

**BOUNDARY COMMITTEE REVIEW OF LOCAL GOVERNMENT STRUCTURES IN
NORFOLK SUFFOLK AND DEVON**

**REVIEW TO TEST WHETHER AFFORDABILITY CRITERIA
ARE MET**

Certification by S 151 officer

Title of Unitary Submission

North Haven

'I have provided base data as required relating to my authority for the completion of the *specified* data collection workbook, and I have checked the base data already included in that workbook, and I am satisfied that these have been properly incorporated.

I have been consulted on relevant issues in the calculation of the figures for the transitional plan shown in the data collection workbook where they affect my authority, and find the figures to be not unreasonable.'

(If the figures were found to be unreasonable, then a comment as to which figures and why should be provided in the box below)

We have a number of concerns as to whether the calculations of the North Haven case are reasonable. It is important to explain that the impact of these concerns is cumulative, and cannot simply be gauged by adding the assessed costs of each together. For example the risks are increased cumulatively by looking to make savings from frontline service budgets, under investing in transition, not recognising the additional costs of splitting countywide services; in this case the whole is greater than the sum of its parts.

We have concerns that the overall level of savings is unachievable. The total savings proposed for North Haven is £14million per annum. There is little detail given as to the nature of some of these savings but we assess that £9m of this £14m may not arise directly out of the integration of county and district services.

As shown in the table below the North Haven case is proposing efficiency savings of almost 6% of the entire budget. This is a very ambitious target. It is also aggressively profiled with most of the savings delivered in the second year of the new council. This leaves very little time to carry out any business process improvement or other change to deliver this and requires this work to take place as

the new council is finding its feet.

North Haven Efficiency Savings	5 year case £m	2014/15 £m
Securing the Future	12.2	3.1
Team Leader Integration	3.5	1.0
Better Processing/Efficiency Savings	3.9	1.8
Education	2.1	0.6
Social Care	0.7	0.2
Other Services	3.8	1.1
Procurement	3.0	0.9
Total	29.2	8.7
% of North Haven Budget Requirement (£158.9m)		5.5%

It will take a considerable transformation of services to deliver savings of this scale. This level of saving during a period where there would also be the inevitable upheaval caused by local government re-organisation could have a significant impact on front line services. This proposal will also leave the proposed authority with little capacity to manage the government's targets for local authorities of a further 3% cashable efficiency savings.

While the financial case shows very ambitious levels of saving it does not appear to provide sufficiently for the investment that would be necessary to deliver even less ambitious saving. The business case contains for transformation costs only a non-recurrent sum of £0.5 million based on 500 days specialist consultancy. Given the huge amount of work required in setting up a new unitary authority, the ambitious plans to transform and improve services, and the higher level of savings that the business case envisages being made from integrating services this seems to be a very low estimate.

Particular issues with the proposed savings are detailed below:

Procurement savings are described as based on total service spend of £308 million, of which 30% is believed to be non-pay. It is assumed that 1% of this non-pay spend can be saved through better procurement giving an ongoing saving of £0.9 million, with a cumulative £3m by the end of 2014. However the total of £308 million

includes £146 million of schools expenditure. Any savings made on this would be retained by schools and not be available for the authority to use as anticipated here.

This would reduce the usable saving to £0.5 million per annum ongoing, and £1.5 million to the end of 2014.

Even after adjusting for schools spending we are concerned whether the proposed savings of 1% from procurement are deliverable. The rationale for these is that all procurement staff will be brought into one specialist team, framework contracts will be used whenever possible, and economies of scale will be possible as the new authority will be bigger than the existing district and borough councils. This may be a reasonable set of assumptions for spend on district and borough functions but it is not for those currently carried out by SCC. The county council spend equals 80% of the total spending by councils across Suffolk. SCC has already centralised its procurement functions, uses framework contracts whenever possible, and will have greater economies of scale for the services that a top tier authority requires as it is a bigger purchaser of these services than a North Haven authority would be.

The business case contains £2 million of on-going savings from staff in 'service' departments, as set out in the table below

	Cumulative 2014 £ m	toOngoing £ m
Staff -Education	2.1	0.6
Staff - Social Services	0.7	0.2
Staff Highways	1.4	0.4
Staff Culture	2.1	0.6
Staff - Environmental health and trading standards	0.3	0.1
Total	6.8	1.9

We do not believe that these are sufficiently evidenced in the business case, for example the rationale for both Social Services and Education staff is given as "non-essential operational managers and support staff". We have concern that it is assumed that these savings are possible in addition to absorbing the impact of splitting the Children and Young Peoples' service and Adult Care service in two. It is also suggested elsewhere in the business case that these savings will come from removing the costs of the SCC area structure. However any additional area costs would be taken account of in the senior manager savings, for example removing the

'Area Director South' post for Children and Young People's services. Many of these savings have the potential to be double counted.

We do not have sufficient detail to take a view on this.

The business case make no allowance for the fact that there are many functions of a top tier authority that must be undertaken whatever the size of the authority. One example of this is that top tier authorities will require a Safeguarding Board and a Children's Trust, and the costs of providing the infrastructure and management support to these is broadly similar whatever the size of the authority. To take the Safeguarding Board as an example the North Haven would expect to receive approximately 30% of the current SCC funding for this, but would need to meet similar costs. There is therefore an ongoing revenue commitment above transferred funding and budgets that needs to be built into the business case but is not.

Whilst it is difficult to quantify this exactly as there are options as to how these top tier services can be provided we estimate the annual cost to be at least £0.4 million, equating to a cumulative £1.6 million by 2014. In addition creating two or more smaller authorities would create diseconomies of scale in purchasing and contracts for top-tier authority services. We estimate these to be equivalent to 1% of contract values, £0.25 million per annum, equating to a cumulative £1.25 million by 2014. Of this highways maintenance contract costs would account for almost half.

Finally we are concerned that the financial model, particularly the high level of savings, is not consistent with the ambitions for service development set out elsewhere in the North Haven financial case.

Certification by...Geoff Dobson.....

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Date...18th September 2008.....