

APPENDIX A:

A SINGLE DISTRICT COUNCIL FOR WEST SUFFOLK – DRAFT BUSINESS CASE

Proposal from the Leaders of Forest Heath District Council and St Edmundsbury Borough Council for the creation of a new, single council for west Suffolk

A. Executive summary

1. Forest Heath District Council and St Edmundsbury Borough Council have prepared a draft business case to test the option of a new, single district or borough council for west Suffolk from May 2019.
2. The proposal has arisen out of a commitment to shape the arrangements for local government in west Suffolk in the best possible way, in order to support our residents and business communities in achieving their ambitions and facing the changing and challenging future in the next decade.
3. Forest Heath and St Edmundsbury have a long, shared history, culminating in recent years in the formation of a full shared service partnership between the two councils that has saved in excess of £4 million in staff and other costs every year since 2011.
4. Appendix A to the draft business case tests the following four options for further transformation in west Suffolk, against the Government's criteria for considering changes in local council structures:

Options

1. do nothing
2. revert to working as two separate councils (dismantle the shared service partnership)
3. expand the shared service partnership to include other councils
4. create a new, single district council for west Suffolk

Government criteria

- better local/public services;
- significant cost savings;
- greater value for money;
- stronger and more accountable local leadership; and
- sustainability in the medium to long term.

5. The options appraisal concludes that a new, single district council for west Suffolk would bring the greatest benefits for local businesses and communities, including:

- value for money, financial savings and self-sufficiency;
- simplicity;
- democratic accountability;
- influence; and

- resilience.

6. Central to the proposal to create a new, single council is the desire to ensure that we can continue to meet the challenges that we are facing and take advantage of opportunities. For example, we are ambitious to go further in our place-shaping role, growing our local economy further, and putting families and communities at the heart of everything we do.

7. We also want to move forward with new forms of local government, for example, putting decisions and services at the most local level possible, investing in prevention, not crisis interventions, maximising our assets, and integrating with the rest of the public sector system.

8. All of this will require strong leadership from elected ward members. Both councils will already be subject to Electoral Reviews by the Local Government Boundary Commission for England (LGBCE) before the 2019 elections. So, whatever happens, the make-up of the two councils will be changing in the coming years to reflect growth in the districts over the last 15 years and changes in how local government works.

9. In spite of these strategic changes, there will be no change to the things that are currently valued about Forest Heath and St Edmundsbury Councils, in terms of locally delivered services, good customer access and strong connections between local councillors and their communities.

10. As the financial section of the business case makes clear, the main financial driver of the proposal to become a single council would be to protect the over £4m per year savings already achieved and to maximise the organisation's efficiency to address future challenges. There would be some immediate cashable savings of around £0.5m per year. The proposal would also ensure resilience and sustainability of much-valued local council services across the whole of west Suffolk, enabling us to continue to support businesses and residents.

11. A new single council would have a single level of council tax after a period of harmonisation. Appendix B sets out how this might be achieved, building on the existing commitments and requirements for changes in council tax over the medium term.

12. If agreement to the proposal for a single council is reached at the Council meetings on 13 and 14 June 2017, a period of public engagement will follow. A further proposal will be brought to both councils at their meetings in September 2017 for final approval. If both councils agree to proceed with creating a single council at this stage, the process of implementation will begin.

B. Introduction

13. Forest Heath District Council and St Edmundsbury Borough Council are committed to shaping the arrangements for local government in west Suffolk in the best possible way, in order to support our residents and business communities in achieving their ambitions and facing the changing and challenging future in the next decade. Our belief is that the

best option for us to achieve this is through the creation of a new, single district or borough council for west Suffolk from May 2019.

14. Our proposal to create a single council is shaped by our commitment to:

- a strong and growing economy;
- strong families and communities;
- self-sufficient and resilient local government;
- Using our commercial approach to invest back into our communities; and
- Efficient, effective services, offering value for money.

15. This document gives further detail on what creating a single district council for west Suffolk would entail, and compares it to the other organisational options to the councils.

About West Suffolk

16. The concept of West Suffolk has a long history, and the two councils of Forest Heath and St Edmundsbury have a lot in common, most recently reflected in the strong will amongst both authorities to work together more closely. This has led, over the past 8 years, to the formation of joint strategic plans and objectives, and a fully shared officer structure. At a member level, the joint families and communities strategy has emphasised a growing leadership role to create strong, empowered communities.

17. West Suffolk lies at a crossroads between the larger urban centres of Cambridge, Ipswich and Norwich with whom it is well connected by the A14 and A11. But the area also has its own unique environmental, economic, social and cultural strengths. West Suffolk is a beautiful rural area, with 85 parishes, nationally significant forest and heathlands and a number of thriving market towns. In particular, west Suffolk includes the historic town of Bury St Edmunds; the world centre for the horseracing industry at Newmarket; enterprise zones at Haverhill and Bury St Edmunds, Center Parcs near Brandon, the US Air Force bases at Mildenhall and Lakenheath and the RAF base at Honington.

18. The two districts are marked by their similarities, not their differences. As the map and infographics show, similar proportions of residents live in urban and rural areas; there are similar levels of deprivation in the two districts and residents and businesses in the two districts face similar challenges and opportunities for the future, for example, benefitting from the growth of Cambridge on the one hand, and supporting an increasingly ageing population on the other hand.

19. An assessment of our governance structure will enable us to review how we can work more effectively to support these common challenges, without losing our strong community relationships.

About the councils

Forest Heath and St Edmundsbury councils are adjacent district councils in the west of Suffolk, a county with two-tier governance (Suffolk County Council plus 7 district councils). The councils are members of both New Anglia and Greater Cambridge Greater Peterborough LEPS. They are not part of any current or proposed future combined authorities.

	Population (2015)	Number of Councillors	Revenue budget (2017-2018)*
Forest Heath	63,691	27	£31.5m
St Edmundsbury	112,523	45	£62.1m

**Gross budget including Housing Benefit payments*

Local government transformation in west Suffolk - savings and achievements so far

20. Forest Heath and St Edmundsbury councils are proud of our track record of sharing services and formulating joint plans and initiatives. We have saved in excess of £4 million in staff and other costs every year since 2011 through our full shared service and management partnership arrangements, and continue year-on-year to do this. This enables us to continue delivering excellent services and to support our communities to shape their futures. Since 2014, we have operated under shared Strategic Plans, Medium Term Financial Strategies and other major policies and strategies, underlining our shared commitment to working in partnership to make a difference in west Suffolk.

21. All of these savings were achieved without external funding or structural changes in governance. They form the first phase of our transformation journey in west Suffolk – the next step in which is our proposal to become a single council.

22. Our proposal follows consideration of the model of district-level local government our communities need in the future, in order to ensure their local provider of services is sufficiently stable, strong and influential in the face of radical change in the public sector and society more widely. These challenges include supporting an ageing population while driving growth in the local economy and in the context of reduced funding.

23. As set out in the remainder of this paper, our belief as Leaders, supported by our members, is that creating a new, single West Suffolk Council will give us the best possible opportunity to secure our future as viable councils as well as the future of the services delivered to our residents, businesses and communities.

The options for further transformation in west Suffolk

24. In formulating the proposal for a single council, consideration has been given to the following four options¹.

- do nothing
- revert to working as two separate councils (dismantle the shared service partnership)
- expand the shared service partnership to include other councils
- create a new, single district council for west Suffolk

25. Based on the high level options appraisal at Appendix A, we have developed the option of creating a new district council for west Suffolk (the 'single council'), as set out in the remainder of this document.

¹ Options 1-3 above already entail some element of change from the status quo, as both councils will be undergoing Electoral Review in 2017.

C: Benefits of a single council

26. A single council for West Suffolk would give us the following advantages:

Value for money, financial savings and self-sufficiency

- i) As set out in more detail in the financial business case below, becoming a single council is estimated to generate a further £0.5 million of annual cashable savings as well as protecting the annual shared services savings of £4 million plus across West Suffolk.
- ii) Becoming a single council would also mean releasing some capacity that is currently absorbed by serving two bodies. This would enable us to focus more on growing a single council's business areas (to generate new income to support services) and investing in communities. It would also mean doing the best for residents in terms of maximising the resources directed towards achieving outcomes, rather than spending time on complex or duplicated processes.
- iii) New income opportunities and savings will continue to be realised when contracts and system requirements come up for review, and dual arrangements can be replaced with a simpler, cheaper, single contractual relationship.
- iv) In the longer term, a single council would mean a bigger asset base to borrow against, without individual ring-fenced budgets.
- v) Achievement of i) – iv) above would provide a stronger basis from which to build a more financially self-sufficient organisation.

Simplicity

- vi) Becoming a single council could be seen as a natural continuation of the shared service journey. By removing the remaining complexities inherent in serving two bodies, the organisation would be simpler to run and manage, especially when considering new delivery models. Financial systems would be simpler, with single reporting requirements, and a removal of ring-fences and the need for reconciliation between different council budgets when running a shared operational service.
- vii) While we would still want a physical presence across the whole of West Suffolk with places for communities and businesses to access our services in different localities, including the Mildenhall Hub, the requirements for our buildings would be even simpler and more flexible than now.
- viii) We would also expect to see some of our staff capacity released as a result of more simple and effective ways of working, allowing us to focus on the delivery of key projects and strategic priorities.
- ix) Becoming a single council would also have benefits for our partnership working. Having seen the benefits that collaboration and clear leadership can bring to communities, some of our key service delivery partners have also joined together, so a single council for west Suffolk would mean a simplification of the decision making and service delivery relationships operating

within partnership relationships in local government and associated sectors.

- x) Delivery of services within local government and associated sectors has become increasingly fluid, with partners transferring responsibilities or working together more closely to deliver services. With increased fluidity, a single democratic decision making structure would support other systems established to support fast and efficient service delivery, meaning this proposal should be to the benefit of our key delivery partners.

Democratic accountability

- xi) A single council would mean the retention of a democratically sound model, but with an end to the need for joint decisions by the councils. Continuing with joint, but separate, decision-making could over time create a perceived 'democratic deficit', as joint decisions may be seen as blurring accountability, especially as financial pressures will differ over time. Residents would also benefit from a renewed democratic relationship with a new body. This would complement the opportunity of forging new relationships with communities.

Influence

- xii) A larger council, with a bigger population, local economy and GVA (Gross Value Added) would allow us more influence on the regional or national stage. A west Suffolk Council would have a population of over 176,000 (using 2015 estimates), rising to 202,129 in 2039². This would bring the councils from being 86th and 189th largest district councils in England (out of 202) to around 8th largest district/borough council when combined – a big voice among our peers and central Government.
- xiii) In particular, a larger council would be a more significant organisation in the context of a devolved model of working, alongside a combined authority and other partners with whom we want to pursue integrated working. This would be especially important when it comes to services such as health and social care where, as a council small enough to have strong local working relationships and knowledge, but large enough to deliver complex services competently, we could have a real impact on the lives of our residents and families.
- xiv) By creating a single council, we would be keeping pace with other areas where similar activities are taking place, such as East Suffolk, thereby allowing us to take advantage of being in the vanguard of transformation and reform.

Resilience

- xv) A single council will be a more resilient organisation than two smaller councils in the future and therefore better able to face the significant changes and challenges that local government will experience in the remainder of this decade and into the next.

² This compares to East Suffolk, whose combined population in 2014 was 240,695 and is expected to rise to 259,450 in 2039.

The current governance arrangements, which date back to 1974, while they have been fit for purpose so far, are likely to come under challenge in the longer term, particularly from the point of view of the potential for each individual council's financial strategies to diverge in the future, in light of some of the different financial pressures and opportunities facing each one. These pressures relate especially to those arising from changes to local government funding, such as the cut in government grants, 2017 business rates valuations, as well as significant changes expected around New Homes Bonus and 100% Business Rates Retention from 2019-20. All of these changes will put pressure on shared service delivery and therefore the cost-sharing model that supports them. This is explored further in the financial section later in this document. The small size of the councils, also raises questions about vulnerability in the medium term.

D: The role and vision of a West Suffolk council

The journey so far: shared ambitions

27. At the heart of the proposal to create a new, single council is a desire to continue to deliver against our strategic priorities and to make a difference for our residents, communities and businesses. These priorities are currently:

Priority 1: Increased opportunities for economic growth

Priority 2: Resilient families and communities that are healthy and active

Priority 3: Homes for our communities

28. As Leaders we also want to continue to embed the new ways of working that the councils have adopted in order to achieve these priorities, and the move towards self-sufficiency, which are described in the six themes of the councils' shared Medium Term Financial Strategy, as follows:

1. aligning resources to both councils' new strategic plan and essential services;
2. continuation of the shared service agenda and transformation of service delivery;
3. behaving more commercially;
4. considering new funding models (e.g. acting as an investor);
5. encouraging the use of digital forms for customer access; and
6. taking advantage of new forms of local government finance (e.g. business rate retention).

Looking ahead

29. As we look towards the next decade, we want to build on the councils' successes so far, by driving forward progress. West Suffolk is a thriving and dynamic part of the world, with vibrant market towns, strong

village communities and beautiful countryside. It has a broad-based economy, with a diverse range of small and medium sized enterprises, as well as some major employers. Tourism is a major asset, and new businesses are attracted to the area due to our relatively affordable housing, safe local areas, and good strategic transport links. However, we remain aware that some people in our communities can be left behind and don't enjoy these benefits. We therefore want to bring about inclusive growth and support our communities in making sure everyone has the opportunity to fulfil their potential and overcome challenges to their social, financial and physical wellbeing.

Our vision for a new council

30. If a new single council, fundamentally different from our existing councils (which have diligently served their communities for the past 40 years), becomes a reality then we would expect it to build its own vision through engagement with its councillors and, through them, its communities and local businesses.

31. However, a new West Suffolk council would present an opportunity to put in place many of the new ways of working and constitutional and corporate changes that Forest Heath and St Edmundsbury have been moving towards in recent years, and that do the best possible job in terms of supporting residents. From the outset, the new organisation could develop these ways of working further, for example:

- place-shaping on a wider scale than we do now, championing our localities and shaping them for the future;
- having the capacity to grow our own economy further, and reinvesting the benefits into supporting our local area;
- putting families and communities at the heart of everything that we do by engaging them in service delivery and reducing the need for some services;
- making sure things are done at the right level (subsidiarity), including a greater role for town and parish councils in truly local matters;
- using our community links to support our customers to access services in the best way;
- investing in prevention, not crisis interventions;
- integrating with the rest of the public sector system
- maximising our assets;
- behaving more commercially; and
- ensuring financial stability.

E: A new model of local government

The story so far - shared services

32. Forest Heath and St Edmundsbury councils have already started on a shared journey of strategic change, designed to support the achievement of our shared strategic vision to 'support communities to create the best possible future for people in west Suffolk'. The proposal

for a single council is therefore set in this context, and is the logical next step.

33. Since 2012, the councils have shared a Chief Executive, and since 2013, all staff have worked for both councils, on a single set of terms and conditions. In making these changes, which save more than £4 million of taxpayers' money each year, Forest Heath and St Edmundsbury have placed themselves at the forefront of public service reform, within the context of similarly strong transformation across the whole of the Suffolk public sector.

34. Councillors in Forest Heath and St Edmundsbury already work on a joint basis, for example through joint committees and working parties, joint Cabinet meetings, joint portfolio holder briefings and shared induction and learning and development programmes. Our councillor body consists of 72 members (27 in Forest Heath and 45 in St Edmundsbury). Both councils are currently Conservative-led, and each has its own Leader and Cabinet arrangement. Both councils currently set separate council taxes and budgets, even where used to fund jointly delivered services.

35. Sharing services has allowed the councils to remain strong in the face of recent challenges, and to support communities and deliver services in spite of ongoing cuts in funding. However, there is now a sense that the limits have now been reached of what the shared services model and traditional transformation and efficiency saving approaches can achieve in terms of making savings and creating a resilient organisation to face future challenges. Like several other councils locally and nationally, West Suffolk is ready to take the next step.

36. Councils are political organisations and, as such, the current partnership carries a significant financial risk to its sustainability in the event of political change (either through elections or of leadership), or through conflict arising between the two councils. This risk would be mitigated by the creation of a new, single council.

Council size

37. Critical to the success of a single council would be the leadership role of ward members, who would be at the frontline of our engagement with communities and integral to our ways of working, championing their localities, and providing local leadership, including liaising with town or parish councils.

38. Both councils will already be subject to Electoral Reviews by the Local Government Boundary Commission for England (LGBCE) before the 2019 elections. The last reviews were in 2001 and implemented in 2003 and growth in the area has unbalanced the existing wards. So, whatever happens, the make-up of the two councils will be changing in the coming years to reflect growth in the districts over the last 15 years and changes in how local government works.

39. If FHDC and SEBC were to proceed with the creation of a single council, councillors from both authorities would still need to submit a proposal to the Secretary of State for the size and governance arrangements for the new council. As with the existing planned reviews, this would need to include the number of councillors needed for effective representation of the community and strategic decision-making, but in relation to a single council rather than two separate ones. The proposal would then inform the work of the LGBCE who would carry out an Electoral Review of the new council following the agreement of the Secretary of State to the proposal.

40. The proposals for the size of the new council would need to reflect the guidance from the Local Government Boundary Commission for England on how many councillors are needed in 21st century councils. Applying the guidance to the whole of west Suffolk at the same time would allow a coherent view to be taken on the issue of ward size ensuring, among other things, electoral equality for shared decision-taking.

DCLG principles

41. In summary, a single council for west Suffolk would support the Department for Communities and Local Government's five broad, non-statutory principles that have been adopted for considering proposals for changes in local governance in advance of their being submitted to the Secretary of State for approval. These are as follows:

- better local/public services;
- significant cost savings;
- greater value for money;
- stronger and more accountable local leadership; and
- sustainability in the medium to long term.

42. We believe that, as set out above, the proposed creation of a single West Suffolk Council would support these principles.

F. Financial business case

Background

43. As discussed above, Forest Heath and St Edmundsbury councils have been on a journey of transformation and public service reform for many years saving in excess of £4 million in staff and other costs every year since 2011. The creation of a new, single council is a model of local government which would meet our communities' needs in the future and which would ensure a local provider of services which is sufficiently stable, strong and influential in the face of radical change in the public sector and society more widely.

44. In February 2017, both Councils approved 4 year balanced budgets covering the MTF period 2017-2021. Post April 2021 the anticipated combined savings targets (see paragraph 49 for business rates income assumptions) for the west Suffolk Councils are as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000s	£'000s	£'000s	£'000s	£'000s
Savings Target (Cumulative)	921	1,404	1,887	2,370	2,853

45. Although this financial business case identifies those costs and savings directly attributable to the creation of a new, single council, it also focuses on the strengths and opportunities that would accompany the creation of a financially stronger council with a higher worth than the current separate authorities.

46. Forest Heath and St Edmundsbury have both some similarities and a differences in their financial profiles. In terms of their balance sheets they have similar profiles reflective of their sizes; however their revenue budget positions have some differences.

47. The table below presents a summary of a new, single council balance sheet for West Suffolk based on the 2015/16 audited Statement of Accounts. Whilst there would not necessarily be immediate or directly quantifiable advantages, the combined balance sheet would undoubtedly be stronger and qualitatively more favourable. West Suffolk would essentially be financially stronger, with a higher net worth base to borrow against and to continue to invest in its communities, without individual ring-fenced budgets.

	Forest Heath	St Edmundsbury	West Suffolk
	£'000s	£'000s	£'000s
Long-Term Assets	£65,783	£109,602	£175,385
Current Assets	£31,736	£51,118	£82,854
Current Liabilities	(£5,013)	(£10,539)	(£15,552)
Long-Term Liabilities	(£21,163)	(£47,821)	(£68,984)
NET ASSETS	£71,343	£102,360	£173,703
Usable Reserves	£26,525	£35,008	£61,533
Unusable Reserves	£44,818	£67,352	£112,170
TOTAL RESERVES	£71,343	£102,360	£173,703

48. In terms of the revenue position of the two councils, probably the most noticeable difference concerns the position of the authorities is in respect of council tax receipts and the relative importance of localised business rates and government grants as an income source.

49. In 2019/20, Forest Heath has estimated net business rates income (including direct 'section 31' grants from Government and renewables

income), and revenue support grant of around £3.2 million (approximately 50% of their net revenue budget). In contrast, St Edmundsbury's net business rates income is estimated to be nearly £4.0 million, approximately 32% of their net revenue budget. Forest Heath consequently has a greater reliance on both business rates income and the residual Revenue Support Grant, which has been subject to major Government spending reductions and policy changes.

50. It is important to note that, around 2020, the business rates system will be completely re-set when the Government moves towards 100% retention of business rates by local government. This reset will also be accompanied by the transfer of additional responsibilities to local government, which could include a requirement to part-fund areas such as housing benefits. At this stage, it is impossible to predict the financial positions of both authorities under the new arrangements from 2020/21 onwards.

51. A single authority would have a different profile to the two current districts. Based on Medium Term Financial Strategy forecasts, the table below illustrates the comparative net budget and reserves and balances position of a new authority as at 2019/20, compared with the existing position.

2019/20 West Suffolk Net Budget Requirement (as approved February 2017)

NET BUDGET REQUIREMENT	Forest Heath £'000S	St Edmundsbury £'000S	West Suffolk £'000S
Council Tax	£2,730	£7,007	£9,737
Revenue Support Grant & Rural Services Delivery Grant	£214	£121	£335
Business Rates Retention	£2,992	£3,831	£6,823
New Homes Bonus Grant	£417	£1,493	£1,910
Total	£6,353	£12,452	£18,805
Council Tax	43%	56%	52%
Revenue Support Grant	3%	1%	2%
Business Rates Retention	47%	31%	36%
New Homes Bonus Grant	7%	12%	10%
Total	100%	100%	100%
General - Revenue	£2,000	£3,035	£5,035
Earmarked - Revenue	£6,204	£17,681	£23,885
TOTAL RESERVES	£8,204	£20,716	£28,920

52. The creation of a new, single council would enable a fundamental review of the earmarked reserves and balances held by the two separate authorities. In a number of areas, both authorities hold earmarked reserves for the same stated purpose, and a single council approach

would entail consideration of revised and potentially lower levels for these. A new single council would be able to make more efficient use of its reserves, both in providing for future revenue commitments, and in enabling consideration of capital financing options, which are referred to in more detail later in this document.

Financial business case methodology

53. The ongoing savings / costs and one-off transition costs that could potentially be expected as a result of the creation of a new single council are based on an initial review and by taking into account others undertaking similar work in this area, such as East Suffolk.

54. As the West Suffolk councils have been sharing all services since 2011, there are limited opportunities to generate further material savings from simply creating a new, single council. The savings are therefore based on the elimination of the relatively fixed costs of being separate authorities.

55. The ongoing savings have been categorised into the following areas:

- a. democratic savings
- b. corporate savings
- c. opportunity cost savings from removing need to invest in additional resources to support diverging financial strategies of two separate authorities

56. Later sections of this proposal consider two other financial aspects of a potential single council - council tax equalisation and capital finance considerations.

57. Overall, this financial analysis indicates that a creation of a single council could potentially produce further annual cashable savings of £0.5 million on top of the £4 million plus shared service savings being delivered annually to date across West Suffolk.

58. Estimated transition costs are likely to be recoverable within a year and will cover officer time and some external legal and software system costs to support the move to a single council.

Ongoing savings

Democratic savings

59. As noted in paragraphs 37-40 (above), the question of how many councillors should be elected to a new West Suffolk Council has not yet been considered by current Forest Heath and St Edmundsbury councillors. Form needs to follow function, so this number must reflect the democratic model sought for the new council and could be either higher or lower than now. However, for the purposes of indicative financial modelling only, a figure of 60 councillors has been used. This is an approximate midpoint between the current councillor number of 72; and a council based on ward sizes of 2500 electors (reflecting current national trends), which would

result in around 50 councillors. A council of 60 councillors would have a ward size of just over 2000 electors.

60. The level of allowances will also be subject to the recommendations of an Independent Remuneration Panel (IRP) and the decision of the new council. To provide a cautious estimate of potential savings, it has been assumed that the new scheme would pay both the highest current allowance in each Members Allowance Scheme, and would also continue to pay any allowance that it is currently paid by one or other of the authorities. This modelling, the midpoint figure referred to above, 60 councillors would, based upon the 15/16 Schemes, gives an estimate for potential savings of £100,000.

Corporate costs

61. In this financial analysis, a quantified estimate has been made in respect of a number of corporate areas where a single council would effectively automatically generate cashable savings compared with the current arrangements.

62. In addition to these estimates, however, an extremely important element of a single council that needs to be recognised is the gain in efficiency and capacity that would be released. Particularly at senior management team level, serving two authorities generates a considerable level of diseconomies, especially in attending committee meetings, briefing councillors, report writing, etc. In these areas, a single council would create a high level of efficiency savings that, whilst not immediately cashable, would create increased effectiveness of management and productivity. This would enable greater focus on growing business areas (to generate new income to support services) and investing in communities. To express this in financial terms, a 20% efficiency gain for leadership team, and a 10% efficiency gain for service managers is estimated to be equivalent to around £0.35 million per annum.

63. Examples of corporate areas that would effectively see immediate savings include external audit fees, corporate memberships, insurance policies costs and banking. External audit fees contain a significant element of fixed cost relating to the existence of both authorities as separate entities, and savings could be expected in both corporate audit costs, and the audit of benefit subsidy claims. Corporate memberships, such as Local Government Association (LGA) membership and insurance and banking charges would also be expected to reduce.

Opportunity cost savings

64. One of the risks of status quo is the councils could begin to diverge in their financial strategies as they face different pressures due to their revenue profiles, population sizes and other factors. This could then begin to unravel the considerable financial and service delivery benefits of shared services and as a result is likely to add cost back into the system through additional staffing capacity to deliver the diverging agendas. An estimated £0.2 million is expected to be saved under a single council model as additional capacity would not be required to support the diverging agendas of two separate authorities.

One-off transition costs

65. Estimates of one-off transition costs have been made at a corporate level, taking into account as far as possible the projects needed to support the two authorities through their transformational journey to a single council date and beyond as a new authority becomes embedded. Allowances for corporate one-off costs include estimates for change management, TUPE support, software system changes, legal and financial matters, contract novation and branding and signage (which could be phased), estimated to be below £0.5million with payback well within one year.

Other financial considerations

Capital finance considerations

66. There could be some potential to reduce the external borrowing requirements that would normally be projected if a single treasury management function, with access to greater volumes of cash and varying profiles, was available under a new, single council. There could also in the short term be some potential reduction in the Minimum Revenue Provision (annual allowance for the repayment of borrowing) requirement as the single council has access to a single capital receipt budget. Based on an estimated borrowing of around £1 million a year, which results in a MRP of around £40,000 (assuming a rate of 4%), and the use of capital receipts this revenue impact could effectively reduce by around £35,000 a year. The cumulative effect of adopting this approach would obviously be dependent on the availability of capital receipts or other resources.

67. No allowance has been made at this stage in this financial summary for any revenue savings arising from these possible revisions to capital financing policy – a new, single council would need fundamentally to review its capital programme priorities and funding, and financing considerations would form an element of this.

Summary financial analysis

68. A summary of the financial analysis work that has been quantified at this stage is shown below as a high-level summary. This summary is focused on the narrower consideration of the costs and benefits associated with the creation of a single council which could assist DCLG in consideration of this proposal. Consequently, a number of areas where the new authority would need further to develop its approach to deliver the financial advantages associated with being a stronger, single, authority have not been built into this summary. Using these relatively narrow parameters, this summary indicates payback of estimated transition costs early in year 1 following establishment of a new council, and ongoing savings are estimated to progressively increase during this analysis period when the new authority would be becoming increasingly embedded.

69. In addition to these identified ongoing savings, further potential revenue savings could result from review of both earmarked reserves and capital financing policy, as referred to later in this section. Additional non-cashable savings of £0.35 million a year are also expected through the

management efficiencies and capacity created, as explained under the corporate costs section at paragraph 61.

On-going savings	Cashable savings	Non-cashable savings	Total
Democratic/corporate	£0.30m	£0.35m	£0.65m
Opportunity cost savings	£0.20m	£-	£0.20m
Total	£0.5m	£0.35m	£0.85m

Council Tax Modelling

70. There would be a need (and opportunity) to establish a new budget for a single council, supported by a single level of council tax. The current (2017/18 rates) council tax levels for Band D are as follows:

- i. Forest Heath DC - £142.38
- ii. St Edmundsbury BC - £182.16

71. It is important to note that council tax income is increasingly becoming one of the more reliable and resilient elements of an authority's income budget. With the increased uncertainty of business rates income and government grants (councils continue to experience significant reductions) it is increasingly likely that councils will need to consider a stable level of council tax income in any future budget projections. This approach supports the desire to become more self-sufficient in order to protect services for our various communities. For Forest Heath Council councillors, in particular, increased council tax receipts are likely to continue to be an essential element of their financial strategy in the next administration even if a single council is not created.

72. DCLG has in the past offered the opportunity to harmonise to a single council tax level over a five-year period but indicated that other options could be considered taking each business case on its own merits. It should be noted that it will be for the new, single council to determine the appropriate level of council tax, however for the purposes of this paper and the overall single council discussion and debate a number of harmonisation options have been worked on.

73. The modelling, attached at appendix B), seeks to ensure the following principle in any single year of a harmonisation period (for example 5 years): that the overall council tax receipts of a single council would not be significantly less than the projections of the combined receipts of the two separate councils over the medium term. (The receipts for a single council take into account the assumed cashable savings of becoming a single council.) The modelling also takes into account the current annual council tax increase referendum limit (2% or £5 whichever is higher).

74. Based on the above, the level of council tax for the new, single council across the options modelled is likely to be around £182 - £188 per average band D property by 2025/26 (7th year of new single council). This charge is commensurate (perhaps slightly on the lower side) when

compared with projected levels for other similar, local councils. This comes with the caveat that, of course, it will be for councillors at individual authorities to set their council tax levels taking into account all financial and political considerations.

G: FUTURE CHANGES AND CHALLENGES

75. In moving forward in these areas, we recognise as Leaders that, in common with many local councils, Forest Heath and St Edmundsbury Councils are now facing unprecedented levels of change, challenges and opportunities, including:

- localism and devolution;
- changes in funding (for example, reductions in Government grant and New Homes Bonus and the move to 100% Business Rate retention by local government);
- the need to focus on prevention and integration;
- technological change; and
- wider societal change.

76. We believe that we therefore need to maximise the resilience of local government in West Suffolk in order to be able to achieve the ambitions set out above, while responding intelligently to, and overcoming, the challenges facing our communities and the councillors who serve them.

77. Any consideration of the proposal for creating a single council needs to be set against this background of change. When comparing the 'do nothing' option with the single council proposal, for example, we need to bear in mind that the context in which both will operate will be very different from the current position in five to fifteen years' time. Our thinking therefore needs to focus on which model will best allow us to achieve our ambitions, give us the greatest resilience and financial self-sufficiency from 2020 onwards, not at the current time.

Examples of future changes and challenges

Behaving more commercially

The way councils are financed is changing and the main Government grant will end by around 2020. This means looking at new investments which generate an annual return and allow the councils to be more self-sufficient and therefore to protect public services.

And the councils have been bold with our investments. For example in August 2016 Forest Heath became the owners of a £14.5 million solar farm. This is largest publicly-owned solar farm in the UK and will generate income rising from £300,000 in the first year to just over £700,000 per year by year ten of the 25-year project.

Considering new funding models

The councils have been taking new steps to develop our organisation, estate, councillors and staff. We're now looking at new ways to provide

efficient services which generate efficiency savings and build resilience into our services in the future.

One model being explored is joint ventures. The West Suffolk councils recently set up Verse Facilities Management Limited with Suffolk County Council. Verse has enabled the partners to consolidate facilities management services into one company, saving more than £40,000 a year. But this joint venture isn't only about putting facilities management under one hat, it also enables the partner councils to offer commercial services to other organisations and businesses to generate revenue which will contribute to the cost of running vital public services.

H. Public engagement and next steps

78. This proposal will be considered by St Edmundsbury Borough Council on 13 June 2017 and Forest Heath District Council on 14 June 2017.

79. If agreed, following the consultation and engagement period (see below), a further proposal will be brought to both councils at their meetings in September 2017 for final approval. If both councils agree to proceed with creating a single council at this stage, the process of implementation will begin.

80. The formal process for creating a new council would involve the Secretary of State using his powers under s15 of the Cities and Local Government Act 2016 to make changes to local arrangements, in response to proposals from local councils. To do this, the Secretary of State would look to the local elected councillors to make a proposal for the new council, including the number of councillors it should comprise; and to offer evidence alongside the proposal of local public support for it. This evidence would be drawn from the consultation and engagement period proposed to take place during June – September 2017.

Consultation and engagement

81. It is a matter for individual councils how exactly they engage with local people to inform them about, and seek their response to, a proposal to merge with a neighbouring council. There are no statutory requirements to consult in a particular way.

82. If FHDC and SEBC agree to the recommendations, a period of public consultation and engagement would begin during June 2017. During the engagement period, there would be:

- an opportunity for all residents to respond to an online/printed questionnaire;
- a telephone poll of a representative sample of 1000 electors, carried out by an independent opinion polling company;
- and
- ongoing dialogue with stakeholders, including businesses, communities, interest groups and residents.

Recommended timetable

St Edmundsbury Borough Council (SEBC) meeting. Recommendation: to agree proposal and launch consultation and engagement period	13 June 2017
Forest Heath District Council (FHDC) meeting Recommendation: to agree proposal and launch consultation and engagement period	14 June 2017
Future Governance Member Steering Group established to consider council size	June 2017
Consultation and engagement period	June – September 2017
SEBC Council meeting Recommendation: to agree to submit proposal to Secretary of State	26 September 2017
FHDC Council meeting Recommendation: to agree to submit proposal to Secretary of State	27 September 2017
FHDC and SEBC Special Cabinet meetings Recommendation: to agree the executive elements of the proposals	On the rising of both full council meetings
Proposal submitted to Secretary of State for Communities and Local Government	October / November
Secretary of State lays orders for a single council	Autumn 2017 - Spring 2018
Electoral review process by Local Government Boundary Commission for England (LGBCE) (i.e. internal ward boundaries)	Autumn 2017-2018
New Council established	April 2019
First elections to new council	2 May 2019

I. Appendices

Appendix A – Options appraisal for alternative future governance models

Appendix B – Detailed council tax modelling

Appendix C - Appraisal of risks associated with proceeding with the creation of a single West Suffolk Council

J. Background documents

West Suffolk Strategic Plan 2014-2016

West Suffolk Medium Term Financial Strategy 2016-2020

West Suffolk Annual Report 2015-2016

Council Tax Harmonisation options

APPENDIX B

Option 1 - Harmonisation over 5 years

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax Levels	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Forest Heath DC	152.28	157.23	162.18	167.13	172.08	177.03	181.98
<i>Annual change Forest Heath DC</i>	4.95	4.95	4.95	4.95	4.95	4.95	4.95
St Edmundsbury BC	182.16	182.16	182.16	182.16	172.08	177.03	181.98
<i>Annual change St Edmundsbury BC</i>	0.00	0.00	0.00	0.00	-10.08	4.95	4.95
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Council Tax Foregone	0	0	135	275	808	771	736
Transitional costs (est.)	300						
Savings	(300)	(300)	(500)	(500)	(500)	(500)	(500)
Net impact (income)/cost	0	(300)	(365)	(225)	308	271	236

Option 2 - Harmonisation over 6 years

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax Levels	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Forest Heath DC	152.28	157.23	162.18	167.13	172.08	177.03	181.98
<i>Annual change Forest Heath DC</i>	4.95	4.95	4.95	4.95	4.95	4.95	4.95
St Edmundsbury BC	182.16	182.16	182.16	182.16	182.16	177.03	181.98
<i>Annual change St Edmundsbury BC</i>	0.00	0.00	0.00	0.00	0.00	-5.13	4.95
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Council Tax Foregone	0	0	135	275	420	771	736
Transitional costs (est.)	300						
Savings	(300)	(300)	(500)	(500)	(500)	(500)	(500)
Net impact (income)/cost	0	(300)	(365)	(225)	(80)	271	236

Option 3 - Harmonisation over 7 years

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax Levels	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Forest Heath DC	152.28	157.23	162.18	167.13	172.08	177.03	181.98
<i>Annual change Forest Heath DC</i>	4.95	4.95	4.95	4.95	4.95	4.95	4.95
St Edmundsbury BC	182.16	182.16	182.16	182.16	182.16	182.16	181.98
<i>Annual change St Edmundsbury BC</i>	0.00	0.00	0.00	0.00	0.00	0.00	-0.18
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Council Tax Foregone	0	0	135	275	420	572	736
Transitional costs (est.)	300						
Savings	(300)	(300)	(500)	(500)	(500)	(500)	(500)
Net impact (income)/cost	0	(300)	(365)	(225)	(80)	72	236

Option 4 - Merged rate from April 2019

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax Levels	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5	Year 5
Forest Heath DC	166.94	170.28	173.69	177.16	180.70	184.32	188.00
<i>Annual change Forest Heath DC</i>	19.61	3.34	3.41	3.47	3.54	3.61	3.69
St Edmundsbury BC	166.94	170.28	173.69	177.16	180.70	184.32	188.00
<i>Annual change St Edmundsbury BC</i>	-15.22	3.34	3.41	3.47	3.54	3.61	3.69
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Council Tax Foregone	300	207	244	280	316	351	392
Savings	(300)	(300)	(500)	(500)	(500)	(500)	(500)
Net impact (income)/cost	0	(93)	(256)	(220)	(184)	(149)	(108)

For information - cost of reducing to the lowest level, discounted as not financially viable

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax Levels	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5	Year 5
Forest Heath DC	152.28	157.23	162.18	167.13	172.08	177.03	181.98
<i>Annual change Forest Heath DC</i>	4.95	4.95	4.95	4.95	4.95	4.95	4.95
St Edmundsbury BC	152.28	157.23	162.18	167.13	172.08	177.03	181.98
<i>Annual change St Edmundsbury BC</i>	-29.88	4.95	4.95	4.95	4.95	4.95	4.95
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Council Tax Foregone	1,105	931	889	848	808	964	743
Savings	(300)	(300)	(500)	(500)	(500)	(500)	(500)
Net impact (income)/cost	805	631	389	348	308	464	243

Note: The 'annual change' rows under each option above, reflect the annual change under the harmonised council tax options as a single council. Both council's financial plans, as standalone councils, would have assumed a continued rise in council tax during the same period. Forest Heath DC at £4.95 a year and St Edmundsbury BC at 2% per year.

Appendix C: Risk management

1. In order to properly consider whether to proceed with the proposed single council creation, we need to be mindful of the risks associated both with proceeding and with not proceeding, to ensure that the benefits described above outweigh the risks.

2. An appraisal of the risks associated with proceeding with a new council is set out below, covering the following risks and potential mitigations.

1. Proposal is not approved by the Secretary of State.
2. Creation of a new council is not implemented effectively.
3. Predicted benefits are not realised.
4. Changing status results in unforeseen changes in funding.
5. Confusion over new governance arrangements.
6. Residents perceive the council is more distant.
7. Lack of support from the public.
8. Resistance to change among staff and councillors.
9. Lack of clarity on overall vision and outcomes.
10. Changes in the external environment.

3. Meanwhile, there are a number of risks associated with NOT proceeding with a single council, which need to be borne in mind including:

1. Financial risks of diverging priorities – leading to cuts in service provision, reduced customer satisfaction and higher acute costs (due to lack of investment in prevention).
2. Risks of diverging political priorities during a time of intense pressure on local government (competing priorities). Possible breakdown of shared services arrangements.
3. Greater pressure on council tax levels.
4. Creating asymmetrical member arrangements across the two councils through the forthcoming electoral review process (in 2017) and missing the opportunity to align ward sizes.
5. Reduced councillor, staff and resident morale due to potential impacts on service delivery.
6. Missing out on 'first mover' advantage.

1. Proposal is not approved by the Secretary of State	
Impact	Action/ control
Unable to implement the creation of a single West Suffolk Council.	We will continue to seek advice and guidance from the Department for Communities and Local Government (DCLG) and other associated bodies such as the Local government Association (LGA) and Local Government Boundary Commission for England (BCE)

	to ensure we meet their expectations and make our vision and outcomes clear.
2. Creation of new council is not implemented effectively	
Impact	Action/ control
Negative impact on political relationships and service delivery. Negative impact on profile of the previous councils and new merged Council.	We will create a clear and long term vision with regular performance management and progress reports. We will also establish robust political and officer governance to deliver the creation of a new council and long term vision.
3. Predicted benefits are not realised	
Impact	Action/ control
Savings and service benefits are not delivered which creates additional budget pressures for the new council.	We will create a clear framework for managing the financial benefits expected from the change. Detailed project design will ensure successful implementation of the new arrangements and associated benefits.
4. Changing status results in unforeseen changes in funding	
Impact	Action/ control
Unforeseen budget and service delivery pressures for the new council.	We will continue to horizon scan and engage with Government departments on new developments and announcements. Throughout the transition to a new council we will assess the impact not only on the separate councils but also the future council.
5. Confusion over new governance arrangements	
Impact	Action/ control
Reduced public confidence in the decision-making process and quality of decisions being made by the council. Inability to make key decisions which are essential to the running of West Suffolk services.	We will establish robust political governance in consultation with DCLG, the LGA and the BCE. Cross-party and cross-authority work on the new constitution will start during 2017 to ensure appropriate arrangements are in place ahead of the first election in May 2019.
6. Residents perceive the council is more distant	
Impact	Action/ control
Less sustainable and resilient communities resulting in increased public sector demand and costs.	There will no change to customer access arrangements. We have a new approach to

<p>The council could experience a reduced ability to understand and address different needs across the West Suffolk localities.</p>	<p>supporting families and communities and would look to take this approach into the new, single council. A detailed communications plan will be in place to ensure we actively engage with key partners, stakeholders and the local community to minimise any impacts.</p>
7. Lack of support from the public	
Impact	Action/ control
<p>This would bring a lack of credibility from residents, businesses, councillors and partners. The knock-on effect would be reduced willingness to form partnerships with a new council and a lack of public trust in the councils' ability now, or future new council's ability, to deliver public services.</p>	<p>A comprehensive communications plan will be in place and will include detailed engagement with the public. Engagement with the public will include a telephone poll with a representative sample of west Suffolk residents alongside the ability for anyone to comment. The communications plan will also include briefings with staff and politicians so that the key messages can be disseminated to and discussed with the public, local business and our partners.</p>
8. Resistance to change among staff and councillors	
Impact	Action/ control
<p>Difficulty trying to establish an organisation culture and potential for councillor resignations/disaffection. The message being disseminated by staff and members could be negative and this could impact on the public support for the creation of a single council. Increased employee and member dissatisfaction could lead to poor performance.</p>	<p>Our strategy for the creation of a new council will be open and transparent so that all staff and members are fully informed and engaged with at every step of the process. In addition we will work with the Unison to ensure that any staff transitional arrangements are clear and straightforward. We will have regular briefings with all members and ensure that all communication channels are used to keep members are fully informed at all times.</p>
9. Lack of clarity on overall vision and outcomes	
Impact	Action/ control
<p>Increased senior officer and member time to manage internal and external relationships. A lack of clarity regarding the direction of the council could also</p>	<p>We will have a clear, long term, strategic vision for the new single council. The political and officer structures and</p>

have a negative on the profile for the council and bring difficulties to service delivery. Elected members' commitment to the partnership could falter and there could be a return to the previous separate arrangements.	governance arrangements will have been established and in place ready for the first elections. We also have a performance management framework in place to ensure that the ambitions for the new council are being delivered.
10. Changes in the external environment	
Impact	Action/ control
New Government initiatives or policies or a change in local government reorganisation could halt or delay the creation of a single council.	We will continue to liaise with DCLG and the LGA regarding any national developments or Government announcements. Our business and service planning arrangements will remain flexible so that we can make changes to reflect the changing economic climate and political landscape.