



Subject: Towards a Partnership Strategy – Supplementary Report

**Meeting: Worthing Borough Council
3rd October 2006
Adur District Council
5th October 2006**

**Author: Ian Lowrie
Interim Chief Executive
Worthing Borough Council
Chief Executive
Adur District Council**

1. INTRODUCTION AND PURPOSE OF PAPER

- 1.1. This short paper is intended as a supporting document to the presentation that will be given to both Councils on the above dates by the Chief Executive of Adur District Council and Interim Chief Executive of Worthing Borough Council.
- 1.2. This step is being taken as a result of the recommendations made to both Councils at the Simultaneous Executive Meeting (SEMs) on Thursday, 21st September 2006. The relevant papers and recommendations from SEMs are included as part of the agenda papers for these meetings.
- 1.3. Copies of the presentation slides will be made available after both Councils have met.

2. RECOMMENDATIONS

- 2.1. There are no separate recommendations within this supplementary report as it is intended to support the debate on the recommendations passed on to both councils by SEMs.

3. CONTEXT

- 3.1. The context for both Councils considering a partnership strategy is well known and is set out in some detail in the SEMs papers.

- 3.2. In the briefest terms, both Councils are struggling to resolve the mismatch between inescapable financial pressures, the expectations that the public have of Council services and the externally imposed targets and initiatives we have to deliver. And this is compounded by the fact that there is understandable national and local resistance to substantial increases in the Council Tax.
- 3.3. For Worthing, the financial pressures amount to an estimated shortfall of resources in the next financial year of £0.9m rising to £1.5m over the three year period. In Adur the equivalent figure is an estimated £0.4m and similarly rising over the forthcoming three years.
- 3.4. This context for both Councils represents a significant and serious set of issues for the forthcoming financial year. However, it is the fact that it is a continuing and growing problem that requires consideration of a more structural approach to dealing with the issues. On their own the two Councils will find it increasingly difficult to meet these financial targets without major changes to what they are able to do.
- 3.5. In this respect, it is crucial to note that any proposals to move further towards partnership working will have modest impact in the first year of any such changes and it will be in the years beyond that such an approach might deliver long term benefits and savings without major reductions of service. Therefore, setting the budget for 2007/08 will remain a real challenge for both councils.
- 3.6. Adur and Worthing councils have, over the past few years, developed a highly positive approach to partnership working as an attempt to square this circle and to help both Councils deliver stringent externally imposed targets. The steps taken recently to join up refuse and recycling services, with a shared specification for that service, represent a groundbreaking approach. At the same time as securing financial savings (when compared with the action that would be required separately by both councils) we will be securing improvements and modernisation of the services and improved recycling rates for the residents of both council areas.
- 3.7. The recommendations of SEMs suggest a preference amongst the leading members of both councils to seek a more structural approach to service provision and the reduction of overheads. The following paragraphs summarise some of the issues that both councils will need to consider in deciding whether or not to take this approach forwards.

4. AN OUTLINE PROJECT PLAN

- 4.1. In the time that has elapsed since the SEMs meeting of 21st September 2006, there has only been time for some very preliminary discussion amongst officers and leading members of both councils about the nature of the work that would be needed to take this forwards. It may be helpful to view the project in three distinct phases for the purposes of this discussion. In fact, if the councils choose to go down this path, there will be many more elements to the overall project once it gets into its more detailed stages.

4.2. A very brief summary of the three phases might be viewed as follows:

Phase 1 – Establishing a strategic business case – Members will need sufficient information to establish whether the substantial effort that would be required to deliver such a proposal is justified and they will need to be fully informed

- on the costs, benefits and potential risks in the proposals before considering whether to adopt them
- it will also be important for Members to be advised as to the legal, financial and employment issues upon delivering a joint service and whether there are any barriers or difficulties in delivering it.
- the identification of strategic risks and a managed approach to addressing these will also be important in this phase
- finally, within the first phase, Members will need to take a formal decision at full Council as to the nature of any joint arrangement before their implementation is set in train.

Phase 2 – Appointing and setting up a new senior management structure – this would take place in the light of decisions by both Councils on its joint officer structure.

Phase 3 – Merging/Integrating services – Whilst phases 1 and 2 could conceivably be implemented relatively quickly, subject to consultations, appointments, etc., phase 3 would be the substantive part of the task. It would involve a series of project plans, consultations and change management that in a few cases may be achieved relatively rapidly, but in numerous service areas may take some time. The complications of different service approaches and different systems or standards only has to be mentioned for people to visualise the complexities.

NB. Proceeding with this approach would need to trigger an early series of discussions about how each of the services might progress in an integrated form. Following this, the preparation of a more comprehensive business case, with the assistance/validation of consultants should provide members with some analysis to demonstrate whether or not pursuit of this path is worthwhile.

5. **AN OUTLINE BUSINESS CASE FOR PHASE TWO**

5.1. As already stated above, there is a substantial amount of work to do to establish the degree to which later phases of such a merger might be cost effective. However, Members do need some guidance on whether or not it is worth pursuing this project, particularly bearing in mind the substantial resources and capacity that will be required to evaluate it. As it is such uncharted territory this will need to be accompanied by a careful assessment and management of risk.

- 5.2. Therefore, the following paragraphs attempt to give both councils some feel for the order of magnitude that might apply to the merger of service and both officer structures. At the very beginning of an evaluation of this project, it would be entirely inappropriate to outline any detailed form of proposed structure, as there has not been sufficient time to evaluate properly and it could be read as decisions having been made already. Therefore, the approach adopted has been to look at officer structures in District/Borough Council areas with populations in the vicinity of the 160,000 that the new arrangement would serve if Worthing and Adur offices and services were to be fully integrated.
- 5.3. In principle, the sort of organisational arrangement that might be put in place would distribute the two Councils' activities into three main blocks:

Adur Unique functions and responsibilities	Joint Committee Adur/Worthing Joint Activities	Worthing Unique functions and responsibilities
Strategic and regulatory financial and legal matters e.g. Management of Council Houses	Joint Management Shared Services Joint staffing Support activities Business infrastructure	Strategic and regulatory financial and legal matters e.g. Crematorium

The bulk of service delivery would sit in the shared central block, initially run by a joint committee. The two council-specific blocks would contain residual legal/technical activities and any services that remain separate.

5.4. **The Top Ten District Councils**

In effect the joining up of the Worthing and Adur communities being served by a single shared service arrangement would make the combined area number seven in a chart of the top ten populations served by district/borough councils. As a guide, it is worthwhile, therefore, to take a look at how the current top ten structure their senior management arrangements. The population ranges from Macclesfield at 150,000 and Northampton at 194,000.

- 5.5. Whilst remembering that these Councils are operating as one council rather than two, the number of directors for each of these top ten councils is set out below:

Number of Directors	Number of Councils
2	1
3	6
4	2

The tenth council (Chelmsford) has a rather different structure, not conducive to this form of analysis.

- 5.6. There is some variation about the number of functions that report direct to the Chief Executive, but in the majority of cases, this did not amount to the equivalent of a department in its own right.
- 5.7. At the next level down, the service heads (which have a variety of titles, e.g. Assistant Directors, Divisional Managers, Service Heads or Corporate Managers) the number in the top ten Councils ranged from seven to nineteen:

Number of Service Heads	Number of Councils
5 – 10	2
11 – 15	2
16 – 20	4

- 5.8. Two Councils had structural arrangements that were not conducive to this analysis. It is notable from this simple analysis that there was no real correlation with population size. Therefore, the arrangements for splitting functions was subject to a much greater degree of local and organisational choice.
- 5.9. At present Adur District Council and Worthing Borough Council have between them four director posts and nineteen service heads (currently described as Assistant Directors/Divisional Managers).
- 5.10. Elsewhere in West Sussex most other districts have two directors, one has three and the average number of service heads is fifteen (all of them currently having more than either Worthing Borough Council or Adur District Council and all of them serving a population smaller than Adur and Worthing combined).
- 5.11. On the basis that a major driver for both Councils is that any change should deliver savings, it should be expected that there would be reductions in both the number of directors and service heads. Simply, as a very provisional generic guide to how this might shape up in Worthing/Adur, the following scenario is a first attempt at giving elected members some guidance on how this might play out in the proposed arrangement of a joint officer structure.
- 5.12. This estimate must, of course, start with some important assumptions. The first of these is that there must be an acceptance that each of the jobs of senior managers will be covering a wider customer base, that the phase 3 task of integrating the services of two organisations will be complex and time-consuming and the new structure will have the added complexity of serving two distinct legal authorities. And finally, that any savings identified from this provisional exercise are gross, before taking into account consequential costs in changes of systems, working arrangements, office moves, etc.

- 5.13. If we were to assume a 2-3 director and 10-15 service head initial model for the purposes of calculation, gross annual savings of approximately £500,000 could be found, after making some allowance for the higher salary base that usually follows from employment by councils with a larger population base and a reduction in their support costs. If one was then to deduct an estimate of the cost of departure of staff at approximately 20-25%, the net annual saving that might be achieved for these top level tiers would be in the vicinity of £400,000 per annum. In addition, the Council may be faced with funding substantial start up costs in the short term to address information technology, communication and accommodation issues.
- 5.14. It is important to retain a range of potential structures. There may well be stages in the change process as the joining up takes place in different areas of activity and as the number of separately managed tasks reduces.
- 5.15. Again, it must be emphasised that this generic approach to estimating the potential for savings is entirely dependent on the validity of the assumptions and averages used for this purpose. It is clearly a highly sensitive estimate as one post either way at this level can make a substantial difference to the bottom line and the management of services.

6. STAFF ISSUES

- 6.1. Naturally, a change process of this magnitude will have a direct impact on the overall number of staff employed between the two councils. The report has already outlined a potential order of magnitude for this amongst senior management.
- 6.2. As the proposals work their way down the organisation, there may be less opportunities for reduction as the numbers employed are more directly related to the number of customers or cases handled. However, the review of standards and the way services are delivered that will need to precede these changes may bring about further efficiencies in due course.
- 6.3. Nevertheless, this will create anxiety and uncertainty, so the members' wish to minimise this by seeking a tight time-scale is welcome. However, this will still need to take proper account of standards of consultation and appropriate human resources procedures. Further reference to this is set out below.
- 6.4. Another point to be recognised is the potential for a reduction of morale, some increase in staff turnover and an increased difficulty in recruiting staff to critical vacant posts. This too places emphasis on minimising the change period so that the organisations and the people affected can move on with the new arrangements as quickly as possible.
- 6.5. Of course, the positive side of this point is the fact that the new shared organisational arrangement would be a leading edge enterprise with bigger critical mass. As such, it would certainly attract high quality applicants for vacant posts once up and running.

7. CONSULTATION AND COMMUNICATIONS

- 7.1. A positive and open approach to these topics is essential if we are to manage these changes with minimised impact on the services both councils have to continue delivering throughout the change process. Proper consultation takes time, so any time-scale set for this project needs to allow for it.
- 7.2. There has clearly not been time to prepare a detailed strategy for this since the SEMs meeting. However, the intention of the approach proposed is as follows:
- Staff and Members e-briefs to be circulated to all in identical form to both organisations at the same time. Fortnightly in frequency after joint management team meetings would be the initial plan, but extras could be required if particular council meetings or events make it advisable.
 - Joint managers conferences would be used on occasions to engage a more in-depth discussion of issues or plans. A brief oral update on the joint managers conference on 29th September will be given.
 - Staff consultation briefings to be arranged when necessary. Owing to their logistical difficulties, these would be limited in frequency and only used when there are real proposals to be discussed and presented to staff in a face-to-face format. When necessary these would be service or section specific.
 - The joint consultation arrangement established between the Councils with UNISON for the purposes of the pay and grading review could be used to discuss relevant issues on this topic.

8. EXTERNAL ISSUES AND OPPORTUNITIES

- 8.1. Members will be familiar with the national debate on the way forward for local government. Reference was made to this in the report to SEMs. The following bullet points summarise the latest position:
- The government white paper is now expected at the end of October/early November
 - It is still thought likely to promote creative partnership working between councils
 - The Improvement and Development Agency (IDeA) have expressed strong interest in the Adur/Worthing debate and have committed to discuss assisting the process. A meeting to discuss this is programmed.
 - The Department of Communities and Local Government (DCLG) have commissioned a consultant to discuss the proposals in principle with Adur/Worthing
 - National local government media have approached the councils for information on the councils' discussions
 - A leader and chief executive have been invited by the South East Centre of Excellence to a DCLG roundtable discussion on steps to implement the White Paper.

- 8.2. From this reaction it can be concluded that there is great interest in an idea that could solve the problem of making smaller, lower-tier councils more efficient, but without surrendering some degree of local identity or local governance. It is believed that this interest can be used to assist both councils in delivering the best way forward.

Ian Lowrie

Interim Chief Executive, Worthing Borough Council
Chief Executive, Adur District Council

Background Papers: Report to SEMs dated 21st September 2006

29th September 2006
IL/BP