

Body: CABINET

Date: 21 October 2015

Subject: Sustainable Service Delivery Strategy (SSDS) Update

Report Of: Deputy Chief Executive

Ward(s) All

Purpose To set the council's strategy for the further development of shared services

Recommendations:

1. To consider the Shared Services Outline Business Case set out at Appendix A, in particular, two options for wider integration of services with Lewes District Council:
 - a. An integrated council - integration of the staff and services of both councils
 - b. An integrated management team
2. To adopt a strategy for the development of shared services based on option a) above.
3. To authorise expenditure of up to £30,000 on the preparation of a more detailed business case and programme plan.
4. To authorise an exception to contract procedure rules to appoint Ignite Consulting Ltd to carry out detailed work to inform the business case.

Contact: Henry Branson, Senior Head of Projects, Performance and Technology, Telephone 01323 415155 or internally on extension 5155.
Henry.branson@eastbourne.gov.uk

1.0 Background/Introduction

- 1.1 The Sustainable Service Delivery Strategy (SSDS) is a key response to the increasing cost and demand pressures facing Eastbourne Borough Council (EBC). It is a programme that was developed to promote a range of solutions, both internal transformation and effective partnership working with other organisations.
- 1.2 Two of the key SSDS programmes currently underway are the implementation of the Future Model, which aims to improve service delivery whilst delivering savings of 1.7m to £2m across the organisation, and the Shared Corporate Services Programme with Lewes District Council (LDC) which, to date, has seen a shared legal service and a shared human resources service set up between EBC and LDC, as well as a number of other successful sharing arrangements noted in the July 2015 SSDS update to Cabinet.

- 1.3 The report to Cabinet in July 2015 on the Medium Term Financial Strategy (MTFS) highlighted that, following a 50% real term cut to council funding in the previous parliament, Government funding is expected to fall a further 30% over the next parliamentary cycle to 2020. It is therefore clear that despite the significant savings delivered to date through the SSDS, the council continues to face challenging savings targets going forward. The MTFS sets a target of £900,000 of recurring savings to be delivered between now and 2020 from shared services. LDC has an MTFS target of £1.7m through transformation, including shared services.
- 1.4 Against this financial backdrop, following the May 2015 elections, the Leaders of both councils met and agreed their commitment to working together to share services where this could deliver resilience and efficiency savings. This was reflected and confirmed in the July 2015 SSDS update to Cabinet.
- 1.5 As a result, both councils jointly commissioned Improvement and Efficiency Social Enterprise (iESE) to set out the options for the development of shared services and, in particular, an outline business case for wider integration between EBC and LDC.
- 1.6 On 24 September 2015 LDC's Cabinet considered iESE's outline business case and agreed to adopt the recommended strategy.

2.0 Outline Business Case for Shared Services

- 2.1 The Outline Business Case from iESE is presented in full in Appendix A. It presents two options:
- a) An integrated council - full integration of management and services (with the exclusion of waste and housing due to the current difference in delivery models)
 - b) An integrated management team

The appraisal focuses on three cases for change, as laid down in the HM Treasury Green Book guidance for business case development. These cases are summarised in paragraphs 2.2 to 2.4 below.

2.2 Strategic Case for Integration

There is a strong strategic case for integration. The national context of government policy points clearly to the need to integrate, collaborate and share, in order to:

- deliver significant financial efficiencies, given further cuts in government grants
- deliver greater service resilience and flexibility
- have a greater strategic presence within an area in a local government landscape of increased delegation and devolution.

There are a number of key factors in making the integration of two councils work:

- A single senior management team
- Strong support and collaboration from Members across geographical areas and political affiliations
- Good communication with residents and staff
- A joint ICT strategy to deliver integration and alignment of systems and information

The July 2015 SSDS update summarised the achievements of existing shared services and the range of additional shared roles currently emerging between EBC and LDC. These shared arrangements are already providing evidence of increased flexibility and efficiency with better deployment of resources to meet changing needs. This success has generated interest elsewhere: following a request from Adur and Worthing Councils regarding the possibility of joining the existing EBC/LDC Shared HR Service, interim HR management arrangements have been in place in Adur and Worthing for 5 months now whilst discussions took place about formalising arrangements. A report is going to Adur and Worthing's Joint Strategic Committee on 3 November 2015 which recommends that their HR service is transferred into the existing EBC/LDC Shared Service from January 2016.

This is an excellent opportunity for EBC to embark on a further partnership arrangement. The SSDS advocates a mixed economy of delivery mechanisms (in house, outsourced and shared) and the HR service has made a tangible success of the shared arrangements with LDC to date. Partnering with Adur and Worthing will provide increased opportunity to build on this success, broaden the scope of our impact and resilience and promote EBC as a partner of choice.

It is clear that the track record of EBC and LDC in sharing services in an evolutionary fashion is 'wholly successful', using iESE's words, and that this success is confirmed through the expansion of the shared HR service to Adur and Worthing.

There is already a good degree of shared senior management and support from Members across both councils and political groups. Given this success a 'tipping point' has been reached and we are well placed to move from case by case shared services to wider integration of the two councils.

The adoption of a wide integration of services between the two authorities does not preclude other partnership working or affect the sovereignty of the two distinct governance structures.

2.3 **Financial Case for Integration**

The outline business case explores the financial benefits of options a) and b) above.

Key factors taken into account in the high level modelling include:

- EBC has already implemented Future Model, delivering 20% savings, therefore EBC is likely to achieve a lower level of efficiencies compared to LDC.
- Priority areas, such as regeneration and assets, must retain the capacity to deliver corporate objectives.
- Service delivery functions which are specific to each council will not be integrated, and are therefore excluded from the business case at this stage. For EBC this includes much of tourism and leisure as well as bereavement services. For LDC, this includes waste services, housing services, repairs services and tourism.

It is important to note in relation to the above services that although they have been excluded from the business case, they are not necessarily excluded from any future integration programme. Further benefits could be delivered from integrating these services at some future point.

The integration of EBC and LDC is based on the assumption that both will be structured around the Future Model.

The savings estimated in the outline business case for each option are:

- **Option a) an integrated council - £2.9m**, with the split of benefits roughly two-thirds to LDC and one-third to EBC, due to the savings already delivered at EBC through Future Model.
- **Option b) an integrated management team - £1m**, with a split of benefits about 60:40 between LDC and EBC.

It is therefore clear that only option a) would deliver the level of benefits both councils require to meet their respective MTFS targets.

These estimates will need to be validated through a more detailed business case involving analysis of staffing, activities, processes and systems.

The costs of a programme to implement option a) also require more detailed work, but the principle adopted in the Future Model business case of a return on investment inside two years would be adhered to.

2.4 **Management Case for Integration**

There are a number of different approaches to governance which could be considered. A merger of the two councils is theoretically possible, but experience elsewhere suggests that it would add to the complexity and risk of any proposals. It is therefore recommended that the sovereignty and democratic legitimacy of each council would be maintained with a number of models of shared governance proposed in the outline business case. These would be explored further in the detailed business case.

3.0 **Legal Implications**

3.1 The Legal Services team have been consulted on the proposals and have outlined a number of legal structures and powers which could be used as the basis of integrating the councils.

- a) Under the terms of sections 19 and 20 of the Local Government Act 2000 the Secretary of State may by regulations make provision to permit local authorities to make arrangements for the discharge of their functions by another local authority and under section 101(5) of the Local Government Act 1972 for the discharge of any of their functions jointly which are the responsibility of the executive of a local authority. The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 permit such arrangements.
- b) Under section 112 a local authority shall appoint such officers as they think necessary for the proper discharge by the authority of such of their or another authority's functions as fall to be discharged by them and the carrying out of any obligations incurred by them in connection with an agreement made by them under Section 113 of the Local Government Act 1972. Under section 113 of the Local Government Act 1972 the Councils may enter into an agreement with each other for the placing at their disposal the services of officers employed by them. Any such officer shall be treated as for the purpose of any enactment relating to the discharge of local authorities' functions as an officer of that other local authority.
- c) Under section 1 of the Localism Act 2011 each of the Councils may do anything that individuals generally may do.
- d) Under the Local Authority (Goods and Services) Act 1970 the Councils may enter into an agreement for the provision to each other of (amongst other things) goods, materials, and administrative, professional and technical services. Any agreement under this provision can contain such terms as to payment or otherwise as the parties consider appropriate.
- e) Under the Public Contracts Regulations 2015 there are several routes whereby the Councils can work together to deliver public services without having to go through a procurement process to do so. These routes will be considered and built into the shared services strategy. In addition the Councils, as contracting authorities may purchase works, goods or services from or through a central purchasing body. Where they make such purchases, then they are deemed to have complied with the public procurement rules, to the extent that the central purchasing body has complied with them. A central purchasing body is defined as a contracting authority which acquires goods or services, or awards public contracts or framework agreements for works, goods or services intended for one or more contracting authorities.

3.2 In the event that both councils agree to pursue a shared services strategy and firm proposals developed, the "TUPE Regulations" (Transfer of Undertakings (Protection of Employment) regulations 1981) may apply. The effect of these is that staff will transfer from one authority to the other one on their existing terms, conditions and pension rights. There are statutory obligations on both local authorities to consult with the trade union in

relation to those employees affected by the transfer.

- 3.3 Under the Local Government Act 1999 the council is obliged to seek to continuously improve services, and in deciding the best way to do this must undertake consultations with representative groups. The council will therefore need to consult at a future date if it is agreed that implementation should proceed.

5.0 Resource Implications

- 5.1 Given the financial context described in this report, and the needs of the MTFS, it is clear that option a) offers the best chance of delivering the savings required.
- 5.2 In order to validate the savings estimates, analyse the risks of implementation and develop an outline programme plan including costs, governance and technology, further work is required to develop a more detailed business case, which will be brought back to Cabinet at a future date.
- 5.3 Cabinet is therefore asked to authorise expenditure of up to £30,000 from the strategic change fund to carry out this work. The detailed business case will involve further work by iESE and also support from Ignite Consulting Ltd. Ignite developed the Future Model in partnership with EBC and have worked with us throughout the implementation. Ignite's proven expertise at business case development, activity analysis and change management, allied to their in-depth knowledge and experience of implementing Future Model at EBC, means they are uniquely placed to deliver some of the detailed work required.
- 5.4 We therefore request Cabinet to authorise an exception to contract procedure rules to enable us to directly appoint Ignite Consulting Ltd to carry out detailed work to inform the business case. This work would not exceed the authorised budget or reach EU thresholds.

6.0 Conclusion

- 6.1 Given the national context of increasing collaboration, sharing and devolution, the successful track record of EBC and LDC in delivering shared services to date and the requirements of the MTFS to deliver further significant savings, Cabinet is recommended to adopt a strategy for the development of shared services with LDC based on option a) above.

The next step will be the development of a detailed business case and a costed programme plan, giving consideration to risks, governance, procurement, technology and organisational culture. Cabinet is recommended to authorise the expenditure outlined in the report and the associated exception to contract procedure rules to enable this work to proceed.

The business case and programme plan will be the subject of a future report

to Cabinet.

Henry Branson
Senior Head Of Projects, Performance and Technology

Background Papers:

The Background Papers used in compiling this report were as follows:

- Sustainable Service Delivery Strategy Programme – Implementation of the Future Model Phase 2 (Cabinet Paper, 10 July 2013)
- Sustainable Service Delivery (SSDS) Updates (Cabinet Papers, February 2014, July 2014, October 2014, December 2014, July 2015)
- Medium Term Financial Strategy 2016-2020 (Cabinet Paper, 8 July 2015)
- Lewes District Council Cabinet Report 24 September 2015 – Shared Services

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Appendix A

Shared Services Outline Business Case

Eastbourne Borough Council and Lewes District Council
August 2015



Executive Summary

Eastbourne Borough Council and Lewes District Council commissioned iESE to undertake a high level Outline Business Case to examine the potential scale of benefits which may be delivered through a wider strategic integration of the two Councils.

The contextual arguments support the ambition. There is now a wealth of experience gained from other English councils which firmly suggests that financial and non-financial benefits can be derived from such collaborations, notably:

- Increased resilience within services and management, creating a stronger Council which can operate strategically within the region and create advantageous partnerships with similar partner councils. There are some notable partnerships and ‘combined’ Councils local to Eastbourne and Lewes which makes this ambition of real significance.
- Delivering efficiencies that can reduce the costs of services and improve the citizen experience.

iESE have undertaken an indicative analysis to identify the potential scale of efficiencies which may be pursued in an integration of the two Councils. These options have been modeled by considering other examples of integration in ‘Future Model’ Councils, tailoring the analysis to better reflect the local context in Eastbourne and Lewes. Two options have been considered:

- i. Integration of the two Councils. The potential scale of efficiencies suggested by the modeling is 12% of staffing costs, across the two Councils.
- ii. Integration of the Management Teams. The potential scale of efficiencies is 17% of management staffing costs, across the two Councils.

A Cost Benefit Analysis considering these levels of resource efficiencies, and the associated costs and other benefits of change (including IT and accommodation) suggests there is a Net Present Value to the Councils for a four year programme pursuing full

integration of around £4.6 million, with the total annual net benefits being achieved by year 4 being in the region of £2.9 million.

These analyses are indicative, although they have been considered and quality assured against the experience of other comparable authorities in the iESE client base. A more detailed assessment will be needed to enable decision-makers to choose the option which is right for the respective Councils, but it should be noted that the second option has generally been found by other authorities to be a vital stepping-stone for the first, the full integration of Council services.

Some of the key challenges, risks and issues around models of governance that may be raised through any integration of the two Councils have also been detailed within the report. Key risks include the following:

- Financial - ensuring that the desired levels of benefits and savings are realised
- Governance– ensuring decision-making and engagement arrangements are clear and robust
- Cultural – managing staff perceptions, morale and commitment to change is critical, alongside the necessary changes to processes and systems.

The choices around service and management structures, and models of governance will be an important consideration for the next phase of any programme for integration. Issues such as aligning respective schemes of delegation may be critical to implementing a shared approach to decision-making and governance, which can drive further integration throughout the organisations.

Background

iESE has been commissioned by Eastbourne Borough Council (EBC) and Lewes District Council (LDC) to produce an Outline Business Case document examining options for future integration of the Councils.

The work was to seek to deliver a strategic options appraisal of relevant models, which would allow Members to agree the strategic direction and most advantageous route for the further integration, building on the work to date. Subject to agreement on this strategic direction a more detailed Full Business Case could be developed for the preferred option.

It was agreed that this work would focus on two options:

- c) Full integration of management and services (with the exclusion of waste and housing due to the current difference in delivery models)
- d) A shared management structure.

The appraisal focuses on three 'cases' for change, as laid down in the HM Treasury Green Book guidance for business case development:

The Strategic Case - building on the recent iESE paper, which outlined the current thinking and outcomes of sharing services.

The Financial Case - including the potential benefits of each option, and key considerations including leadership, culture, technology and staff impacts.

The Management Case - including risks and governance.

As agreed, the report does not make recommendations on a preferred option. Members will be briefed on the business case to ensure they fully understand the options and are enabled to make an informed decision on next steps.

1. The Strategic Case

1.1 The National Appetite for Sharing Services and Management

Having already reduced revenue budgets significantly, both councils face further cuts in government grants. It appears likely that council tax increases to keep pace with inflation will be permitted by government and that Revenue Support Grant will be reduced substantially until 2020, which may result in a larger reduction locally. Other funding streams such as New Homes Bonus may not provide a secure source of revenue.

At the same time, it is clear that any of the key challenges facing local government, such as coordinated economic growth and infrastructure planning, as well as the integration of service delivery across the public sector, will require greater cooperation and capacity to deliver.

Lastly, communities and individual customers continue (rightly) to expect to receive high quality and modern services focused on local needs. They expect to engage with Councils utilising the benefits of new technology, and to keep personal taxation low. A majority also are keen for Councils to protect locally valued services and support those at particular risk or vulnerable.

Mindful of this background, it will be difficult to meet these challenges with fragmented district council structures and traditional methods of service delivery. The increasingly explicit agenda in government is to see councils create more efficient working practices through the sharing of staff and the redesign and sharing of services. In future, councils may well need to provide more integrated services together with other public service providers; principally the NHS and to cooperate across wider geographical areas and particularly with Local Economic Partnerships, to deliver strategic priorities.

The national context points clearly to the need to integrate, collaborate and share.

2.2 Advantages of Sharing Management and Services

Any proposed integration of Council operations is an opportunity for them to actively shape (rather than have shaped for them) their future so that local government can better serve residents at a time of financial challenge.

Across the country, benefits from collaboration have been proven in three particular areas:

- i. **Significant financial efficiencies** through greater cost savings, cost avoidance (e.g. increased service with same staff) and joint procurement. The LGA now estimate there are 416 shared service arrangements occurring between councils across the country resulting in £462 million of efficiency savings, of which £60 million are from 'Shared Chief Executive and Management' initiatives.
- ii. **Greater service resilience and flexibility** through a rationalisation of standards, operations and workload, leading to improved productivity and an enhanced capacity to handle customer needs.
- iii. **A greater 'strategic presence' within an area**, with better ability to address issues sub-regionally, and to have an appropriate voice in a local government landscape of increased delegation and devolution.

There is no right model for Councils' ambitions for shared management and services. However iESE's experience suggest some key themes as to why integration 'works'.

- Start at the top. A single Chief Executive (or alternative model such as joint Directors with no Chief Executive) appears to be a pre-requisite of successful integration, to give the singular leadership and clarity of purpose to take forward the programme of change.
- Senior teams will be small. 7 or 8 senior managers across the two Councils appears to be a maximum. Organisational structures encompassing four elements broadly termed 'Delivery', 'Support Services', 'Digital and Customer' and 'Economy' seem to be prevalent.

- Visible support and collaboration from all Members. The notion of integration must be shared by Members across the geographical and political divides. A clear vision and unswerving commitment to its achievement is critical to provide assurance throughout the changes and the difficult issues which will emerge at some point, especially amongst staff.
- A clear financial message to staff. All examples provide substantiated evidence of significant savings through staff reductions. This is communicated clearly at the start of the process, and is monitored throughout.
- An equally clear communication with residents. Engagement with the residents will see them accept and appreciate arguments for change. Anticipating their reaction to a substantial change (such as the abortive full 'merger' between Babergh and Mid Suffolk Councils), without appreciating local sentiment, will create barriers.
- Choosing an evolutionary or transformational approach. The gradualist approach (shared services under a joint management on a case-by-case basis) is an attractive one to ensure success over a medium-term period. The goal may still be full integration within a relatively short timescale. However, when the obvious 'easy' efficiencies of gradual sharing in services and processes have been achieved, a transformative (and disruptive – in a positive sense) integration can engender a unique sense of momentum and renewal (as in South Hams and West Devon Councils). This approach will entail behavioural and cultural changes, and tends to require leading over the medium-term by a committed change 'champion'.
- A single programme of IT change is imperative. The integration of information systems is far more than a technical issue. Alignment of information is vital to bring together ways of working and shared functions.

IDeA suggest from experience to date that there were certain cultural factors which need to be in place to ensure two Councils can integrate:

<ul style="list-style-type: none"> • No large cultural differences in the organisations
<ul style="list-style-type: none"> • Similarities in the areas and communities covered by the Councils
<ul style="list-style-type: none"> • Both authorities must trust the Chief Executive
<ul style="list-style-type: none"> • Clear and well understood governance
<ul style="list-style-type: none"> • Politicians must be able to work together

iESE's experience of working with Councils suggest that there are core principles which apply to all councils in **designing a new organisational structure**. The model should take account of both (a) 'strategic fit' and (b) consideration around the structural design.

Strategic Fit

- Reflect the vision and values of the organisation
- Align to the strategic direction and financial and corporate plans
- Effect cohesive leadership
- Be aligned to and provide effective support to the governance of the organisation
- Reflect the community plan and ensure effective partnering to focus on the delivery of local services, which meet citizen needs
- Have clearly defined roles; accountability and decision-making
- Be adaptable and flexible to respond to new challenges and strategies
- Maximise the talent of the organisation and individuals

Structural Design

- Clear distinction between strategic; operational and transactional functions
 - Streamline the number of organisational layers which maximizes spans of control and has a clear rationale and necessity for the chosen model
 - Decision making is clearly defined with as few as possible hand offs and touch points
 - Manages specialisms and expertise to ensure citizen centric
-

approach to service delivery

- Breaks down silos and ensure cross functional operation
-

2.3 Successful Integration in Eastbourne and Lewes

The recent update to Eastbourne Council's Cabinet (Sustainable Service Delivery Strategy (SSDS) - 8th July) succinctly summarised the clear achievements of previous collaborations and the range of additional shared roles and services currently emerging between EBC and LDC. It also reaffirmed the commitment to future shared services.

In particular it was noted following the Corporate Services Review project the Councils undertook with iESE in 2014, the human resources (HR) and legal shared services successfully went live on schedule in April 2015, with EBC hosting the HR shared service and LDC hosting the legal shared service. Staff transfer under TUPE had been completed successfully and all bar one staff member were in post. The next step will be the development of service level agreements (SLAs) for both services. The early success of the arrangements had already resulted in some interest from other authorities about potentially joining the service in future.

The businesses cases prepared as part of the review indicated that potential savings of £135,000 could be generated from a shared HR service in total over its first 4 years of operation. A joint Legal Service was projected to generate savings of £183,000 over the same period. The overriding focus of the shared services was however to increase resilience and capacity in the two services, and to a significant extent, this is already being delivered.

Additionally, the Information Technology shared services roadmap was currently being developed and envisaged a 5-year transition programme. Due to the different financial systems used by EBC and LDC, the shared service opportunities for finance were currently focussing on sharing expertise across the two authorities and moving to common financial reporting formats. The alignment of the property teams across EBC and LDC

was ongoing, with recruitment to joint posts underway and a shared statutory compliance officer in post.

Furthermore, in 2014, the Councils' Cabinets authorised their Chief Executives, in consultation with the respective Council Leaders, to take advantage of opportunities as and when they arose to align systems or posts in order to generate benefits in terms of quality, savings or resilience. Since then a number of opportunities had been taken to do this, namely:

- Two further shared roles at senior management level (Senior Head of Planning, Regeneration and Assets and Senior Head of Tourism and Leisure)
- Shared printing service, hosted by EBC
- Sharing of specialist skills around council tax and the community infrastructure levy (CIL).

It is evident that the 'track record' of EBC and LDC in evolutionary integration is wholly successful, and recognized across the country as good practice. The strategy of pursuing opportunities for sharing on a gradual and pragmatic has worked, and is delivering exactly the financial and operational benefits anticipated. It is now timely to consider whether a 'tipping point' has been reached.

EBC and LDC's futures are now interconnected, and a continued relationship must be nurtured and grown to ensure the challenges of the next five years can be met. To that end, it may be felt that the point has been reached whereby operational and opportunistic integration is not enough to secure the full benefits that are available to EBC and LDC. A fuller, more strategic collaboration needs to be explored.

- **2. The Financial Case**

2.1 The Options for Integration

iESE, in our work with Councils seeking to work together, and other recent UK experience, would suggest that there are three principal models for integrated structures of two or more authorities.

- a) An integrated Council - with a single officer structure to deliver fully integrated management and service delivery arrangements across the two Councils.
- b) An integrated Management Team - with a 'mixed economy' of services for the Councils, integrated as appropriate on a case by case basis.
- c) A 'merged' Council - existing Councils would be dissolved and a single Council would be created with its own identity, functions and budget and policy framework.

While the benefits of integration particularly in cash terms clearly rise as integration becomes greater, equally of course so does risk and political complexity. From our research undertaken across a number of notable shared service initiatives, we would suggest that the current national environment does not yet support appetites for a full 'merger', and the intricacies of structural reorganisation would be very challenging for any partnership of Councils seeking to be at the vanguard of such an approach. Therefore we suggest that the current options for a more strategic integration of EBC and LDC are (a) an integrated Council and (b) an integrated Management Team.

The exploratory modelling of these two options uses the approach taken in previous 'Future Modelling' of Councils. In these examples, existing staffing has been re-categorised according to best estimates against the functions within the Future Models. Then indicative levels of potential resource reductions have been allocated against each. These have been indicated according to the following assumptions:

- The baselines used for the reductions are the assessments undertaken for a combined Council undertaking 'Future Modelling' and for a traditionally structured Council seeking to join a 'Future Model' Council.

- EBC have already 'Future Modelled' customer-facing services – reducing resources by 20% - and therefore the indicative reductions from integration are decreased by this amount.
- EBC are seeking to maintain sufficient capacity in Regeneration and Corporate Landlord initiatives, and therefore indicative reductions have been decreased in relevant areas (corporate development and asset management)
- Service delivery functions are considered specific to the geographical district and therefore it is suggested that resources within them will not be reduced due to integration. The work areas categorised as Service Delivery are:

Service Delivery - Eastbourne

Theatres and Catering
 Cemeteries and Cremetoria
 Sports Development
 Events
 Heritage
 Seafront Services

Service Delivery - Lewes

Caretaking and Scheme Management
 Repairs and Maintenance
 Waste and Recycling
 Housing Services
 Tourism

Although Housing and Waste and Recycling services have been excluded from the analysis (to recognise the position in Eastbourne where these services are operated by non-Council bodies) it should be noted that further scope for savings in these services would exist if they were eventually brought into an integrated authority, should arrangements for Eastbourne Homes and the Eastbourne Waste and Recycling contract be revised.

These assumptions around the level of resource reductions using for the options are illustrated in the model below:

Functions	TDC (2014)	SHWD (2013)	EBC %	LDC %	"Optimism" bias
Management	27%	29%	27%	27%	H
S&C - strategy/corporate development	26%	15%	10%	26%	M
S&C - commissioning/perf/contract mngt	23%	15%	23%	23%	M
Democratic support	17%	15%	17%	17%	M
Service strategy & commissioning (Specialist)	21%	15%	2%	22%	L
Community/ customer enabling	-5%	12%	2%	22%	L
Customer Services Advisor	-2%	22%	2%	22%	L
Mobile Locality Officer	1%	27%	2%	22%	L
Service processing (rule based)/ case coordinator Specialist	25%	10%	5%	25%	L
Specialist	33%	42%	3%	33%	L
Corporate support - customer support	31%	30%	30%	30%	H
Corporate support - service processing, admin	23%	30%	30%	30%	H
Corporate support- complex advice/cases	36%	30%	30%	30%	H
Corporate support- governance/compliance	37%	30%	30%	30%	H
Service delivery	13%	10%	0%	0%	-
Facilities / Asset management	24%	22%	10%	24%	M
OVERALL	24%	24%	10%	18%	M

To attempt to mitigate overly “optimistic” assessments of potential efficiencies in areas at this stage, particularly in areas where a variety of options for transformation may exist (notably Management and Corporate Support), an optimism bias factor has been added, as suggested by HM Treasury guidance. (Here savings factors have been reduced by 20% for areas of ‘High’ bias, 10% for ‘Medium’ bias, and 5% for ‘Low’ bias).

2.2. An Integrated Council

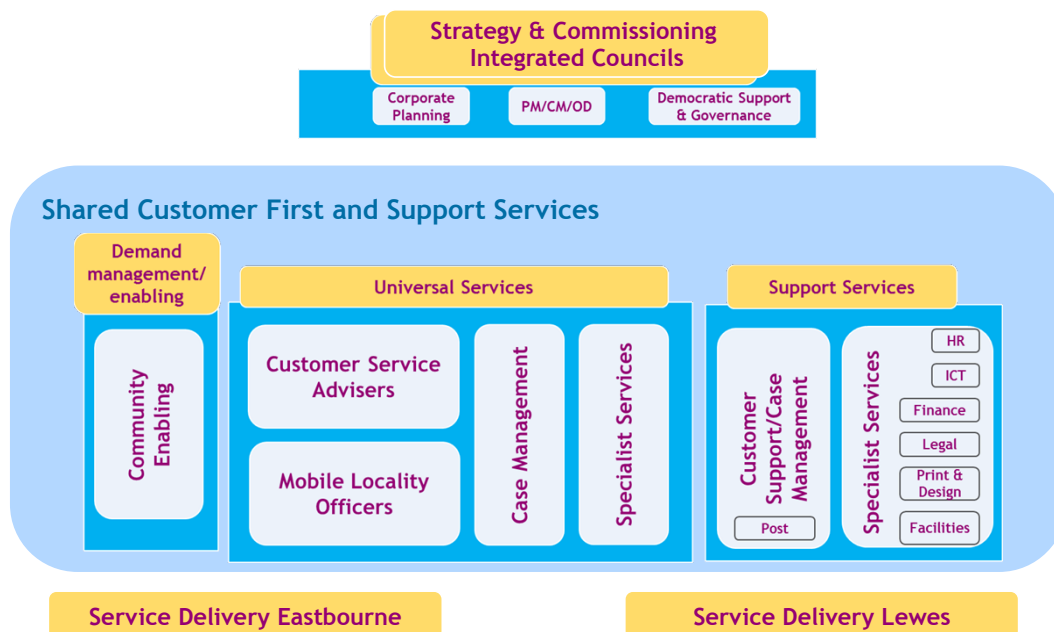
The clear benefits for EBC and LDC in pursuing strategic integration would be in:

- Increasing the resilience of the councils, creating stronger management teams and allowing sharing of resources and deliver of joint services
- Offering better staff prospects, including investment in the skills of managers (particularly their capacity to act strategically on behalf of the organisation and area and not just to deal with operational issues)
- Leading to a cultural shift in the way each council works with greater delegation to and empowerment of operational staff to focus on with providing good quality public services
- Providing a stronger voice that gives councils a greater influence locally, regionally and nationally.

Closer alignment of the Councils would also typically include benefits for Eastbourne and Lewes residents:

- The creation of a shared modernised customer service offering with physical ‘hubs’ and other access to Council services, with a common technology platform to make the model work
- The focus on efficiency and redesign to better meet customers’ local needs and wishes as access channels to services are rethought
- Providing better resilience and business continuity providing greater assurance to citizens that their matters will be addressed in an effective and timely way
- Rationalisation of physical assets will enable the Councils to meet the priorities of local communities differently in terms of more contemporary approaches to access
- Creative opportunities to enhance citizen engagement can emerge to assure citizens that their local democracy is not being diluted.

The basic premise of an integration is that EBC and LDC would seek to be structured around the ‘Future Model’, which is being adopted in EBC, and whose principles are being used to change service delivery in LDC. The option is illustrated below:



A full Business Case for such integration would require detailed analysis of staffing, activities, processes and systems. It is a serious and intensive undertaking.

At this stage, for this Outline Business case, a framework for such an analysis has been produced, and – an initial model done. This has used purely indicative figures drawn from experience of similar options for integration in Future Model-type organisation.

The following illustration of the potential scale of the change has been estimated. It is this potential scale of change that this analysis seeks to highlight, not the actual detail of the numbers provided.

Functions	As-is posts	To-be posts	Saving (posts)	% Change	As-is Cost	To-be Cost	Cost Saving
Management	15	11.8	3.2	21.6%	£1,216,131	£953,447	£262,684
S&C - strategy/corporate development	25	22.8	2.3	9.0%	£752,107	£684,418	£67,690
S&C - commissioning/perf/contract mngt	4	3.2	0.8	20.7%	£171,620	£136,095	£35,525
Democratic support	12	10.2	1.8	15.3%	£324,932	£275,217	£49,715
Service strategy & commissioning (Specialist)	7	6.9	0.1	1.9%	£350,539	£343,879	£6,660
Community/ customer enabling	2	2.0	0.0	1.9%	£28,724	£28,178	£546
Customer Services Advisor	31	30.4	0.6	1.9%	£671,465	£658,707	£12,758
Mobile Locality Officer	20	19.6	0.4	1.9%	£512,215	£502,483	£9,732
Service processing (rule based)/ case coordinator	55	52.7	2.3	4.3%	£1,223,519	£1,171,520	£52,000
Specialist	31	30.1	0.9	2.8%	£1,102,479	£1,071,059	£31,421
Corporate support - customer support	2	1.5	0.5	24.0%	£64,035	£48,667	£15,369
Corporate support - service processing, admin	38	28.9	9.1	24.0%	£907,913	£690,014	£217,899
Corporate support- complex advice/cases	10	7.6	2.4	24.0%	£405,860	£308,454	£97,406
Corporate support- governance/compliance	18	13.7	4.3	24.0%	£556,155	£422,678	£133,477
Service delivery	73	73.0	0.0	0.0%	£1,899,186	£1,899,186	£0
Facilities / Asset management	17	15.5	1.5	9.0%	£514,309	£468,021	£46,288
EASTBOURNE	360	329.6	30.4	8.4%	£10,701,190	£9,798,574	£902,616

Functions	As-is posts	To-be posts	Saving (posts)	% Change	As-is Cost	To-be Cost	Cost Saving
Management	17	13.3	3.7	21.6%	£1,257,394	£985,797	£271,597
S&C - strategy/corporate development	6	4.6	1.4	23.4%	£252,711	£193,576	£59,134
S&C - commissioning/perf/contract mngt	6	4.8	1.2	20.7%	£235,905	£187,073	£48,832
Democratic support	16	13.6	2.4	15.3%	£452,833	£383,550	£69,283
Service strategy & commissioning (Specialist)	19	15.0	4.0	20.9%	£642,681	£508,361	£134,320
Community/ customer enabling	9	7.1	1.9	20.9%	£157,585	£124,650	£32,935
Customer Services Advisor	34	26.9	7.1	20.9%	£615,350	£486,742	£128,608
Mobile Locality Officer	15	11.9	3.1	20.9%	£397,556	£314,467	£83,089
Service processing (rule based)/ case coordinator	36	27.5	8.6	23.8%	£876,520	£668,347	£208,174
Specialist	31	21.3	9.7	31.4%	£1,130,438	£776,046	£354,392
Corporate support - customer support	9	6.8	2.2	24.0%	£191,026	£145,179	£45,846
Corporate support - service processing, admin	41	31.2	9.8	24.0%	£955,864	£726,456	£229,407
Corporate support- complex advice/cases	3	2.3	0.7	24.0%	£98,721	£75,028	£23,693
Corporate support- governance/compliance	20	15.2	4.8	24.0%	£842,468	£640,275	£202,192
Service delivery	132	132.0	0.0	0.0%	£3,067,741	£3,067,741	£0
Facilities / Asset management	11	8.6	2.4	21.6%	£319,268	£250,306	£68,962
LEWES	405	342.0	63.0	15.6%	£11,494,061	£9,705,429	£1,788,632
OVERALL 'INTEGRATED' AUTHORITY	765	671.6	93.4	12.2%	£22,195,250	£19,504,003	£2,691,248

Additional financial benefits from comparative example suggest:

- A reduction in costs of legacy software licences in the individual Councils which are no longer required – in the region of £125,000 p.a.
- Reductions in accommodation revenue costs in the region of £150,000. There clearly may be capital reductions or receipts from the rationalisations of estates and assets.

Costs are clearly driven by local factors and operations. However, again to suggest the scale of the change and the resources requirements implied, the following have been estimated as the additional costs accrued for a comparative integration. (It should be noted that redundancy costs are not included as these would not be additional costs of integration. Savings required to meet MTFS targets by both Councils if integration was not pursued would necessitate staff savings and thus would incur similar levels of redundancy costs).

• ICT Software & Services	£600,000
• Licences per year	£60,000
• IT Infrastructure	£250,000
• Change/programme management	£400,000
• Training costs	£200,000
• Accommodation changes	£100,000

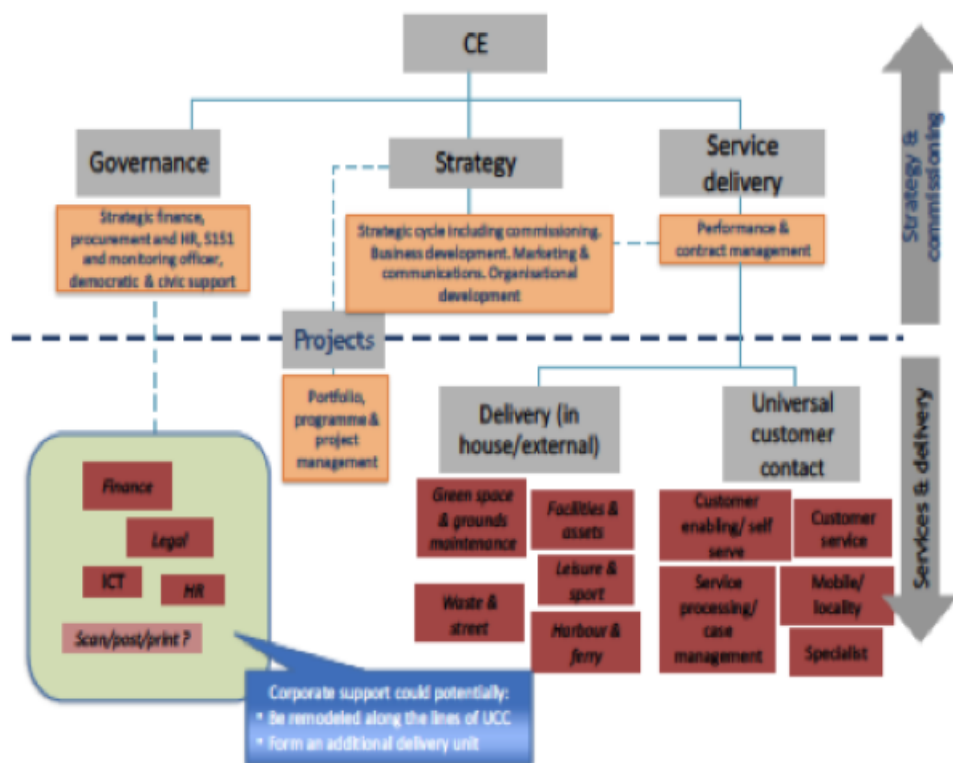
Using these indicative estimates, an initial Cost Benefit Analysis can be suggested. With the prudent working assumption that costs will occur early in integration, and benefits be realised only later in the programme, the analysis below suggests an overall Net Present Value of integration to the Councils (compared to the status quo), over four years of around £4.6 million, with the annual net benefit by year 4 being in the region of £2.9 million per year. It is further suggested that there will be positive 'payback' by year 2.

OUTLINE BUSINESS CASE - COST BENEFIT ANALYSIS						
COUNCILS:		Eastbourne Borough Council and Lewes District Council				
OPTION:		Integrated Council				
	Year 0	Year 1	Year 2	Year 3	Year 4	Total
COSTS						
ICT Software & Services	100,000	300,000	200,000			600,000
Licenses		60,000	60,000	60,000	60,000	240,000
IT Infrastructure	50,000	125,000	75,000			250,000
Change / Programme Management	100,000	200,000	100,000			400,000
Training costs		100,000	100,000			200,000
Accommodation changes		50,000	50,000			100,000
COST TOTAL	250,000	835,000	585,000	60,000	60,000	1,790,000
BENEFITS						
Resource efficiencies		500,000	1,000,000	2,000,000	2,700,000	6,200,000
ICT licence savings			125,000	125,000	125,000	375,000
Accommodation savings			150,000	150,000	150,000	450,000
BENEFITS TOTAL	0	500,000	1,275,000	2,275,000	2,975,000	7,025,000
ANNUAL NET BENEFIT	-250,000	-335,000	690,000	2,215,000	2,915,000	5,235,000
CUMULATIVE NET BENEFIT	-250,000	-585,000	105,000	2,320,000	5,235,000	
<i>DISCOUNT FACTOR @ 3.5% p.a.</i>	<i>1.00</i>	<i>0.97</i>	<i>0.93</i>	<i>0.90</i>	<i>0.87</i>	
NET PRESENT VALUE (Annual)	-250,000	-323,677	644,115	1,997,709	2,540,131	4,608,278
NET PRESENT VALUE (Cumulative)	-250,000	-573,677	70,438	2,068,147	4,608,278	

2.3. An Integrated Management Team

The option of integrating management teams has a central benefit of bringing about one management organisation with one culture serving two independent councils; in short it allows independence and ability to serve community needs locally with the interdependence and strategic advantage of affiliated organisations managed by a single senior management team.

Using the Future Model principles of organisational structure, the option would centre on integrating those 'above the line' Strategy and Commissioning functions to provide a cost efficient coordinated approach policy setting and strategic planning and management. This would build upon the existing joint posts currently existing at the most senior levels of EBC and LDC.



There would be choices in defining ‘management’ or strategy and commissioning functions to be integrated. However using the indicative assessment suggested at option 1, the following functions may be within the scope of integration, and again, the below illustrative assessment gives an indication of the potential scale of the change implied by the option. (This represents all ‘above the line’ functions. It may be the definition of ‘management’ is drawn more tightly, e.g. just to “Management” – Director and Heads of Services).

Functions	As-is posts	To-be posts	Saving (posts)	% Change	As-is Cost	To-be Cost	Cost Saving
Management	15	11.8	3.2	21.6%	£1,216,131	£953,447	£262,684
S&C - strategy/corporate development	25	22.8	2.3	9.0%	£752,107	£684,418	£67,690
S&C - commissioning/perf/contract mngt	4	3.2	0.8	20.7%	£171,620	£136,095	£35,525
Democratic support	12	10.2	1.8	15.3%	£324,932	£275,217	£49,715
Service strategy & commissioning (Specialist)	7	6.9	0.1	1.9%	£350,539	£343,879	£6,660
EASTBOURNE	63	54.7	8.3	13.2%	£2,815,330	£2,393,056	£422,274

Functions	As-is posts	To-be posts	Saving (posts)	% Change	As-is Cost	To-be Cost	Cost Saving
Management	17	13.3	3.7	21.6%	£1,257,394	£985,797	£271,597
S&C - strategy/corporate development	6	4.6	1.4	23.4%	£252,711	£193,576	£59,134
S&C - commissioning/perf/contract mngt	6	4.8	1.2	20.7%	£235,905	£187,073	£48,832
Democratic support	16	13.6	2.4	15.3%	£452,833	£383,550	£69,283
Service strategy & commissioning (Specialist)	19	15.0	4.0	20.9%	£642,681	£508,361	£134,320
LEWES	64	51.3	12.7	19.9%	£2,841,524	£2,258,356	£583,168

OVERALL 'INTEGRATED' MANAGEMENT	127	106.0	21.0	16.6%	£5,656,854	£4,651,412	£1,005,442
---------------------------------	-----	-------	------	-------	------------	------------	------------

Integrating chief executive and senior management functions is often seen as a necessary first stage of a fuller integration of services akin to that at option 1. This option can bring together first a range of skills and experience across change management, service development, finance and governance. This will enable a distribution of key responsibilities between a new management team to meet the aims of both Councils, while preparing for any second stage involving the redesign and combining of services and staff.

Savings will relate to reductions achieved from a new single Management structure for the Partnership, including a single Chief Executive. The once off costs within this area primarily relate to redundancy and any interim arrangements to support the changes, including professional assistance for planning and implementing a joint senior management team arrangement, and development of a model for democratic decision making and the interface between councillors, communities and senior management. This may be in the region of £125,000.

3. The Management Case

3.1 Challenges for Implementation

In bringing two organisations together through integration or creation of one council or a single management team, there will be challenges surrounding four main areas:

Political

- Clear political leadership, direction and governance needs to be established providing clarity on a vision for the future
- Joint Member and Officer understanding is needed across the two Councils to equip them for the new ways of working.

People

- Blending the cultural differences of the two organisations
- New common Terms and Conditions of service will need to be addressed including the harmonisation of pay.

Organisational

- Prior to the integration, a framework for apportioning costs, savings and benefits between the two Councils is needed
- Implementation of systems and process integration will be substantial, initially running separate IT systems, and working towards a single system.

Customers

- Implementation of seamless customer focused services to both our communities will be key
- Effective engagement with communities, partners and staff to ensure they understand the context and need for change will be required.

3.2 Risks in Implementation

There are a number of key risk issues that will need to be addressed within the initiative as a whole, and the business case in particular. These include:

Financial

- One-off implementation costs prove prohibitive – events may mean the pay-back period takes too long
- Apportioning costs between the two councils– the risk that it is not in the financial interest of one council to proceed
- Securing the financial benefits from the project – not making the anticipated savings will have a financial and reputational impact on both councils.

Governance

- Failure of governance arrangements – these may include joint committees not functioning effectively and lack of clarity about decision-making issues
- Ensuring Member engagement in the process – to ensure ongoing political support for the initiative.

(a)

Cultural

- The sense that one council is ‘taking over’ the other – especially should one of the current chief executives be appointed to the post of joint Chief Executive
- Staff morale – concerns about the prospect of changes to management structures and about job security through both organisations. There can be a danger is of losing good members of staff due to the uncertainty
- Technology implementation – implementing a new technology and process environment will be challenging, both from a technical and business change perspective.
- Readiness to change – if either council is unable to facilitate the change in process and working practices for managers within services, the success of the sharing will be significantly reduced.

3.3. Models of Shared Governance

It should be noted that within the models of shared management and services there are a number of different approaches to governance, which seek to enhance the benefits of joint leadership at political and strategic levels, while maintaining the democratic legitimacy of

the 'sovereign' Councils. The models show the range of shared governance which may be developed while maintaining separate Council identity and include:

- a. **Maintaining separate Committee structures, while creating advisory Member bodies for the oversight of the shared arrangements.** For example a joint committee has been established under the Collaboration Agreement adopted by West Dorset, North Dorset and Weymouth and Portland. The committee is responsible for advising both councils on the delivery of the shared functions. The committee does not exercise any executive functions but where appropriate will make recommendations to the respective Council's executive Committee.
- b. **Maintaining separate Committee structures, while creating specific executive Joint Committees for key matters associated with shared management.** East Hampshire and Havant operate such an approach, having a Joint Human Resources Committee dealing with the appointment of the Chief Executive, Managing Director, Directors and other senior staff, and handling superannuation matters, appeals, grievances and dismissals from the workforce of the two Councils.
- c. **Establishing a joint approach for governance of strategic issues including delegated functions, while maintaining separate executive and statutory committees.** Adur and Worthing operate a Joint Governance Committee, Joint Overview and Scrutiny Committee, Joint Staff Committee and a Joint Strategic Committee. The latter advises the Councils on any strategic matter relating to joint services, and has the following delegated functions:

- To determine all matters relating to Executive functions unless specifically reserved to the Executives of the individual Councils.
- To provide strategic management of the services.
- To provide strategic direction to both Councils in relation to all Executive functions unless specifically reserved to the Executives of the individual Councils.
- To set strategic targets in respect of the services.

- To agree draft revenue and capital budgets for the implementation of each joint service which comply with the agreed budget strategy set by the Councils and which clearly show the costs to be borne by each Council including the allocation of any resulting savings or efficiencies and to recommend them to the Councils.
- To annually agree draft revenue and capital budgets for the joint services which comply with the agreed budget strategies set by the Councils and which clearly show the costs to be borne by each Council.
- To receive any reports in respect of any Executive function.
- To determine significant changes to the nature of the services delivered to the public in one or both Council areas.