

## BABERGH DISTRICT COUNCIL

<b>From: Chief Executive</b>	<b>Report Number: BC/17/20</b>
<b>To: Babergh Council</b>	<b>Date of Meeting: 21 November 2017</b>

### **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 were asked on 13 October 2013 whether they provisionally endorsed 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. The minutes from the discussion are included at Appendix A.

1.8 Babergh's Overview and Scrutiny Committee considered a call-in request of the Cabinet decision on Tuesday 31 October and after considerable questioning and debate it resolved:

(i) That the principles of decision making were breached and that the decision be referred back to Cabinet for reconsideration with additional information. The following additional information should be considered by the Cabinet:-

- a) The comments raised during the meeting of the Overview and Scrutiny Committee on 31 October 2017;
- b) A more detailed Financial Case;
- c) Further information about the consultation activities, particularly the telephone poll.

(ii) That Cabinet be requested to refer these decisions to a meeting of the full Council for debate, before Cabinet makes its final determination.

1.9 The minutes from the 31 October Overview and Scrutiny Committee meeting are included at Appendix B (note the minutes have not been formally agreed by the Committee so are subject to change. A more detailed Financial Case is included at Appendix C and the details of the engagement programme included at Appendix D.

## **2. EXECUTIVE SUMMARY**

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

2.2 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.

- 2.3 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.
- 2.4 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.
- 2.5 The 5 options are:
- 2.5.1 Forming a wider partnership with 1 or more other district / borough councils;
- 2.5.2 Dissolving BMSDCs to form a new single district council for the area;
- 2.5.3 Forming a Unitary Council for the area (or some other larger area);
- 2.5.4 Creating a Combined Authority for BMSDCs (with or without other Councils);
- 2.5.5 Forming a stand alone 'mutual style' company (with or without other public and / or private sector partners).

### **3. CONTINUING THE EXISTING 'WORKING TOGETHER' PARTNERSHIP APPROACH**

- 3.1 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.
- 3.2 The emerging and projected financial differences between each Council, as set out in Appendix C, 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.
- 3.3 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.

- 3.4 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.
- 3.5 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.
- 3.6 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 C 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.

#### **4. OPTION A - BROADER PARTNERSHIP**

- 4.1 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.
- 4.2 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.
- 4.3 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.

#### **5. OPTION B - DISSOLUTION TO FORM A NEW DISTRICT**

- 5.1 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.
- 5.2 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 C). 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.

- 5.3 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.
- 5.4 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.

## **6. OPTION C - A UNITARY COUNCIL**

- 6.1 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.

## **7. OPTION D - COMBINED AUTHORITIES**

- 7.1 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.
- 7.2 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.
- 7.3 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.
- 7.4 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.

## **8. OPTION E – A MUTUAL COMPANY**

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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.

## **9. CONCLUSION**

- 9.1 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 E.
- 9.2 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.
- 9.3 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.
- 9.4 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’.

- 9.5 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'.
- 9.6 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.
- 9.7 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 E.
- 9.8 Similarly the Councils' Chief Finance Officer has carried out a preliminary financial assessment which is set out at Appendix C.
- 9.9 A summary of the comparative delivery implications of the five options is set out in the table below:

<b>OPTION</b>	<b>Councils involved</b>	<b>Governance</b>	<b>Delivery timescales</b>	<b>Costs &amp; savings potential</b>	<b>Relative ease of delivery</b>
<b>A - Broader Partnership</b>	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>B - Dissolution</b>	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

<b>OPTION</b>	<b>Councils involved</b>	<b>Governance</b>	<b>Delivery timescales</b>	<b>Costs &amp; savings potential</b>	<b>Relative ease of delivery</b>
<b>C - Unitary</b>	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
<b>D - Combined Authority</b>	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
<b>E - Mutual</b>	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

## 10. NEXT STEPS

- 10.1 If the Cabinets informally endorse the Chief Executive's recommendation then it is proposed that this be tested through comprehensive public engagement.
- 10.2 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.

## 11. APPENDICES

(a) Minutes from the 13 October Cabinet meeting
(b) Minutes from the 31 October Overview and Scrutiny Committee meeting (subject to change)
(c) Financial assessment by the Chief Finance Officer
(d) Programme of engagement
(e) Chief Executive's summary of wider reasons for proposing Option B.

## 12. BACKGROUND DOCUMENTS - NONE

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