figure shown is an average between the two councils' current costs.

Subscriptions

The two councils have annual subscriptions to a number of bodies as individual authorities e.g. the Local Government Association, District Councils Network, Rural Services Network etc. Whilst deals have been done with some organisations, when both councils have signed up, there would be further savings from only subscribing once.

Further Service Integration / Savings

A very cautious approach has been taken to estimates of further savings generated specifically because of becoming one Council. These have been confined to those Support Service areas where the authorities being separate bodies and running substantially separate committee systems generates a degree of additional work; plus a reduction of one post in the Senior Leadership Team.

In practice, in the event of establishing one new council and full integration, some further savings might also reasonably be expected in the management and delivery of direct services. In Table 1 above, a savings level of 10% on direct staff expenditure has been assumed from the key Support Services, with these savings coming on stream in the middle of year 1. Public access has not been included in this because of the separate work already in place to transform the Councils' approach.

Transition Costs

Estimates of one-off transition costs have been developed, largely based on the Business Case that was prepared by the two councils in 2011.

Most of the savings in Support Services relate to reductions in staffing. Any termination costs could reasonably be estimated using a flat rate of £35k per member of staff covering both redundancy and pension costs. Implementation would not take place however until the new council is established and would be managed carefully to maximise natural wastage and finding suitable alternative employment. The figure in Table 1 of £335k therefore represents the worst case position.

Financial Strength

BMSDCs have some differences and also some similarities in their financial profiles that have an impact on their financial sustainability going forward. The current Medium Term Financial Strategy (MTFS) figures and reserve levels show that BDC has challenges in relation to the General Fund (GF) and MSDC in relation to the Housing Revenue Account (HRA). Combining these positions therefore presents the best opportunity to achieve a stable medium term financial position for the residents in both areas.

The Joint MTFS document, approved in February 2017, shows the projected cumulative budget gaps for the two Councils up until 2020/21 for three different financial scenarios. One new council would benefit from the savings shown in Table 1 above. Table 2 below shows the effect of such a combined position on the current medium financial position.

Table 2

Medium Term Financial Position

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Shortfall in funding (-) / Surplus funds - cumulative			
Babergh	-81	-596	-741
Mid Suffolk	867	150	-135
Total both Councils	786	-446	-876
New Council (if from 2019/20)		-381	-326

Source: MTFS figures 2017/18 Budget reports

A risk assessment has been undertaken of the current and projected financial position for the GF and HRA for each council and a projected one for the new council, to understand the potential benefit of combining the positions. If the councils remain as two separate bodies then they will need to make tough decisions as to how they individually set balanced budgets in 2020/21 for both the GF and HRA. If they combine their resources into one new council then the savings identified in Table 1 will result in a lower impact on direct service delivery. This is supported by the information presented in Tables 2 and 4. The risk assessment scores are shown in Table 3 below

Table 3

Financial Risk Assessment

	Likelihood	Impact	Total
Mid Suffolk - GF	2	3	6
Babergh - GF	3	3	9
New Council - GF	**2**	**2**	**4**
Mid Suffolk - HRA	3	3	9
Babergh - HRA	2	3	6
New Council - HRA	**2**	**2**	**4**

It is currently unknown if or when councils may move into a 100% retention of business rates system, but even at the current 50% retention this is, along with council tax, a main source of income for the Councils. Currently the income from this source is not significantly different, £2.7m for MSDC and £2.6m for BDC in 2017/18 (baseline figure plus grants), but the revised assessment of need for the two councils (or one new council) will be crucial in the level of income to be retained in future. This cannot currently be predicted with the information that has been shared by DCLG to date.

By contrast, BDC currently has slightly higher Revenue Support Grant (RSG), but the MTFS allows for this to have disappeared by the time that establishing one new council might take place.

To date, MSDC has attracted a higher level of New Homes Bonus (NHB) payments by having greater growth in housing numbers and this is one of the factors that has contributed to the more favourable GF position and higher GF reserves. In 2017/18 Mid Suffolk will receive £2m and Babergh £1.2m. Government's changes to NHB regime (primarily designed to shift more financial support into social care) will significantly reduce the amount of NHB received by both districts (regardless of the future levels of housing growth).

For the HRAs, BDC has significantly more headroom within its borrowing cap as at 31 March 2017 of £13m, compared with £4m in MSDC; and therefore more capacity to develop new social housing as part of the 30 year business plan.

A new single authority would therefore have a significantly different profile to the two current districts, being more sustainable in terms of the GF and HRA. Based on 2018/19 MTFS forecasts, Table 4 below illustrates the comparative net GF budget and reserves and balances position of the new authority compared with the existing position. These figures will be updated as part of the budget setting process for 2018/19.

Table 4

Babergh and Mid Suffolk District Councils
Forecast Net Budget Requirement and Reserves 2018/19

	Babergh	Mid Suffolk	New Council
Net Budget Requirement			
	£'000	£'000	£'000
Council Tax	5,019	5,842	10,861
Revenue Support Grant	204	36	240
Rural Services Delivery Grant	140	267	407
New Homes Bonus / Other	1,179	978	2,157
Business Rates Baseline	2,165	2,265	4,430
Business Rates S31 Grant	650	600	1,250
	9,357	9,988	19,345
	%	%	%
Council Tax	54%	58%	56%
Revenue Support Grant	2%	0%	1%
Rural Services Delivery Grant	1%	3%	2%
New Homes Bonus / Other	13%	10%	11%
Business Rates Baseline	23%	23%	23%
Business Rates S31 Grant	7%	6%	6%
	100%	100%	100%
Reserves			
	£'000	£'000	£'000
General	1,150	1,050	2,200
Earmarked	3,055	13,100	16,155
Total	4,205	14,150	18,355
Reserves as % of Net Budget	45%	142%	95%

Source: MTFS figures 2017/18 Budget reports

Table 5 below presents a summary merged balance sheet for a new single authority based on the published, but unaudited, 2016/17 Statement of Accounts. In broad terms, a new single authority would benefit from increased financial resilience and opportunities as the combined balance sheet is stronger when looking across both the General Fund and Housing Revenue Account.

Table 5

Combined Balance Sheet as at 31 March 2017

	BDC £'000	MSDC £'000	Combined £'000
Long Term Assets	238,538	237,460	475,998
Current Assets	18,537	19,165	37,702
Current Liabilities	-12,676	-29,131	-41,807
Long Term Liabilities	-110,388	-106,595	-216,983
Net Assets	134,011	120,899	254,910
Usable Reserves	-22,214	-22,683	-44,897
Unusable Reserves	-111,797	-98,216	-210,013
Total Reserves	-134,011	-120,899	-254,910

Council Tax Equalisation

As part of creating a new single council it would be necessary to adopt the same Band D council tax figure across all households within the boundaries of the new council. The Band D figures for 2017/18 as approved in the Budget reports, are £153.86 for Babergh and £161.97 for Mid Suffolk. A difference of £8.11. The difference was reduced by £2.39 in 2017/18 as Babergh increased by £5 and Mid Suffolk by £2.61.

Babergh's tax base (number of Band D equivalent properties) is 32,488.91, and Mid Suffolk's is 35,785.78. The total council tax requirement of the two councils in 2017/18 is shown below.

	Tax Base	Band D £	Council Tax Income £'000
Babergh	32,488.91	153.86	4,998
Mid Suffolk	35,785.78	161.97	5,796
Total	68,274.69		10,794

A new council would need to decide at what level it wishes to set council tax, but the current average level across the two councils (to achieve the same level of income in 2017/18) is £158.10. The decision is likely to be based upon a combination of the cost, what is deemed to be acceptable to the residents of the new council and projections over the medium term period.

A factor which may have an impact upon the level at which council tax is equalised is the principle for local referendums for excessive council tax rises, which is currently the higher of 2% or £5 for shire district councils. For the purposes of this note, it is assumed that this limit would still be in place when the new council was established.

The difference between the two council taxes is such that it does not create a significant financial risk around equalisation. Council tax equalisation does not have to be achieved in one year, but a strategy would need to be adopted to achieve it over a defined period of time. 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. On the assumption that the gap is at the current level when the new council is established and it continued to be reduced at the same level as in 2017/18, it would be year 4 before equalisation was achieved. Further financial modelling of the options around council tax equalisation and the impact on the medium term financial position of the new council would be undertaken in a more detailed business case.

If the Councils take the decision to form a new Council, it would be beneficial if they manage their council tax strategies over the next couple of years to further reduce the difference in council tax levels between them. If Mid Suffolk freeze their council tax rate in 2018/19 and Babergh increase by £5, then equalisation could be achieved in 2019/20.

Risk Matrix

Impact						
	Disaster	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Bad	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Noticeable	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Minimal	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
			Probability / Likelihood			

Likelihood

1	Highly Unlikely	* Has never occurred before * Would only happen in exceptional circumstances
2	Unlikely	* Not expected to occur but potential exists * Has occurred once in the last ten years
3	Probable	* May occur occasionally * Has occurred within the last five years * Reasonable chance of occurring again
4	Highly Probable	* Expected to occur * Occurs regularly or frequently

Impact

1	Minimal	* Up to £5k * Very minor service disruption (less than one day) * No noticeable media interest * No harm to persons/community
2	Noticeable	* £5k - £50k * Some service disruption, more than one day * Local media coverage * Potential for minor harm/injury
3	Bad	* £50k - £250k * Critical service disruption (statutory services not delivered) * Adverse local/national media coverage * Potential for harm or injury (non-life threatening)
4	Disaster	* Over £250k * Systemic or sustained service loss * Adverse/prolonged national media coverage * Litigation, custodial sentence * Serious injury or death

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48 BCA/17/22 FUTURE OPTIONS FOR "WORKING TOGETHER" BETWEEN BABERGH AND MID SUFFOLK DISTRICT COUNCILS

The Chief Executive gave an introduction to report BCa/17/22 which gave a balance of positive and negative reasons for merging into one Council. In order to ensure the two districts were in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges within Local Government and Suffolk both Council Leaders had requested the Chief Executive to investigate the various options available to further evolve the Councils partnership working.

It was stressed no formal decision would be made but the recommendation was to endorse the approach of creating one new, larger District Council and to conduct stakeholder, public and staff engagement.

Councillor Jenkins moved the recommendations which were seconded by Councillor Osbourne.

The Chairman, Councillor Jenkins, pointed out Cabinet were in listening mode. The next steps, if approved, would be to move the process forward. There would be no change to services but the Council were committed to working with other partners. The budget had been scrutinised and cut as much as possible but there was a compelling case for delivering savings and service by merging into one Council.

The Chairman, Councillor Jenkins, then invited questions from Councillors Ridley, Carpendale, Cresswell, McCraw and Arthey to which Cabinet members responded in relation to the timing of the decision, the high level financial aspect of the proposal, the cost of public consultation and the lack of business case. The first step would be to conduct public consultation, there was no control over the Boundary Committee timing and that the Business Case would be developed at the same time as the consultation. A formal decision would then be made from the Business Case which would go before Overview and Scrutiny Committee as well as Full Council. The Chief Executive also explained a comparison had been completed with Suffolk Coastal in respect of a similar exercise and their telephone poll cost had come to around £20,000.

Concern expressed at the amount of public consultations already taking place. In response Councillor Jenkins explained the Chief Executive had outlined reasons but was happy to amend the recommendation so it included as 2.1b:

"Subject to the outcome of public engagement a draft (DCLG compliant) business case for the dissolution of BMSDC's and creation of a new single district council for the area could be considered by each Council."

This amendment was moved by Councillor Jenkins and seconded by Councillor Osborne.

Cabinet members recognised doing nothing was not an option, the overriding factor would be the savings made and the delivery of a service.

By a unanimous vote:

RESOLUTION 1

That the approach of formally dissolving the two district councils; and creating a new larger District Council be provisionally endorsed.

RESOLUTION 2

That the council's utilise the Transformation Funding to jointly conduct stakeholder, public and staff engagement during Autumn 2017.

RESOLUTION 3

That subject to the outcome of the public engagement a draft (DCLG compliant) business case for the dissolution of BMSDC's and creation of a new single district council for the area could be considered by each Council.