



FINANCIAL CASE

Name of Unitary bid	North Haven
Authorities involved	Ipswich Borough Council Suffolk County Council Babergh District Council Mid Suffolk District Council Suffolk Coastal District Council
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FINANCIAL CASE

KEY FINANCIAL ASSUMPTIONS

1. INTRODUCTION

- 1.1. The Boundary Committee has requested a financial evaluation on its preferred option of a two unitary pattern, with Lowestoft moving to Norfolk.
- 1.2. As requested the financial impact of Lowestoft is also evaluated. The only change for the North Haven unitary is a change in the level of formula grant reflecting changes in relative needs.
- 1.3. The financial evaluation process has been led by the Suffolk Chief Finance Officers (CFOs) supported by Suffolk working groups and Boards. A North Haven Finance Working Group, with officer representation from all affected authorities, has been involved in the production and review of the North Haven financial evaluation.
- 1.4. The results of this work prove that a North Haven Unitary Council would be financially viable, whether Lowestoft remains in Suffolk or not.

2. SUMMARY FINANCIAL CASE

Affordability

2.1. The financial case for North Haven demonstrates the financial viability of the new Council and produces net savings over the first four years (2010/11 to 2013/14) of £35.2m and on-going savings of £14.8m from 2014/15.

Summary Savings 2010/11 – 2013/14	£'m
Ongoing savings	51.7
Ongoing costs	3.0
One off costs	13.5
Total savings	35.2

2.2. The payback period is **1.1 years**, which is well within the 4-year requirement. The cashflow analysis below, identifies that the investment required to move to the new unitary pattern is easily affordable from the resources (reserves and savings) available.

Cashflow	9/10	10/11	11/12	12/13	13/14	Total	14/15
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Net cost (-)/saving	-0.6	0	9.0	12.3	14.5	35.2	14.8
Funded by:							
Reserves	0.6	0	0	0	0	0.6	0
Contribution to:							
Reserves	0	0	9.0	12.3	14.5	35.8	14.8

2.3. There would be a requirement to make a capital investment of £5.2m to deliver revenue savings. This level of investment would be easily funded from the capital receipts, arising from property rationalisation (£6m) or from existing reserves.

3. COUNCIL TAX EQUALISATION

3.1. Each existing Suffolk authority has its own council tax level. In 2007/08 these were: -

Authority	Council Tax –Band D
	£
Ipswich	1,324.80
Suffolk Coastal	1,204.36
Babergh	1,216.27
Mid Suffolk	1,217.28

3.2. There is a requirement to equalise council tax in the North Haven area. There are options for how this is done, in particular the new level of council tax and the period taken to equalise.

3.3. The table below shows the cost for North Haven of setting a council tax based upon an average of existing council tax charges levied by predecessor authorities. Assuming a 3-year transition, likely costs are: -

Average	Council Tax	Transition cost (3 yrs total)	Ongoing Cost
	£	£m	£m
Suffolk (excl. Lowestoft)	1,234	5.4	2.7
Suffolk (incl. Lowestoft)	1,228	6.3	3.1
North Haven	1,270*	0	0

*The workbook shows £1,269

3.4. The North Haven finance workbook has been completed on the basis that Council Tax would be equalised on the average for North Haven. This is a cost neutral option, which allows the new authority the maximum scope, to decide it's own council tax policy. Options have been considered which could achieve a potential decrease in Council Tax levels, for all areas including Suffolk Coastal.

4. RISK /SENSITIVITY

- 4.1. The risk register and sensitivity analysis produced by Deloitte conclude that: -
The risk assessment is intermediate, “the validation analysis has provided a broadly acceptable degree of comfort”.

5. FINANCIAL EVALUATION

- 5.1. The following sections set out the financial implications in the order set out in the Boundary Committee’s letter dated 7 July 2008:

- A Base Data - this identifies the current financial envelope.
- B Transitional Expenditure - an assessment of the investment needed to implement the new structure.
- C Ongoing Expenditure – the additional recurring costs of the new authority reflecting the new ways of working.
- D Savings - the new unitary pattern offers significant opportunities to achieve savings.

FINANCIAL CASE

FINANCIAL SUMMARY FOR NORTH HAVEN BUSINESS CASE

SEVEN YEAR PICTURE

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL	2014/15
	£m	£m	£m	£m	£m	£m	£m	£m
Savings								
Councillor allowances and electoral processes	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.1
Support Staff/ Corporate Support	0.0	0.0	0.5	1.0	2.5	2.5	6.5	2.5
Senior Staff	0.0	0.0	1.7	1.7	1.7	1.7	6.8	1.7
Staff - IT	0.0	0.0	0.1	0.1	0.8	0.8	1.8	0.8
Staff - Education	0.0	0.0	0.3	0.6	0.6	0.6	2.1	0.6
Staff - Social Services	0.0	0.0	0.1	0.2	0.2	0.2	0.7	0.2
Staff - Highways	0.0	0.0	0.2	0.4	0.4	0.4	1.4	0.4
Staff - Culture	0.0	0.0	0.3	0.6	0.6	0.6	2.1	0.6
Staff - Env Health/Trading standards	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.1
Staff - Revenues & Benefits	0.0	0.0	0.1	0.2	0.2	0.2	0.7	0.2
Staff - Team Leader Integration	0.0	0.0	0.5	1.0	1.0	1.0	3.5	1.0
Procurement	0.0	0.0	0.5	0.7	0.9	0.9	3.0	0.9
Waste Integration	0.0	0.0	0.2	0.2	0.3	0.4	1.1	0.5
Better Processing/Identified efficiency savings	0.0	0.0	0.0	0.9	1.2	1.8	3.9	1.8
External audit and Insurance	0.0	0.0	0.3	0.3	0.3	0.3	1.2	0.3
Property rationalisation	0.0	0.0	0.0	0.2	0.3	0.6	1.1	0.6
Total Savings	0.0	0.0	4.8	8.3	11.2	12.2	36.5	12.3
Ongoing Costs								
Pay Harmonisation	0.0	0.0	-0.3	-0.3	-0.2	-0.2	-1.0	-0.1
Accommodation	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1
Localisation	0.0	0.0	-0.3	-0.3	-0.3	-0.3	-1.2	-0.3
Fire Authority	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1
Total Ongoing Costs	0.0	0.0	-0.8	-0.8	-0.7	-0.7	-3.0	-0.6
Net On-going Savings(-)/ Costs	0.0	0.0	4.0	7.5	10.5	11.5	33.5	11.7
One-Off Costs								
Redundancies	0.0	0.0	-2.4	0.0	-0.4	0.0	-2.8	0.0
Early Retirement	0.0	0.0	-1.8	0.0	-0.3	0.0	-2.1	0.0
Training	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.2	0.0
Relocation	0.0	0.0	-0.2	-0.2	-0.1	-0.1	-0.6	0.0
Recruitment	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3	0.0
Localisation	0.0	0.0	-0.5	-0.5	0.0	0.0	-1.0	0.0
Transition Team	-0.5	-1.6	-0.3	0.0	0.0	0.0	-2.4	0.0
Transformation Team	0.0	0.0	0.0	-0.3	-0.2	0.0	-0.5	0.0
Communications/ Branding	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2	0.0
Accommodation	0.0	0.0	-0.3	-0.2	0.0	0.0	-0.5	0.0
Closedown	0.0	0.0	-0.6	0.0	0.0	0.0	-0.6	0.0
Contingency	0.0	-0.4	-0.3	-0.3	0.0	0.0	-1.0	0.0
Changes to Current Practices/Systems (IT, Contracts)	0.0	-0.6	-0.2	0.0	-0.3	0.0	-1.1	0.0
Set up Fire Authority	0.0	-0.2	0.0	0.0	0.0	0.0	-0.2	0.0
Total One-Off Costs	-0.5	-3.1	-6.9	-1.6	-1.3	-0.1	-13.5	0.0
NET SAVINGS/ COSTS(-) (Affordability Test)	-0.5	-3.1	-2.9	5.9	9.2	11.4	20.0	11.7
SECURING THE FUTURE (Savings outside the Reorganisation)	0.9	2.1	2.9	3.1	3.1	3.1	15.2	3.1
USE OF RESERVES	0.0	-1.0	0.0	0.0	0.0	0.0	-1.0	0.0
CONTRIBUTION TO RESERVES	0.4	0.0	0.0	9.0	12.3	14.5	36.2	14.8
NET POSITION	0.4	-0.6	-0.6	8.4	20.7	35.2		
PAYBACK PERIOD					1.1 Years			

A BASE DATA

A1 Net Expenditure Disaggregation

- A1.1 The base data used for this financial evaluation is the 2007/08 revenue estimates reported by all Suffolk authorities on the 2007/08 RA Form. This net expenditure has been apportioned to the new unitary geographical areas.
- A1.2 The North Haven area includes the whole of Ipswich and parishes in Suffolk Coastal, Mid Suffolk and Babergh District Councils.
- A1.3 The County and District Services have been disaggregated by each council using key drivers agreed by the Suffolk CFOs for each activity listed on the detailed RA form, e.g. highways on road length and revenues/benefits on caseload. The table below shows the net expenditure of each council attributable to the North Haven area.

North Haven	Net Expenditure %
Ipswich	100
Suffolk Coastal	46
Babergh	28
Mid Suffolk	6
Suffolk County Council	29

- A1.4 Parish data has been used where appropriate and available. Population is used as the default apportionment basis.
- A1.5 Budget Requirement:

Summary Calculation	Babergh £'000	Ipswich £'000	Mid Suffolk £'000	Suffolk Coastal £'000	Rural* £'000	Total £'000
North Haven	17,080	96,362	4,922	39,127	0	157,491
Rural Suffolk	42,056	0	56,465	39,718	159,025	297,264
Total	59,136	96,362	61,387	78,845	159,025	454,755
Population**	86,678	120,448	91,985	122,150	205,316	626,577

* Rural covers all remaining Suffolk authorities wholly outside the North Haven area

** Excluding Lowestoft

A2 Government Grant

- A2.1 Local Authority spend is financed by council tax, reserves and government grant. Government Grant covers 2 key elements: -
- Direct grants (specific and non specific)
 - Formula grant
- A2.2 Time constraints have not allowed a detailed review of direct grants but as most are transactional it is not anticipated that there would be any specific change.
- A2.3 Formula Grant has been considered in detail below.
- A2.4 Local Government Futures were employed by the Suffolk CFO group to identify the new formula grant entitlements using the national formula grant methodology and re-running the national settlement calculation.
- A2.5 The Comprehensive Spending Review (CSR) 2007 established formula grant levels for Suffolk (and Norfolk) for 2008/09 to 2010/11. The total formula grant available for Suffolk is ringfenced to these totals until CSR 2010 and the calculations acknowledge this.
- A2.6 The calculations allow for a North Haven, Rural Suffolk, Combined Fire Authority and an element (10%) transferring to Norfolk. As requested by the Boundary Committee, the financial implications of Lowestoft remaining in Suffolk are also identified.
- A2.7 The analysis with Lowestoft transferring to Norfolk is based on the North & Suffolk formula grant allocations to properly reflect the proposed relocation.
- A2.8 LG Futures have used actual DCLG Methodology for the 07/08 formula grant settlement.
- A2.9 Actual parish data has been used where available and proxies agreed with CFOs have been used where not.
- A2.10 Formula Grant:

Summary Calculation	Excl. Lowestoft Total £'000	Incl. Lowestoft Total £'000
North Haven	64,311	62,725
Rural Suffolk	95,316	124,610
Transfer to Norfolk	27,708	0
Total	187,335	187,335

A2.11 The scale of formula grant reduction if Lowestoft remains in Suffolk is larger than expected. LG Futures explanation is shown below:

Although North Haven is not directly affected by whether Lowestoft is in either Norfolk or Suffolk, it does have implications for the formula grant it would receive. Based on our estimates, North Haven would lose between £1.1m and £1.6m if Lowestoft remained in Suffolk, depending on the option that is selected in Norfolk. This represents a reduction in formula grant of between 1.8% and 2.6%.

There are a number of reasons for this:

- The four-block model is inherently unstable. Unlike the old FSS/ RSG regime, the four-block model is driven by needs/resources per head above the threshold. Thus a small change in needs/resources can result in disproportionately large changes in grant.*
- Share of a smaller pot. Instead of disaggregating Suffolk and Norfolk grant together, we have disaggregated each county separately. Thus the control total (in grant terms) is now limited to the original grant for each county. In other words, North Haven will receive a share of £187.3m rather than £443.6m. To illustrate this in another way, the combined Norfolk-Suffolk “pot” has £306 per head, whereas Suffolk alone has only £269 per head.*
- Lowestoft adds significant additional needs (per Band D) to Rural Suffolk. Based on the analysis we have done, Lowestoft is the highest-need area per head (and per Band D) in Suffolk and Norfolk. We have seen that Lowestoft significantly boosts the formula grant of whichever unitary it is included within. Modelled alone, Lowestoft would receive formula grant of £496 per head, much higher than anywhere else in Norfolk or Suffolk.*

Including Lowestoft in Rural Suffolk, for example, increases its formula grant per head from £217 to £242. And given that this is a zero-sum exercise, however much Rural Suffolk increases by, this amount is effectively deducted from North Haven.

We would expect the “Lowestoft effect” to be less destabilising when formula grant is estimated for England as a whole. In this situation there will not be a zero-sum effect between North Haven and Rural Suffolk. However, the terms of the LGR exercise require the effects of the formula grant disaggregation to be contained within the county (or counties) affected by the boundary changes.

A3 Council Tax Base Disaggregation

A3.1 The Council tax base is the number of band D equivalent dwellings in an area. Disaggregation of this base allows the identification of potential council tax funding available to the new unitary authorities. The analysis is based on 2007/08 actual data analysed to Parish where applicable using the CTB1 form for 2007/08.

Summary Calculation	Babergh £	Ipswich £	Mid Suffolk £	Suffolk Coastal £	Rural* £	Total £
North Haven	9,213	39,640	2,693	22,582	0	74,128
Rural Suffolk	23,326	0	31,596	26,390	69,229	150,056
TOTAL	32,539	39,640	34,289	48,972	69,229	224,184
Population	86,678	120,448	91,985	122,150	205,316	626,577

* Rural covers all remaining Suffolk authorities wholly outside the North Haven area

A4 Revenue Balances Disaggregation

- A4.1 Revenue balances are comprised of general, earmarked and service reserves. Service reserves used by some authorities like Suffolk County Council have been treated as general reserves.
- A4.2 General reserves have been disaggregated on population. Earmarked on the basis of specific actuals/projects.
- A4.3 This analysis is based on revenue balance estimates at 31/03/07 reported on the 2007/08 RA form. Further work has been undertaken to ensure any significant differences that would adversely affect affordability.

Summary Calculation	Babergh £'000	Ipswich £'000	Mid Suffolk £'000	Suffolk Coastal £'000	Suffolk County £'000	Rural*	Total £'000
North Haven Reserves							
General	587	3,455	78	1,649	2,750	0	8,519
Earmarked	302	2,890	146	2,815	12,200	0	18,353
Total	889	6,345	224	4,464	14,950	0	26,872
Rural Suffolk Reserves							
General	1,409	0	912	1,695	5,312	6,586	15,914
Earmarked	725	0	1,796	2,042	23,568	12,655	40,786
Total	2,134	0	2,708	3,737	28,880	19,241	56,700
Grand Total	3,023	6,345	2,932	8,201	43,830	19,241	83,572

* Rural covers all remaining Suffolk authorities wholly outside the North Haven area

- A4.4 The level of General Reserves disaggregated to North Haven is anticipated to be approximately £8.5m, based on 2007/08 RA forms. The actual position of general reserves for both North Haven and Rural Suffolk shows North Haven would have £18.5m as at 31 March 2008.
- A4.5 It is considered that an appropriate minimum level of general reserves for a unitary North Haven would be 5% (£7.8m) of the net budget requirement for the new authority. This compares favourably with similar sized Unitaries e.g. Southampton, Peterborough, Swindon and Reading who have minimum reserve levels between 2.6% and 4.7% (£3m to £6m).

A5 Staff numbers Disaggregation

A5.1 Staff numbers include all permanent, temporary, fixed contract staff excluding casual staff on a full time equivalent (fte) basis. Current staffing (fte) levels and key statistics were identified by each Suffolk authority and coordinated/moderated by the Suffolk HR Group.

Summary Calculation	Babergh f.t.e	Ipswich f.t.e	Mid Suffolk f.t.e	Suffolk Coastal f.t.e	Suffolk County f.t.e	Rural* f.t.e	Total f.t.e
North Haven	69	1,005	29	160	1,979	0	3,242
Rural Suffolk	170	0	323	124	3,415	1,023	5,055
TOTAL	239	1,005	352	284	5,394	1,023	8,297

*Rural covers all remaining Suffolk authorities wholly outside the North Haven area

A6 The effect of these on the projected Council Tax level

Council Tax Equalisation

- A6.1 North Haven is made up of elements of several authorities with different council tax levels. Council tax levels need to be equalised as an authority can only set a single council tax. The North Haven Board has requested that council tax should be equalised at the mean average council tax over 3 years from 2010/11.
- A6.2 The average council tax is weighted for council tax base. No allowance has been made for growth in council tax base and the council tax equalisation is applied over 3 years at a linear change.
- A6.3 The mean average council tax is taken to be that for the North Haven area (£1,270).
- A6.4 This is a cost neutral option, which allows the new authority the maximum scope, to decide it's own council tax policy.
- A6.5 The risk of double taxation in parished areas has been addressed by assuming that North Haven will provide a standard level of service to all areas e.g. parks, street scene, allowing the yield from the additional parish precept to be used on local improvements. The level of parish precepts may need to be reviewed in the light of this approach.
- A6.6 Net financial implications of reorganisation will impact on reserves or council tax given that formula grant is fixed for the current CSR period.

A7 Residual costs of authorities

- A7.1 All costs and savings relating to closing authorities will transfer to the two new unitaries and are included elsewhere in the workbook.

B ONE-OFF ADDITIONAL REVENUE EXPENDITURE

B1 Staffing – staff release costs

B1.1 Staff Levels

B1.1.1 Aggregate staff levels will reduce due to the reduction of authorities from 8 to 2, giving opportunities for economies of scale, better synergy and less duplication. For example there will be a rationalisation of corporate support services and senior management. The new Council will also provide a one off opportunity to integrate service delivery and streamline organisational structures.

B1.1.2 Reduced staffing levels will generate:

- Redundancy and early retirement costs
- Training costs
- Process re-engineering opportunities particularly better use of technology
- Ongoing saving in staff costs

B1.1.3 Current staffing (fte) levels and key statistics were identified by each Suffolk authority and coordinated/moderated by Suffolk HR Group. This disaggregation is constructed from an analysis of each function's staffing levels. A function is defined by the RA Form used for the base data e.g. Social Services. The approach acknowledges key drivers for staffing levels like location, service design and caseload, where appropriate, with remaining services staff levels disaggregated by population.

B1.1.4 Staffing levels for North Haven assume current service levels are maintained or improved. The required staffing levels have been identified by lead authority Heads of Service, in consultation with professional colleagues, to take account of service design and integration opportunities, having regard to similar unitary councils. The proposed structure is: -

- 1 Chief Executive
- 5 Directors
- 19 Heads of Service

B1.1.5 The change in total staffing levels is assessed by comparing North Haven with current staffing levels at key function level and aggregating the result. This change in staffing levels is a key driver in determining severance costs and ongoing staff savings.

North Haven	Full Time Equivalents
Total	6,802
Reduction in staff	-197
New posts	10
Percentage net reduction in staff	3%

B1.2 Severance Payments

B1.2.1 The North Haven authority will determine future staff levels. All current staff will transfer to a new authority on 1 April 2010. Surplus staff will be identified using normal recruitment process. Surplus staff numbers will be kept to a minimum by redeployment and natural turnover.

B1.2.2 Turnover rates are based on the existing authorities average turnover (30% over 4 years).

B1.2.3 It is assumed that surplus staff will have the same demographic profile as the total current staffing level e.g. the same age profile and proportion over 55 years on 1 April 2010.

B1.2.4 All surplus staff will be eligible for a redundancy payment based on the average age and length of service. All staff over 55 years on 1 April 2010, with continuous service since 1 April 2008, will be eligible for early retirement.

B1.2.5 Both IBC and SCC have recently introduced the same policy in respect of redundancy and early retirement, so that any staff reductions will be eligible for similar amounts. The other affected districts have slightly different policies, but the overall financial effect is not material. All employees who are made redundant will be eligible to a payment based on Statutory Redundancy based on the employees weekly wage times 1.5.

North Haven	Transition*
	£m
Staff Related	4.9

*Period 2009/10 to 2013/14

B1.3 Relocation

B1.3.1 Relocated existing staff are eligible for relocation payments. It is assumed that this will not apply to SCC or IBC staff. North Haven is assumed to retain headquarters in Ipswich with local customer service centres. Staff relocation will occur from Babergh, Mid Suffolk and Suffolk Coastal to the North Haven headquarters and to staff local customer service centres.

B1.3.2 North Haven will operate a Green Travel Plan so contributions will be limited to mileage to the nearest Park & Ride (Copdock, Martlesham and Bury Road) from existing district headquarters.

North Haven	Transition*
	£m
Relocation	0.6

*Period 2009/10 to 2013/14

B1.4 Recruitment

B1.4.1 The ongoing recruitment costs will be met from existing budgets or funded from transitional vacancies. There will be one-off costs arising from the advertisement of the 25 posts in the 1st to 3rd tiers of the new authority i.e. Chief Executive and Directors, and 19 Heads of Service. This is based on benchmark costs and figures from a leading recruitment agency.

B1.4.2 It is expected that the Chief Executive and Directors would be appointed six months early and this would incur an additional one-off cost of £100,000 in 2009/10.

North Haven	Transition*
	£m
Recruitment	0.3

*Period 2009/10 to 2013/14

B.2 Accommodation

- B2.1 The priorities of the new Council will change and be reflected in the relocation of key staff, including Adult Social Care and Children and Young People Services. It is anticipated that these staff would move from St Edmunds House to Endeavour House.
- B2.2 Existing and transferred assets would be used for accommodation, but the Council recognises that there will be removal and set-up costs of moving staff to facilitate a more efficient service.
- B2.3 Based on the recent Ipswich move to Grafton House, we would expect to relocate approx 500 Staff at £1,000 per person, giving a one-off transitional cost of £500,000 in 2010/11.
- B2.4 The costs of providing information points in community centres and libraries is considered relatively low and will be achieved using existing facilities and budgets.

North Haven	Transition*
	£m
Accommodation	0.5

*Period 2009/10 to 2013/14

B.3 ICT

- B3.1 Authorities currently use a diverse range of ICT systems, which is a core element in supporting current service delivery. North Haven will employ a common integrated infrastructure based on existing SCC County business applications and the best of breed for other services. Integrated service delivery requirements will determine the most appropriate way forward. Each key ICT system will be considered on an individual basis
- B3.2 ICT systems are fundamental to value for money service delivery. Opportunities for service improvement and business process re-engineering will be taken. This will be coordinated by the transition/transformation teams. The opportunities for savings will arise from:
- Rationalising infrastructure and products
 - Consolidation of services
- B3.3 For specific upper tier services such as social services, it is proposed to phase changes over a 2-year period to protect service delivery levels.
- B3.4 Key ICT systems currently used by Suffolk authorities were identified from a recent survey based on SOCITM product categories. The transition costs were based on consultation with key IT system suppliers, supplemented by data from other authorities. In practice the North Haven authority will need to determine the most appropriate approach
- B3.5 Where possible, transition costs have been capitalised and are included in section E.

North Haven	Transition*	Transition*
	Revenue	Capital
	£m	£m
ICT	1.0	4.0

*Period 2009/10 to 2013/14

B4 Change management and Shadow planning

B4.1 Additional staff

B4.1.1 Officer teams will be needed to establish the new unitary council and bring together elements from the other relevant authorities for 1 April 2010. The staffing and cost levels are based on experience at other unitary authorities and will consist of a mixed skills team of officers from both IBC and other relevant authorities. This group of officers would work together for the 15 months prior to 1 April 2010, and for the 6 months after. Their focus would be to set up North Haven unitary. There would be a Transition Co-ordinator to co-ordinate the work and ensure consistency of decisions.

North Haven	Transition*
	£m
Change Management	2.4

*Period 2009/10 to 2013/14

B.4.1.2 The 12 transitional teams to be established are as follows:

- Core Team
- HR Team
- Finance Team
- ICT Team
- Corporate Team
- Business Transformation/Procurement Strategy
- Localisation
- CYP Team
- ASC Team
- Culture
- Technical/Procurement
- Community Services

B4.2 Other – training etc

B4.2.1 There would be one-off transitional costs to provide additional training so staff could be incorporated in the new culture of North Haven. These costs are based on benchmark data from other unitary implementations.

North Haven	Transition*
	£m
Training	0.2

*Period 2009/10 to 2013/14

B5 Contingency

B5.1 A general contingency sum of £1,000,000, based on benchmark data, has been included. This will be a one-off transition contingency, spread over 2009/10, 2010/11 and 2011/12. This sum reflects the cautious approach that has been taken to the calculation of specific items included in the workbook e.g. redundancy costs have been calculated on basis of all staff being entitled to payments.

North Haven	Transition*
	£m
Contingency	1.0

*Period 2009/10 to 2013/14

B6 Contract Novation

- B6.1 The orders establishing the new unitaries will automatically novate contracts. North Haven will initially take on all contracts (in whole or part) relating to service provision at the predecessor authorities. As a general principle all existing contracts will run to their termination date to protect service continuity and minimise termination penalties.
- B6.2 Most contract renegotiation will be dealt with by the Transition Team, which will include specialist procurement officers. Existing in-house teams will deal with legal issues.
- B6.3 A provision of £100,000 for 100 days specialist consultancy has been allowed for, to advise on a minority of contracts, as a one off cost.

North Haven	Transition*
	£m
Contract Novation	0.1

*Period 2009/10 to 2013/14

B7 Elections

B7.1 The new authority would consist of 60 councillors, elected on a four yearly basis. At present there are approximately 116 councillors, representing the North Haven area. There is anticipated to be no additional costs of elections.

B8 Localisation

- B8.1 North Haven proposes to pass power to local communities and provide local joined up neighbourhood service delivery in partnership with LSP partners. It is proposed to create 10 Neighbourhood Areas with 3 Community Co-ordinators servicing these areas.
- B8.2 As part of the drive to bring service delivery to a neighbourhood level, there will be a transitional investment of £500,000 pump prime funding for Neighbourhood areas to review priorities in years 2010/11 and 2011/12 for each Area Committee. Existing budgets will be used and re-channelled to match priorities.

North Haven	Transition*
	£m
Localisation	1.0

*Period 2009/10 to 2013/14

B9 Communications and Branding

- B9.1 North Haven will create and establish a new visual identity. Property, equipment and fleet will need re-branding. Resources are needed to communicate the change to customers and stakeholders. To minimise costs it is proposed to renew fleet and equipment branding on renewal. In addition to existing resources a further £200,000 is provided, based on benchmarks from previous unitary submissions increased for inflation. This will be a one-off transitional cost in 2010/11.

North Haven	Transition*
	£m
Communications & Branding	0.2

*Period 2009/10 to 2013/14

B10 Close Down

- B10.1 Closedown will be undertaken within existing staff numbers and is estimated to be complete within 9 months. Using average benchmark costs, there is estimated to be a one-off transition cost to cover staff and transfer costs of £600,000 in 2010/11.

North Haven	Transition*
	£m
Close Down	0.6

*Period 2009/10 to 2013/14

B11 Other additional one off expenditure items

B11.1 A Transformation Team will be established to work with the North Haven Chief Executive and Management Team to design, integrate and streamline services to ensure effective local service delivery. The team would be set up for 2011/12 and 2012/13, and will be a mixed skills team of officers, met from existing budgets, assisted by consultants specialising in business re-engineering.

B11.2 The additional one-off transition cost of this team over the two-year period would consist of 500 days consultancy at £1,000 per day i.e. £500,000.

B11.3 Setting up a Combined Fire Authority is estimated to cost £200,000 in 2009/10

North Haven	Transition*
	£m
Other	0.7

*Period 2009/10 to 2013/14

C ONGOING EXPENDITURE

C1 Staffing – staff release costs

Pay Harmonisation

- C1.1 There will be costs associated with pay harmonisation for North Haven due to the wider range of activity and mix of staff. The financial implications are reduced as individual authorities have either harmonised pay or are in the process with budget provision.
- C1.2 North Haven will determine pay arrangement and the additional costs of pay harmonisation.
- C1.3 An indicative cost of £300k has been included based on a proportion of the recent SCC pay harmonisation costs given that the majority of staff will transfer from SCC.
- C1.4 Pay harmonisation is assumed to only be applicable to staff employed by North Haven.
- C1.5 The costs in each successive year have been reduced by 15% reflecting natural turnover.

North Haven	Ongoing*	2014/15 onwards
	£m	£m
Pay Harmonisation	1.0	0.1

*Period 2009/10 to 2013/14

C2 Accommodation

- C2.1 Two comprehensive and modern customer services centres will be located in Ipswich and Felixstowe. Staffing will be met from existing resources. The running costs of a new customer services centre in Felixstowe are expected to be £100,000 per annum from 2010/11 onwards.
- C2.2 The current highways and streetscene services for the Felixstowe area are provided by Norfolk Property Services from a local depot. These arrangements will novate to North Haven.

North Haven	Ongoing*	2014/15 onwards
	£m	£m
Accommodation	0.4	0.1

*Period 2009/10 to 2013/14

C3 ICT costs – revenue elements

- C3.1 North Haven will employ a common integrated infrastructure based on existing SCC business applications and the best of breed for other services as outlined in section B3.
- C3.2 Given the rationalisation and integration of services and systems, it is anticipated that operational/support staff levels can be met within existing resources.
- C3.3 Ongoing costs of operation e.g. software & licensing, will also be met from existing budgets.

C4 Localisation

- C4.1 North Haven proposes to pass power to local communities and provide local joined up neighbourhood service delivery in partnership with LSP partners. It is proposed to create ten Neighbourhood Areas with three Community Co-ordinators servicing these areas. The ten Areas will be managed by three Community Co-ordinators, with a Community Development officer for each neighbourhood.
- C4.2 As part of integrating community services, an additional CCTV Controller would be provided to cover Felixstowe.

North Haven	Ongoing*	2014/15 onwards
	£m	£m
Localisation	1.2	0.3

*Period 2009/10 to 2013/14

C5 Other ongoing revenue expenditure items

Fire Authority

- C5.1 The current fire service is provided as part of Suffolk County Council. A combined Fire Authority will be needed to serve North Haven and Rural Suffolk with costs apportioned appropriately. These costs have been identified by SCC. The North Haven will need to review the financial arrangements as part of implementation.

North Haven	Ongoing*	2014/15 onwards
	£m	£m
Fire Authority	0.4	0.1

*Period 2009/10 to 2013/14

D SAVINGS

D1 Corporate and Democratic

D1.1 Councillor Allowances

D1.1.1 The total number of number of councillors representing the North Haven area will reduce from 116 to 60.

D1.1.2 The existing allowances paid to these councillors will transfer to North Haven, it has been anticipated that the new basic allowance rate will be £9,000, although in practice an independent review panel will determine it.

D1.1.3 The proposed scheme is based on a basic allowance of £9,000, plus special responsibility allowances e.g. Leader. The overall cost is estimated to be almost cost neutral compared to the current cost of allowances.

D1.2 Staffing – General

D1.2.1 The total staffing requirement for North Haven has been compared to the staff anticipated to transfer from predecessor authorities (see section B1).

	Full Time Equivalents
North Haven total	6,802
Reduction in posts	-197
New posts	10
Percentage net reduction in staff	3%

D1.2.2 Savings will be made from a flatter management structure, the removal of current SCC area substructure and integration / smarter delivery of two tier activities. This will have no detrimental impact on service delivery.

D1.3 Corporate Support

D1.3.1 This covers HR, Finance, Legal, Councillor, Media and Design services. See Business Case pages 36 and 37.

D1.4 Senior Staff

D1.4.1 Senior staff covers the top three tiers i.e. a Chief Executive, 5 Directors and 19 Heads of Service. Salaries are based on benchmarked data for similar authorities.

D1.5 ICT

D1.5.1 The future ongoing reduction in staff reflects the rationalisation and integration of systems. See Business Case page 36.

D1.6 Education

D1.6.1 See Business Case page 28.

D1.7 Social Services

D1.7.1 See Business Case page 29.

D1.8 Highways

D1.8.1 See Business Case page 29.

D1.9 Culture

D1.9.1 See Business Case page 31.

D1.10 Environmental

D1.10.1 See Business Case pages 32 and 33.

D1.11 Other

D1.11.1 Ipswich has an established customer services centre and is implementing a complimentary call centre together with a drive to improve internet transactions.

D1.11.2 Processing more transactions online will save at least two posts costing £50,000 per annum from 2010/11 onwards.

D1.11.3 Processing more transactions by telephone will save another two posts costing £50,000 per annum from 2010/11 onwards.

D1.12 Value for Money Opportunities

D1.12.1 Working with the Council's performance management partner, a number of value for money opportunities have been identified including: -

- Better Processing / Efficiency Savings
- Team Leader Integration

D1.12.2 An assessment has been made on the number of non-school managers required based on the current staff/management ratio within Ipswich Borough Council. This indicates a reduction of 20 team leader posts reflecting the streamlining and integration of services. The figures calculated are also consistent with the number of non-schools managers on a number of similar sized unitary councils, providing additional assurance on the assumptions. The staff savings have been analysed over the categories in the following table.

Workbook Ref	North Haven	Savings*	2014/15 onwards
		£m	£m
D1.3	Corporate support	6.5	2.5
D1.4	Senior staff	6.8	1.7
D1.5	ICT	1.8	0.8
D1.6	Education	2.1	0.6
D1.7	Social Services	0.7	0.2
D1.8	Highways	1.4	0.4
D1.9	Culture	2.1	0.6
D1.10	Environmental	0.3	0.1
D1.11/12	Other – Transactional services/ Revenues and Benefits	0.7	0.2
D1.13	Team Leader Integration	3.5	1.0

*Period 2009/10 to 2013/14

D2 Procurement

- D2.1 Existing professional procurement staff will be formed into a central procurement function, whose primary purpose will be to ensure the effective and efficient procurement of goods and services by the new authority.
- D2.2 The new authority will have a sufficient mass to generate an increased level of savings from implementing best practice, aggregating spend and utilising economies of scale. As importantly, it will not be of such a great size that these savings are dissipated, through poor communications and bureaucracy.
- D2.3 The task of the new section will be to:
- Reduce the overall cost of procurement process;
 - Reduce the absolute cost of supplies, goods and services;
 - Reduce transaction costs;
 - Co-ordinate corporate purchasing and procurement activity;
 - Implement whole life costing (WLC) in the procurement process;
 - Implement the usage of “framework agreements” negotiated by external buying organisations such as OGC or the ESPO sustainability catalogue, wherever possible in preference to tendering;
 - Provide appropriate training to ensure that adequate skills and experience are maintained within the Authority and developed in the future;
 - Utilise integrated financial systems to improve discipline on procurement process.
- D2.4 It is anticipated that the consistent application of good practice will conservatively, allow the new authority to achieve transactional savings equal to 1% of total service expenditure (excluding employee expenditure, assumed at 70%).

Total Service Expenditure	Transactional Savings
£'000	£'000
308,101	924

- D2.5 The anticipated savings have been included in the North Haven Workbook as follows: 50% in 2010/11, 75% in 2011/12 and 100% in 2012/13 onwards.

North Haven	Savings*	2014/15 onwards
	£m	£m
Procurement	3.0	0.9

*Period 2009/10 to 2013/14

D3 Other Services

- D3.1 There is a saving opportunity from partnership arrangements given the increased scale and diversity of service provision. There are also significant opportunities to provide services to others. This might mean working with neighbouring councils, including Rural Suffolk Unitary Authority, urban councils in Regional Cities East, other public sector bodies and the voluntary sector.
- D3.2 North Haven will specify precisely how services will be provided following further in-depth work to consider and evaluate the options and implications. With contracts like CSD continuing the council will have a mixed economy of service provision.

D4 Great Blakenham Depot

- D4.1 Relocating the recycling of highways materials to the Great Blakenham depot will immediately save £50,000 p.a. from the rental of the current recycling site. The expansion of materials recycled, including those from the expanded area will increase income, but has not been included in predicted savings.

D5 Better Processes/Efficiency Savings

- D5.1 Aggregating upper tier and district services will provide some opportunity for economies of scale, better synergy and less duplication. This will realise savings and provision is included for a transition/transformation team to deliver this. However, there is an absolute commitment to service levels being maintained or improved.
- D5.2 North Haven will be committed to continuous improvement and would expect to achieve further efficiencies in later years on both upper tier and district services.
- D5.3 The Council's performance management partner has assessed potential specific total savings at between 9% and 14% of gross expenditure (see Appendix C of the Business Case). Given that staff efficiencies have been taken into account and to avoid any risk of duplication of savings, further efficiencies in later years on both upper tier and district services have been assessed at a minimal 0.5% of gross expenditure (£375m) i.e. £1.8m p.a. phased over three years.

North Haven	Savings*	2014/15 onwards
	£m	£m
Better Processing/ Efficiency	3.9	1.8

*Period 2009/10 to 2013/14

D6 Other savings

D6.1 Elections

D6.1.1 The current annual cost of elections is £100,000 for Ipswich. Moving to a four yearly cycle will save at least £100,000 in non-election years for North Haven.

D7 Rationalise Property

D7.1 There will be a large number of property assets that transfer to North Haven, principally because Ipswich is the SCC administrative centre. It will not be possible to divest all surplus properties, or cease tenancies immediately, so savings will not be immediate on all properties. There are significant opportunities to make savings on rents, national non-domestic rates, repairs, utilities etc.

D7.2 The savings made on rents, national non-domestic rates, repairs, utilities etc are assessed at 10% of the rationalised property value.

D8 Waste Integration

D8.1 There is a working assumption supported by the North Haven and Rural Suffolk Boards that there would be a joint Waste Authority for the two unitaries.

D8.2 A shared single Waste Authority for Suffolk will yield potential ongoing savings. The financial evaluation for Rural Suffolk and North Haven has been undertaken by SCC based on current proposals.

D8.3 The savings assumptions are based upon a report by SLR "Evaluation of Options for Greater Partnership Working on Waste – May 2007", Annex F – option 8Bii.

D8.4 The source data for all the waste costs are based on the ERM Final Report February 2006 - Evaluation of Options for Joint Waste Collection and Disposal. The budget base used in this report was 2005/06, to bring the savings up to 2007/08, a multiplier of 1.0609 was used.

D8.5 There is some uncertainty over the achievement of savings in the early years of the joint waste authority, due to some assumptions in the report, the savings included in the North Haven workbook have been "damped" to take account of this.

D8.6 The design of the new waste authority and the proposed PFI contract will be managed to deliver the level of savings specified, the 30% damping offers some level of tolerance.

D9 Insurance

D9.1 Both Ipswich and SCC self-insure up to a threshold in order to keep premiums down. Current excesses are generally £100,000 and £500,000 respectively. North Haven will benefit from increased capacity to self insure with a likely excess of £250,000 giving an ongoing saving on premiums.

D10 External Audit Fees

D10.1 External audit fees are based on a fixed element, transactional volumes and an authorities risk rating. The audit fee level related to the first 2 elements will reduce reflecting the rationalisation of authorities and the integration of services e.g. fewer grant claims in Suffolk. Savings are anticipated after year 1, as the new authority is likely to have a higher risk rating initially. Even though we anticipate savings, none have been reflected in the workbook.

North Haven	Savings*	2014/15 onwards
	£m	£m
Elections	0.1	0.1
Property Rationalisation	1.1	0.6
Waste Integration	1.1	0.5
External Audit & Insurance	1.2	0.3

*Period 2009/10 to 2013/14

E CAPITAL COSTS

E1 IT Systems

- E1.1 Key ICT systems currently used by Suffolk authorities were identified from a recent survey based on SOCITM product categories. The transition costs were based on by consultation with the key IT system suppliers. (See section B3)
- E1.2 This will be subject to further negotiation, and the final cost will depend on how services are ultimately provided. The Council expects the costs to be neutral after 2011/12, and this is one of the areas where we will be looking to make efficiencies. The figures shown below are one-off transition costs.
- E1.3 The transitional costs associated with the implementation of new systems can be capitalised.

E2 Accommodation

- E2.1 This covers the one-off transition costs of establishing a Customer Services Centre and refurbishing a Depot in Felixstowe.

E3 CCTV

- E3.1 New investment in CCTV will be required to take account of expanded area. There will be one-off transition costs of £250,000 in each year, from 2010/11.

E4 Web Services/Contact Centre

- E4.1 Further investment in web based services will be required to develop a call centre and expand the contact centre to accommodate North Haven's wider area.

North Haven	Capital*
	£m
ICT	4.0
Accommodation	0.2
CCTV	0.8
Web Services	0.2
Total	5.2

*Period 2009/10 to 2013/14

E5 Financing Capital Expenditure

- E5.1 There are estimated to be approximately £5,700,000 of unallocated usable capital receipts available to fund the one-off capital costs. In addition the estimated unallocated revenue balances over and above the minimum required would also be available.

F EFFECT ON STAFF NUMBERS

F1.1 There is estimated to be a net reduction in staff numbers of 187 staff.

G USE OF ANY EARMARKED BALANCES

G1.1 North Haven does not propose to use any of the earmarked balances to fund the costs in the transitional period.

H ANY OTHER ITEMS

H1 Rationalise Property

H1.1 The total value of the asset portfolios is estimated to be £100m IBC, £116m SCC and £25m SCDC / Babergh. The 'book value' of the property is not necessarily achievable in the open market, particularly in the current financial market and therefore the savings that could accrue from the selling of surplus buildings and land should be cautious. However, it is not unreasonable to anticipate that a 2.5% reduction in property and land through rationalisation of services. The total estimated capital receipts is therefore considered to be £6m based on the total asset value indicated.

H1.2	Estimated capital receipts:	Financial year 2011/12	£1,500,000
		Financial year 2012/13	£2,000,000
		Financial year 2013/14	£2,500,000

H1.3 It is assumed that there will be disposal work in hand started by IBC and others, which will be completed by North Haven.

H1.4 When property portfolios are combined opportunities will arise to review assets to rationalise property use.

H1.5 Examples of where this may occur are: -

- Where operational staff can be relocated from other offices to Endeavour House/Grafton House releasing vacant possession properties for sale or redevelopment;
- Where training can be delivered from underused facilities e.g. review of professional training/conference facilities;
- Consolidation of services e.g. relocating existing services to the Ipswich Town Hall/Corn Exchange complex releasing property;
- A review of property functions, which may release farms or commercial property, considered surplus to requirements;
- A future review of office space by North Haven may result in part being able to be sublet to produce income.

H2 Contribution from sources outside the reorganisation

H2.1 SCC has identified an ongoing efficiency programme, which has further savings to be delivered. A significant proportion of SCC services will transfer to North Haven therefore an appropriate proportion of the future savings; based on the proportion of SCC Budget Requirement transferring should be ascribed to North Haven. The savings are based on specific projects and service levels will be maintained or improved. Delivery of these would be complete in 2011/12.

North Haven	Savings*	2014/15 onwards
	£m	£m
Better Processing/Efficiency	15.2	3.1

*Period 2009/10 to 2013/14