

# **Supplementary Information**

**HAVANT BOROUGH COUNCIL  
CABINET  
7 March 2022**

Dear Councillor

I am now able to enclose, for consideration at meeting of the Cabinet, to be held on 07 March 2022 the following supplementary information that was unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>	
<b>6</b>	<b>Options Appraisal and Business Case for Withdrawal from Joint Management and Shared Staff Arrangements</b>	<b>1 - 84</b>

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NON-EXEMPT

## HAVANT BOROUGH COUNCIL

CABINET

07 March 2022

### Options appraisal and business case for withdrawal from Joint Management and Shared Staff Arrangements

#### FOR DECISION

Portfolio Holder: Leader, Cllr Alex Rennie

Key Decision: Yes

Report from the Chief Executive and Head of Paid Service, Kim Sawyer

Report Number: HBC/032/2022

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#### 1. Purpose

1.1. This paper is submitted to Cabinet, by the Council's Chief Executive:

To consider the options related to, and the business case for, withdrawing from the inter-authority agreement between East Hampshire District Council and Havant Borough Council dated 31 January 2012 (the Joint Management Team and Shared Staff Agreement, referred to herein as "JMTA"), which sets out the basis for a joint management team and for sharing staff resources across both organisations.

#### 2. Recommendation

2.1. Members are requested to recommend the following to Full Council for consideration and approval

- a. To approve the preferred option for the future of the Council as set out in the Options Appraisal and Business Case (Appendix 1).
- b. To approve the outline business plan for the delivery of the preferred option, as set out in the Options Appraisal and Business Case (Appendix 1).

- c. To note the findings of the independent report by CIPFA (Appendix 2) into the affordability of the option to end the Joint Management Team Arrangements.
- d. To approve the arrangements for managing transition as set out in section 7 of the Options Appraisal and Business Case (Appendix 1), and that the Chief Executive be delegated authority, in consultation with the s151 Officer, Monitoring Officer and Head of OD, to develop and implement a robust transition plan, including the entering into contracts or variation agreements which may be required.

### **3. Executive Summary**

- 3.1. On the 26 January 2022, Havant Borough Council determined to withdraw from the Joint Management Team Agreement, subject to a business case being reported to the next meeting of the Council exploring the risks, issues, benefits, and costs of the withdrawal and further exploring those in light of a proposed reduction of the 24 months exit period.
- 3.2. Accompanying this report, in Appendix 1, is the stated business case, which is supported by an options appraisal, which underpins stated recommendations. This case has been developed jointly between the two Authorities, though a case for each is presented separately and distinctly.
- 3.3. The case submitted provides a weighted perspective on options available to the Council for future direction, and, in the subsequent case, provides a structured and evidenced perspective on key elements based around the Green Book Five case model. At this time, the focus is on the Strategic, Economic, and financial perspectives. These provide the basis for recommendations made to Members.

### **4. Additional Budgetary Implications**

- 4.1. These are detailed in the accompanying options appraisal and business case (Appendix 1).

4.2. The CIPFA report states that the Council has the financial resources available to enable the delivery of the proposed separation of the two Councils, however there are a number of significant risks identified with the proposed separation which are set out in the report.

4.3. At its Council meeting on 23 February 2022 the members unanimously agreed to set up a Budget Working Group in response to concerns raised by the Chief Finance Officer to the deficit in the MTFS. It is proposed that the Budget Working Group should meet with CIPFA to fully understand the financial risks outlined in their report and should address those risks through its work to deliver a financially sustainable proposal on the MTFS to the Cabinet.

## **5. Background and relationship to Corporate Strategy and/or Business Plans**

5.1. Havant Borough Council agreed a refreshed Corporate Strategy for 2022 to 2025 on 23 February 2022. This updated on key Council Priorities and immediate, medium- and longer- term actions to deliver these. The basis for the recommendations in this paper are firmly linked to strategic delivery. The rationale behind this is fully explored in the options appraisal and business case (Appendix 1).

## **6. Options considered**

6.1. These are detailed in the accompanying options appraisal and business case (Appendix 1).

## **7. Resource Implications**

### *Financial Implications*

7.1. These are detailed in the accompanying options appraisal and business case (Appendix 1). This covers affordability and costs of the decision to enable delivery of balanced budgets in the future. Future work will give further details of financial expenditure for the Council going forward. These will reflect the Council's future operating model, which will be determined by each Authority and will be within the

context of future plans for transformation. Additionally an independent report by CIPFA (Appendix 2) has been produced which reviews the affordability of the option to end the Joint Management Team Arrangements.

**Section 151 Officer comments**

Date: 25.02.22 Matthew Tiller

The options appraisal and business case set out the affordability and costs of the decision

7.2. *Human Resources Implications*

Initial consideration of these are detailed in the accompanying options appraisal and business case (Appendix 1). Beyond the detail laid out, implications here will be considered further to plans laid out by both Councils for their future structures.

7.3. *Information Governance Implications*

Matters here will need to be considered in the context of any revised arrangements which may arise between any Authorities working in partnership. There are considerable potential impacts in terms of data sharing, which will need a detailed assessment, with appropriate provisions to be put in place, when practicable.

7.4. *Links to the Shaping our Future Programme*

Initial consideration of this is detailed in the accompanying options appraisal and business case (Appendix 1). Beyond the detail laid out, further plans will be determined by each Authority, in the context of any future plans for transformation.

## **Shaping our Future Lead comments**

Date: 28.02.2022

This business case and options appraisal recognise the need for transformation and set out both the challenges and opportunities for the Councils

### *Other resource implications*

- 7.5. The Options Appraisal and Business Case does not commit resources in itself but provides the framework for the allocation of resources by Cabinet

## **8. Legal Implications**

- 8.1. These were laid out in the paper issued in support of the proposed withdrawal from Joint Management and Shared Staff Arrangements, considered on 26 January 2022, and are noted in updated form below.
- 8.2. On the 1st October 2010 a Joint Management Team was established across both Councils. On the 1st October 2011 the new Service Managers took up their posts to manage services across both Havant and East Hampshire Councils.
- 8.3. The JMTA continues in force until terminated either unilaterally by one Council acting by its full Council only after a decision by one or both of the individual Cabinets that the withdrawing Council is unable to accept or by agreement by both Councils acting by the full Councils on the recommendation of one of the Cabinets.
- 8.4. In the event of withdrawal from the JMTA the consequential costs, including costs of recruitment selection administration, but not salary costs after the termination date, shall be apportioned equally between the two Councils and each Council will indemnify the other Council in respect of the Council's share from and against any

actions or causes of action, claims, demands, proceedings, damages, losses, costs, charges and expenses whatsoever arising from or in connection with termination or withdrawal.

- 8.5. In the event of withdrawal from the JMTA, it sets out that both Councils shall cooperate in terminating modifying restructuring assigning or novating contractual arrangements entered into, to mutual advantage, and properly and in a timely manner execute any documents necessary.
- 8.6. There is provision within the agreement for dispute resolution in the event that the Leaders of the Councils in conjunction with the Chief Executive are unable to resolve any dispute. Any such unresolved dispute may be referred to an arbitrator appointed from the Chartered Institute of Arbitrators or such other professional body appropriate to the matter in dispute.
- 8.7. As a consideration of the process for withdrawing from the JMTA, and in accordance with the Conflict of Interest Policy of both Councils, separate legal officers have been allocated for each Council to ensure independent and confidential advice can be provided when and as required.

**Monitoring Officer comments**

Date: 24.02.22 D Toohey

Legal Implications are set out above in the body of this report. The Options Appraisal and Business Case, in addition to the independent report by CIPFA on this matter, set out key issues which the Council will need to address as it transitions away from the existing JMTA and shared arrangements.

**9. Risks**

- 9.1. These are outlined in the accompanying options appraisal and business case (Appendix 1). A risk register is being compiled to manage the risks during the transition and the Corporate Risk Register is also being reviewed to ensure

corporate risks covering staffing, financial and operational matters have effective mitigations in place during the transition.

**10. Consultation**

- 10.1. These matters are being subject to full consideration by Cabinet and Council. Should material service changes arise, appropriate consultation protocols will be applied.

**11. Communication**

- 11.1. All appropriate papers and background material are published on the Council's website. Notifications and updates will be issued via the website and social media, as and when needed.

**12. Appendices**

Appendix 1 – Business Case and Options Appraisal  
Appendix 2 – CIPFA Report

**13. Background papers**

- 13.1. None

Agreed and signed off by:

Portfolio Holder: Cllr Rennie 28.02.22

Chief Executive/Director : Kim Sawyer 28.02.22

Monitoring Officer: Daniel Toohey 24.02.22

Deputy Section 151 Officer: Mathew Tiller 25.02.22

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# The future of East Hants District Council and Havant Borough Council, strategic case, options appraisal, and business plans

## 1 Executive Summary

This report stems from recommendation 2b of the paper entitled “Withdrawal from the Joint Management Arrangements” considered by Havant Borough Council on the 26<sup>th</sup> January 2022 and East Hants District Council on the 20<sup>th</sup> January 2022 which resolved:

*“To agree to withdraw from the Joint Management Team Agreement, subject to a business case being reported to the next meeting of the Council exploring the risks, issues, benefits, and costs of the withdrawal and further exploring those in light of a proposed reduction of the 24-month exit period”*

This report follows the HM Treasury ‘Five Case’ structure

The Councils have, since 2009, been operating within a sharing arrangement, there being sufficient convergence in the Councils agendas for it to make sense to pool resources and pursue their ambitions in partnership with each other. However, both Councils have been pursuing their corporate objectives in an environment which is rapidly changing. The central strategic question facing both Councils now is what is the most advantageous and sustainable configuration in which to face the future.

In 2009 Councils in England were facing significant cost reductions which called into question the sustainability of many districts. With local government reform through structural change ruled out at the time, and with the business process outsourcing market beginning to decline, a heyday for shared service arrangements emerged. Scale and efficiency were seen as the key drivers of cost reduction and improvement.

As the PESTLE (2.2.1) analysis shows, the environment in which Councils operate has changed significantly. The ‘reductive’ environment prevalent in 2009 and has now given way to one which is far more expansive, and the importance of geography or ‘place’ has been amplified by initiatives such as devolution, ‘County Deals’ and targeted ‘levelling up’ initiatives. Many shared service arrangements between Councils, developed a decade or so ago, have begun to unravel as councils seek alternative solutions to their financial and place-based challenges.

## 1.1 The need to re-evaluate the options for the future

The need for the Councils to re-evaluate the partnership and explore options for the future arise from:

### 1.1.1 *Emerging Differences in the vision and priorities of EHDC and HBC*

Whilst there are clearly some areas of commonality between the authorities there are some significant differences in the actions required to pursue similar goals.

### 1.1.2 *Increasing significance in the differences in the place-based challenges of EHDC and HBC*

The geographic, demographic, economic and infrastructure characteristics of Havant and East Hampshire demonstrate differences between the two areas. As a result, the needs, challenges, and opportunities for each area shape and inform different strategic and political priorities for Havant Borough Council and East Hampshire District Council.

### 1.1.3 *Increasing differences in the relevance of national agendas to EHDC and HBC*

Since the original agreement, significant developments in national policy agendas have emerged that create both opportunities and obligations for the Councils.

In the White Paper, 'Levelling up the United Kingdom', the UK Government has announced eight Freeports in England, including a Solent Freeport and Havant BC, as a partner in the endeavour, will require significant capacity and focus to gain advantage from the development.

Under a separate mission the White paper sets out proposals to reduce "the gap in Healthy Life Expectancy (HLE). For some time the policy agenda of the Department of Health and Social Care has been to focus not simply on the curative aspects of health care provision but on the preventative aspects collectively referred to as the "wider determinants of health". The emphasis is now on the work of the local Primary Care Networks (PCNs) and these require different relationships with the PCNs serving, East Hants on the one hand, and Havant and Waterlooville on the other

The White Paper also sets out a new devolution framework for England. This framework sets out pathways to a devolution deal for every area of England that can make the case. The discussions taking place regionally about devolution present a number of potential options for the future

### 1.1.4 *Strain on leadership capacity*

Both councils have become increasingly aware of the leadership capacity to serve diverging agendas, both councils need dedicated leadership focus on their priority areas, and this is stretching current capacity.

The DMA (Decision Making Accountability) exercise undertaken by the LGA to focus on the spans (the number of staff that each manager manages) and layers (the levels of the

hierarchy) in both councils identified a lack of strategic capacity due to the way the councils are currently structured.

Overall the feedback from staff surveys is positive with the vast majority clearly valuing and enjoying the work they do. Recent trends however have shown some signs of strain

### 1.1.5 *Growing differences in the financial position of the Councils*

The financial challenges of the Councils are currently very different. The required savings of Havant Borough Council are significantly larger than those of EHDC.

	2022/23	2023/24	2024/25	2025/26	2026/27
	000s	000s	000s	000s	000s
<b>East Hampshire DC</b>	0	466	(262)	(254)	179
<b>Havant BC</b>	0	1,268	1,799	2,339	2,664

### 1.1.6 *Differences in the transformation journeys of the Councils*

In the design of transformation programmes form should follow function. As the focus and priorities of each council begin to diverge, the Shaping our Future programme, which both councils have been developing becomes a key area.

The Programme has achieved much in developing the foundation of any transformation activity.

These are assets with both Councils have invested in and own, which will be of use to both as they move forward.

However differences are apparent in:

#### 1.1.6.1 *The scale and timings of the savings requirements*

#### 1.1.6.2 *The relative priorities of different services in the two Councils*

#### 1.1.6.3 *The options for savings delivery through shared services*

One of the transformation tools that has been developed by the Shaping our Future programme team has been 'Next level sharing' Whilst it is assumed that benefit could be derived from this line of enquiry it should be recognised that in over 10 year of partnership the Councils have not been able to gain political agreement to the standardisation and integration necessary to progress significantly beyond the initial savings achieved through shared management

#### 1.1.6.4 *Difference in learning needs*

The process by which Heads of Service and their direct reports had been due to redesign services was through the applied programme in service re-design. Differing priorities, savings needs and timescales and the fact that the two further sharing is

unlikely makes the idea of staff from the two Councils working alongside each other more challenging.

## 1.2 The options

Option	Description
<ul style="list-style-type: none"> <li>As is</li> </ul>	This will act as the baseline option from which all other options will be compared and assessed; this option has already been rejected but it is included here for comparison and completeness
<ul style="list-style-type: none"> <li>Improved Existing Partnership</li> </ul>	This option will model the improvements, opportunities, and challenges of the existing partnership arrangement, taking account of the currently planned transformation programme.
<ul style="list-style-type: none"> <li>Standalone Authority</li> </ul>	This option will model the improvement, opportunities and challenges for a standalone authority arrangement.
<ul style="list-style-type: none"> <li>Future strategic alliance</li> </ul>	This option considers the opportunities for a strategic alliance in the future. This option is not based on any ongoing discussion and is not specific to any potential single partner or multiple partners. This heading serves as a descriptor for a range of alliance possibilities, from a service supplier relationship, to limited sharing, to close collaboration as part of a devolution deal or to structural change under local government reform.

## 1.3 The Criteria

Criteria	Description
<b>External Considerations</b>	
Vision	The extent to which the proposed option enables the realisation of the Councils' vision for its community and organisation.
Leadership Capacity	The extent to which the proposed option creates sufficient leadership capacity, both political and managerial, to address challenges and opportunities in their respective areas
Place Priority	The extent to which the options enable the Councils to address the needs that arise from the demography, geography, infrastructure, and economy of their respective areas
National Policy objectives	The potential of the proposed options to enable the Councils to grasp the opportunities afforded by emerging national agendas such as levelling up, health service reform (ICS) and planning policy initiatives
<b>Internal Considerations</b>	
Financial sustainability	The extent to which the options provide financial sustainability in the short, medium and long term
Transformation journey	How the options enable the transformational challenges of the respective organisations
Focus and priority	Whether the options enable staff to have a clear focus on what matters to local communities
Employer of choice	The extent to which the options enable the Councils to attract and retain high quality staff

## 1.4 The comparative weighting of the criteria

Criteria	EHDC Weighting	HBC Weighting	Rationale
<b>External</b>			
Vision	5	5	Both councils have compelling vision, and a good sense of the characteristics of community and what matters to their people
Place Priority	4	5	The place of Havant is more challenging and developing prosperity is a central challenge, greater than that in EH
National Policy	5	5	The demography of the area means that the synergy in particular with welfare, housing and planning agendas is more important
Leadership Capacity	5	4	Potentially greater focus on this in EHDC
<b>Internal</b>			
Financial sustainability	3	5	HBC has a greater challenge across all time frames
Transformation journey	5	4	Transformation matters more in EH, innovation and new approaches are more prevalent compared to the more traditional HBC
Focus and priority	5	5	This is key for both councils, both of whom need a focus on their priority areas
Employer of choice	5	4	Important to both initially for retention but long term both will need to provide an attractive prospect for people to want to come and work

## 1.5 Scoring the criteria and evidence sources

### 1.5.1 Scoring of options for EHDC

EHDC		As is			Improve partnership			Standalone Council			Future Strategic Alliance		
Criteria	Weighting	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result
Vision	5	M	3	15	M	3	15	H	5	25	M	3	15
Place Priority	4	L	1	4	L	1	5	H	5	25	H	5	20
National Policy	5	L	1	5	L	1	5	M	3	15	H	5	25
Leadership Capacity	5	L	1	5	L	1	5	H	5	25	M	3	15
Financial sustainability	4	L	1	4	H	3	20	H	5	20	M	3	12
Transformation journey	5	M	3	15	M	3	15	H	5	25	M	3	15
Focus and priority	5	L	1	5	L	1	5	H	5	25	M	3	15
Employer of choice	5	L	1	5	H	3	25	H	5	25	M	3	15
Totals				58			95			188			132

### 1.5.2 Narrative and evidence sources

EHDC	Narrative	Evidence Source
<b>Vision</b>	EHDC's agenda is compatible with HBC at a high level but, because of the differences in place and priority, both the as-is and improved partnership options are sub-optimal. Entering a new partnership may be advantageous in the future but would be distracting in the short term. A standalone council is therefore the preferred option for the immediate future.	The new Corporate Strategy sets out a vision and proposed objectives to deliver that vision, evidenced in section 2.4
<b>Leadership Capacity</b>	EHDC is trying to build leadership capacity at the strategic level and the current position means that insufficient time is available for a focus on its specific priority areas and partnerships. Leadership needs to be focussed on the transformation programme and pursuing any other partnerships would be a distraction.	See sections 2.7.1 and 2.7.2 for specific information on leadership, this is supported by the information in 2.6 on diverging agendas and 2.9 on transformation
<b>Place Priority</b>	Place plays an increasing role in the future plans of EHDC in contrast to the conditions that drove the original partnership agreements. East Hants serves a different area and population with different needs to those of HBC. In the first instance attending to the priorities of its area and then potentially seeking a partner with greater place-based synergy is the best option.	National data demonstrating the geographic, demographic, economic and infrastructure characteristics of the area is evidenced in paragraph 2.5.
<b>National Policy</b>	National Policy agendas are important to EHDC, specifically those that relate to the contribution it can make to the wider determinants of health for its population. Whilst this agenda matters to Havant as well, their focus will be more on levelling up and economic regeneration, as is and even improved partnership options. Devolution and LGR agendas are also relevant but potentially will require EHDC in a different direction	See section 2.6. which sets out some of the more significant areas of national policy
<b>Financial sustainability</b>	EHDC more favourable financial position allows the authority more options and choices for the future. The position overall creates space for investment in priority areas and opens up the possibility of longer-term investments to take advantage of innovative technologies. In the short term EHDC will have to bear the costs of the disaggregation of the JMTA and advice from CIPFA states that this is bearable in the short term, following this the strategic, long-term opportunity has the potential to be greater.	Details of the financial challenges are included in Para 2.8 Financial Challenge
<b>Transformation journey</b>	The Council is fully committed to the transformation programme and will be able to proceed to implementation. Though proceeding with the planned transformation would have ensured sustainability and resilience, by pursuing a standalone option much of the planned transformation can still be delivered. Once transformation has been achieved the council will then be in a good position to pursue other strategic partnerships.	See section 2.9
<b>Focus and priority</b>	For staff, there is clear strain at present in serving the needs of the two councils, the transformation programme is aimed at giving greater clarity and focus on priority areas and whilst this would help, there is obvious advantage to be gained from a singular focus in the short term. Exploration of future partnership opportunities can then be accommodated.	Detailed in the Business Plan 1.1 and 3.2
<b>Employer of choice (CT)</b>	The current stresses that staff report of working for two councils and the difficulties in accurately accounting for the utilisation of shared staff between them makes the current position far less than ideal. The transformation programme is aimed at giving the staff greater agency in the re-design of services and this enables greater resilience in services and better outcomes for services. The appeal of a solvent council able to vary terms and conditions to reward staff is significant and will attract innovative people.	See section 2.7 and also 3.3 of the Business Plan

1.5.3 Scoring of options for HBC

HBC		As is			Improve partnership			Standalone Council			Future Strategic Alliance		
Criteria	Weighting	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result
Vision	4	M	3	12	M	3	12	H	5	20	H	5	20
Place Priority	5	L	1	5	M	3	15	H	5	25	H	5	25
National Policy	5	L	1	5	L	1	5	H	5	25	H	5	25
Leadership Capacity	4	L	1	4	L	1	4	H	5	20	H	5	20
Financial sustainability	5	M	2	10	M	3	15	M	3	15	M	3	15
Transformation journey	4	L	1	4	M	3	12	M	3	12	M	3	12
Focus and priority	5	L	1	5	L	1	5	M	3	15	M	3	15
Employer of choice	4	M	2	10	M	3	12	M	3	12	M	3	12
<b>Totals</b>				<b>55</b>			<b>80</b>			<b>144</b>			<b>144</b>

### 1.5.4 Narrative and evidence sources

HBC	Narrative	Evidence Source
<b>Vision</b>	HBC's agenda is compatible with EHDC at a high level but, because of the differences in place and priority, both the as-is and improved partnership options are sub-optimal. A standalone council is desirable but may not be sustainable, moving towards a new partnership may be necessary in the future and should be considered as part of its transformational plan.	The new Corporate Strategy sets out a vision and proposed objectives to deliver that vision, evidenced in section 2.4
<b>Leadership Capacity</b>	HBC lacks capacity at the strategic level and the current position means that insufficient time is available for a focus on its specific priority areas and partnerships. Leadership needs to be focussed on immediate sustainability and on the creation of a transformation plan that meets with current challenges whilst building a platform for the future.	See sections 2.7.1 and 2.7.2 for specific information on leadership, this is supported by the information in 2.6 on diverging agendas and 2.9 on transformation
<b>Place Priority</b>	Place plays an increasing role in the future plans of HBC. Containing demand in the future will be significantly influenced by the prosperity of its economy and the extent to which this provides benefits and opportunities to address inequality and deprivation in communities. In the short-term attending to the priorities of its area with others whose activity influences the sub-region.	National data demonstrating the geographic, demographic, economic and infrastructure characteristics of the area is evidenced in paragraph 2.5.
<b>National Policy</b>	National Policy agendas are important to HBC, specifically those that relate to the prosperity of its economy through regeneration and inclusivity through levelling up. Devolution and LGR agendas are highly relevant given the county deals initiatives and a focus on the Free Port needs focus.	See section 2.6. which sets out some of the more significant areas of national policy
<b>Financial sustainability</b>	The Cipfa report identifies that the existing Medium Term Financial Strategy (MTFS) for Havant, as recently approved by the Council, does not contain sufficient resources to finance the existing Council services, and that the additional costs arising from the separation from EHDC will add an additional financial burden.  However, Cipfa have considered the totality of the financial reserves and provisions which could be available to the Council, and subject to the review of the Budget Working Group, there may be sufficient resources available for an independent Havant to become a financially viable Council. The Cipfa outlines some of the potential resources available, and what needs to be done to deliver those resources.	Details of the financial challenges are included in Para 2.8 Financial Challenge CIPFA report
<b>Transformation journey</b>	Though proceeding with the planned transformation would have ensured sustainability and resilience, the Council now needs to adjust to fit in with its targets and timescales. The options for other partnerships should be considered as part of its transformational journey.	See section 2.9
<b>Focus and priority</b>	For staff, there is clear strain at present in serving the needs of the two councils, the transformation programme is aimed at giving greater clarity and focus on priority areas and	Detailed in the Business Plan 1.1 and 3.2

	whilst this would help, there is obvious advantage to be gained from a singular focus in the short term. Exploration of future partnership opportunities can then be accommodated.	
<b>Employer of choice</b>	The current stresses that staff report of working for two councils makes the current position far less than ideal. In the short term the Council will need to reduce staffing levels. The Council has the opportunity to create its own distinct branding and appeal based on the challenge of prosperity, inclusivity, and partnership	See section 2.7 and also 3.3 of the Business Plan



## 1.6 Preferred Option

The options appraisal concludes that in the case of EHDC, a standalone Council with the potential to develop new strategic partnerships in the future that match with its place-based ambitions, is the best way forward.

In the case of HBC the standalone council is preferred in the first instance, it has the capacity to do this now provided it can reduce its cost base to be sustainable in the medium term. This option is the best place from which it can then consider any future strategic alliances.

## 1.7 Transition

The Councils have worked together in formal partnership arrangements for over 10 years and in that time have become intertwined in ways that may not immediately be obvious and will need to be unravelled consciously and carefully. However, given the limitation of the 'as is' arrangements the Councils will want to pursue their preferred options as quickly and as safely as practical. It is vital therefore from the point of service continuity, financial sustainability, staff retention (and recruitment) and partner relationships that the transition from old to new arrangements is carried out as efficiently as possible.

### 1.7.1 *Creation of a transition plan*

To do this it is proposed that the Chief Executives create a robust transition plan for each authority involving their respective s.151 and monitoring officers and their resources and transformation

- Separation of Governance arrangements
- Management of financial consequences
- The appointment of staff
- The management of Contracts
- The future of ICT arrangements and the management of security and data
- The future of services that are shared
- Transformation plans
- Partnerships

## 2 Context

### 2.1 Background to this report

This report stems from recommendation 2b of the paper entitled “Withdrawal from the Joint Management Arrangements” considered by Havant Borough Council on the 26<sup>th</sup> January and East Hants District Council on the 20<sup>th</sup> January 2022 which resolved:

*“To agree to withdraw from the Joint Management Team Agreement, subject to a business case being reported to the next meeting of the Council exploring the risks, issues, benefits, and costs of the withdrawal and further exploring those in light of a proposed reduction of the 24-month exit period”*

This report follows the HM Treasury ‘Five Case’ structure

Case	Question	Content
<b>1. Strategic</b>	Is it needed?	An exploration of circumstances which have given rise to the need for the Councils to revisit their Joint Management Team Arrangement
<b>2. Economic</b>	Is it value for money?	Consideration of a range options to further the strategic direction of the Councils based on their objectives and circumstances.
<b>3. Commercial</b>	Is it viable?	Exploration of the Councils capacity and capability to make the preferred options work
<b>4. Financial</b>	Is it affordable?	Consideration of the impact of terminating the old and commencing the new arrangements and the consequences for immediate resilience and long-term sustainability
<b>5. Management</b>	Is it achievable?	An outline plan for the transition for each council and further plans (to follow) for each council to programme manage the delivery of the preferred option

### 2.2 Arrangements for delivering objectives since 2009

The Councils have, since 2009, been operating within a sharing arrangement, there being sufficient convergence in the Councils agendas for it to make sense to pool resources and pursue their ambitions in partnership with each other. However, both Councils have been pursuing their corporate objectives in an environment which is rapidly changing. The central

strategic question facing both Councils now is what is the most advantageous and sustainable configuration in which to face the future.

The logic of the arrangement in 2009 arose from a set of circumstances that can best be illustrated by a PESTLE (political, economic, social, technological, legal and environmental) analysis. The table below shows the set of circumstances that led to the development of the shared service arrangement, the column on the right illustrates what has changed in just over a decade.

### 2.2.1 PESTLE analysis 2010 versus 2022

Element	2010	2022
<b>Political</b>	<p>'Austerity'</p> <p>No encouragement for local government reorganisation</p> <p>Shared service promotion</p>	<p>'Levelling up'</p> <p>Waves of devolution deals from 2016. County deals and place-based investment deals</p>
<b>Economic</b>	<p>Post economic crash</p> <p>Public spending reduction</p>	<p>Post pandemic recovery</p> <p>Levelling up investment</p>
<b>Social</b>	<p>Population diversity,</p> <p>High household expenditure</p> <p>More holidays abroad</p>	<p>Winners and losers from the pandemic,</p> <p>Exodus from cities,</p> <p>Risk averse behaviours</p>
<b>Technological</b>	<p>Social media users 970m</p> <p>90% of local government data on local servers</p> <p>Prevalence of desktop devices</p> <p>Zoom Video conferencing has less than 10 million users</p>	<p>Social media users 2.96b</p> <p>60% of local government data in the Cloud</p> <p>Prevalence of mobile devices</p> <p>Zoom Video conferencing in excess of 300 million users</p>
<b>Legal</b>	<p>Local government act 2000</p>	<p>Cities and Local Government Devolution Act 2016</p>
<b>Environmental</b>	<p>IEA forecasts 6 degree increase by 2300</p> <p>Accelerating rise in sea levels</p>	<p>Cop 26</p> <p>IEA forecasts 2.9-3.4 degree increase 2300</p> <p>Climate emergency</p> <p>10% growth in use of fossil fuels</p>

In 2009 Councils in England were facing significant cost reductions which called into question the sustainability of many districts. With local government reform through structural change ruled out at the time, and with the business process outsourcing market beginning to decline, a heyday for shared service arrangements emerged. Scale and efficiency were seen as the key drivers of cost reduction and improvement.

In response to the pressures that were present at that time, the Councils developed a business case for initially sharing senior managers across both East Hampshire District Council and Havant Borough Council that was agreed by the Councils in June 2010. The initial report that established a shared Chief Executive identified the drivers as being

- Seeking efficiency in service delivery through shared functions
- Improved innovation and creativity through sharing of skills
- Improved capacity to deliver services
- Improved sustainability as a district council
- Resilience and attractiveness in two-tier and commercial markets as a provider and customer
- Meet[ing] the Political objective of smaller and more efficient Government”

In February 2011 the Councils approved a business plan for extending their shared management arrangements to include a management restructure which subsequently resulted in further managers and staff carrying out the duties and activities and functions of their posts for and on behalf of both of the Councils.

In January 2012 a formal agreement the Joint Management Team arrangement (JMTA) was entered into and sealed by both Councils.

As the PESTLE analysis shows, the environment in which Councils operate has changed significantly. The ‘reductive’ environment prevalent in 2009 and has now given way to one which is far more expansive, and the importance of geography or ‘place’ has been amplified by initiatives such as devolution, ‘County Deals’ and targeted ‘levelling up’ initiatives. Many shared service arrangements between Councils, developed a decade or so ago, have begun to unravel as councils seek alternative solutions to their financial and place-based challenges.

## 2.3 The need to re-evaluate the options for the future

The need for the Councils to re-evaluate the partnership and explore options for the future arise from:

1. Emerging Differences in the vision and priorities of EHDC and HBC
2. Increasing significance in the differences in the place-based challenges of EHDC and HBC
3. Increasing differences in the relevance of national agendas to EHDC and HBC
4. Strain on leadership capacity
5. Growing differences in the financial position of the Councils

## 2.4 Emerging Differences in the Vision and priorities of EHDC and HBC

The Corporate Strategies for both authorities have recently been reviewed and updated. Both documents set out the ambitions of each Council for their residents, businesses, community groups, public service partners and visitors. Whilst there are clearly some areas of commonality between the authorities there are some significant differences in the actions required to pursue similar goals.

East Hants District Council	Havant Borough Council
East Hampshire has a Corporate Strategy 2020-2024 which consists of four themes:	Havant Borough has a Corporate Strategy 2022-2025 consisting of six themes
<ul style="list-style-type: none"> <li>• A fit for purpose council</li> <li>• A safer, healthier and more active East Hampshire</li> <li>• A thriving local economy with infrastructure to support our ambitions</li> <li>• An environmentally aware and cleaner East Hampshire</li> </ul>	<ul style="list-style-type: none"> <li>• An environmentally aware and cleaner borough</li> <li>• A safe environment, healthier and more active residents</li> <li>• A thriving local economy</li> <li>• A revitalised borough with infrastructure that meets our ambitions</li> <li>• A responsive and commercial council</li> <li>• A quality home for all</li> </ul>

Whilst these lists have much in common, a more detailed examination of the context and actions arising from these aims shows significant differences between the two Councils

### 2.4.1 An environmentally aware and cleaner borough/district

Each council has an approved Climate and Environment Strategy with supporting action plans, this is similar to many other authorities across the country who are now adopting plans to tackle the climate crisis. There is also a desire for each authority to use its emerging Local Plans as tools to help tackle the climate crisis, although it at East Hampshire there is a clear mandate to specifically target planning applications to ensure that large scale planning developments are carbon neutral.

HBC focus	EHDC focus
With 56km of coastal line the borough focus is very much on protecting the coastline as well as preventing flooding in the future due to 22% of borough being within a flood zone.	Establishment of a dedicated Green Team to ensure that initiatives across the council consider the green agenda in all policy development and decision making.
As a more densely populated area there is a focus on improving the borough street scene and providing cleaner streets in town centres	Countryside agenda to tackle climate, in particular with the tree planting initiative in the district.

Local Plan to ensure policies on including EV charging points at new developments	Local Plan to ensure a supplementary planning document for climate and environment and to be net zero carbon for 2023/24
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Whilst there are similarities between the two authorities in their desire to tackle climate change, both are at different stages with differing immediate priorities. For Havant, it has only recently adopted its Climate and Environment Strategy, whilst East Hampshire declared a climate emergency several years ago and is now at the stage of employing a dedicated team to take forward the initiatives. In addition, while both utilise their Local Plans to help tackle climate issues, East Hampshire has launched an ambitious target with its Local Plan in particular through its desire for the plan to be net carbon zero.

#### 2.4.2 *A safe environment, healthier and more active residents*

There is a some alignment between each authority with respect to this theme, although this would be expected as many local authorities seek to ensure that their residents are living in a safe and healthy environment. The differences in the priorities arise from the difference in the demographics between the two authorities and the strategies that have been put in place to address these.

HBC focus	EHDC focus
Havant has a number of priorities centred around healthier lifestyles, reflecting their younger population. Specifically through investment in play parks and future planning for leisure provision it is seeking to improve overall health targeted at the younger population.	For a number of years East Hampshire has had a focus on its Welfare and Wellbeing Strategy focusing on a number of areas such as social isolation, mental health and improving community connectivity and sense of place
A desire to review how community assets are used and whether they could be better utilised for community benefit, for example as youth clubs	Looking at improving affordable housing within the district and implement its Homelessness Strategy and supporting action plan
Consideration of how the council can work with initiatives such as Violence Against Women Group (VAWG) and Safer Streets Fund to reduce crime in the area	

For Havant the above theme has a number of priorities which it wishes to deliver whilst the focus at East Hampshire is on its already approved Welfare and Wellbeing Strategy. Havant is looking to utilise potential funding opportunities through national programmes such as VAWG and Safer Streets Fund to target areas within its town centres and link this work with its wider Regeneration and Economy Strategy. In contrast East Hampshire has a dedicated earmarked reserve fund to implement its Welfare and Wellbeing Strategy as well as dedicated Supporting Community Grant scheme which as been running for a number of years. The aims of both authorities to create safer, more active communities are clearly

complimentary, however the approaches are increasingly different reflecting both the demographics and financial position of each authority.

### 2.4.3 *A thriving local economy*

As both authorities emerge out of the pandemic, like many local authorities there is a desire to ensure that jobs are created and protected and the economies of each area recover the losses made during the pandemic, in particular with respect to their high streets.

HBC focus	EHDC focus
Through the Havant Business Partnership Forum and Regeneration focus group the council is seeking to improve and build relationships with employers across the borough	A number of programmes are already in existence and over the next few years these will be used to help support pandemic recover. For example the 'Get East Hants Working' programme will continue to help young seek employment through apprenticeship and skills development
Working to help facilitate the potential delivery of the Solent Freeport including potential delivery of skills and innovation centre for Leigh Park	Engage with businesses to help support business growth including a refresh of the Business East Hants partnership
Using the new Regeneration and Economy Strategy consider how to reduce the empty shops within town centres, in particular Havant and Waterlooville.	

For Havant the focus over the coming years within this theme is very much on building up new relationships with business community in order to help deliver regeneration. In particular, the potential opportunities with respect to the Solent Freeport will see the focus for the Havant economy on the Solent area and potential improved jobs and funding that may be offered as a result of a Solent Freeport. For East Hampshire, the agenda is focussed on growing existing partnerships that have been in place for a number of years to improve job prospects for the area.

### 2.4.4 *Infrastructure to support ambitions*

Within this theme, Havant, in particular has a significant desire to progress a number of priorities which are linked to its Regeneration and Economy Strategy. These priorities will require significant resource and focus to deliver over the coming years. East Hampshire, with its Enhance East Hants Strategy is looking to consolidate on its place and capture the potential that is offered with already progressed schemes such as the Whitehill and Bordon regeneration.

HBC focus	EHDC focus
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Implementation of its Regeneration and Economy Strategy with a focus on identifying the first projects to see 'spades in the ground' over the coming year.	Implementation of Enhance East Hants Strategy with a focus on identifying priority projects and prioritised CIL spending
Focus on Hayling Island seafront opportunities with new strategy and ambition document to be launched	Ensuring delivery of s106 commitments in Whitehill and Bordon, in particular delivery of the town centre over the coming years
Identification of key projects and funding to be delivered for Leigh Park regeneration as well as a review of how to take forward redevelopment of Waterlooville	Unlock the potential spending opportunities of CIL and s106, working closely with Hampshire County Council
Engagement with partners such as Hampshire County Council to unlock infrastructure projects at an early stage	

Havant has a strong ambition to implement its new Regeneration and Economy Strategy and to do this through leveraging funding opportunities that are available, in particular with respect to central Governments Levelling Up agenda. Engaging with central Government to maximise opportunities will require significant resource whilst also delivering against the priorities within the Regeneration and Economy Strategy. For East Hampshire, significant funding for the flagship regeneration of Whitehill and Bordon was secure a number of years ago and the priority now is to deliver a successful town centre for that development with plans already significantly advanced. East Hampshire has recently delivered two new leisure centres and therefore focus is very much on ensuring the benefits of these new leisure centres are delivered for the residents and council.

#### *2.4.5 A commercial and responsive council / A fit for purpose council*

The proposal for this theme is similar in that each council is seeking to transform but there are significant other areas within this theme where the councils differ which partly account for their current financial positions. Havant has a particular short term challenge with respect to its medium term financial strategy, whilst East Hampshire has a less pressing immediate financial issue. In addition, East Hampshire has a large commercial property portfolio which over the coming years will need to be managed closely in order to ensure the financial benefits of such a portfolio continue to be delivered.

HBC focus	EHDC focus
Delivery of its 'Credible Plan' in response to the short term financial issues. This will require a transformation programme in order to ensure the Council is on a sound financial footing going forward.	Delivery of the 'Shaping our Future' programme in order to set the council up for redesigning of its services, embracing new technology and driving performance
Introduction of a commercial income strategy and review of major contracts to	New Asset Management Strategy to be drafted to ensure that investment portfolio is

improve financial position, in particular as the Norse and Capita contracts approach their end.	achieving best possible results for the council.
Utilise office space and use of the Plaza to maximum benefit as the authority emerges from the pandemic with new ways of working.	Review accommodation requirements including consideration of Penns Place as well as potential hubs within town centres across the district

The initial focus for Havant is on its short term financial position which will be addressed through its ‘Credible Plan’, focus will then be on longer term large contracts such as Norse and Capita, ensuring best financial delivery for the council. For East Hampshire the initial focus is on longer term planning around its commercial property portfolio and on how and from where it will deliver redesigned services in the future.

#### 2.4.6 *A quality home for all*

This represents a particular priority for Havant, focussing on access to good quality housing for all including ensuring that housing stock within the borough is the best it can possibly be. Delivery of housing targets is key as well as ensuring that affordable homes are available within the borough. Whilst East Hampshire has a similar viewpoint, Havant has identified this area as a particular priority requiring significant resource and focus to deliver.

### 2.5 Increasing Differences in the Place based challenges of EHDC and HBC

The geographic, demographic, economic and infrastructure characteristics of Havant and East Hampshire demonstrate differences between the two areas. As a result, the needs, challenges, and opportunities for each area shape and inform different strategic and political priorities for Havant Borough Council and East Hampshire District Council.

Characteristics	Havant	East Hampshire
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<p><b>Population</b></p>	<p>The mid-year 2020 resident population estimate is 126,811<sup>1</sup>, the 9<sup>th</sup> most populated borough in the Pan-Hampshire<sup>2</sup> region. By 2030, the population is forecast to rapidly grow by 7.4% (nearly 9,000 residents), one of the fastest population growths in Hampshire<sup>3</sup>.</p> <p>The indices of deprivation show that nearly one third (23 out of 75) of all the Lower Super Output Areas (LSOAs) in Havant are in the top quintile of the most deprived local areas nationally. There are small pockets of deprivation on Hayling Island and Waterlooville, but widespread deprivation in Leigh Park. Six LSOAs in Leigh Park are in the top 10% of highest deprivation nationally, the remaining in the top 20%.<sup>4</sup></p>	<p>The mid-year 2020 resident population estimate for East Hampshire is 123,800<sup>5</sup>, and just over 20% are aged 65+ years. The population is forecast to grow to 129,212 (increase of 5.4%) by 2030. Population projections estimate the largest increase is amongst those of retirement age (65+) where by 2030 the growth of this age group is predicted to rise by around 25%<sup>7</sup>.</p> <p>ONS' Opinion and Lifestyle survey 20-21 demonstrates that 12.2% of East Hampshire residents report feeling lonely often or always, the second highest district in Hampshire. Those who report experiences of social isolation were more likely to be aged 65+<sup>1</sup>.</p>
<p><b>Economy</b></p>	<p>Havant's GVA output was valued in 2019 at £2.713 billion (£21,394 per resident)<sup>10</sup>. Havant is the borough with the smallest increase (70%) in GVA between 1998 and 2019 in Hampshire<sup>2</sup>.</p> <p>The largest contributing industries to economic output in Havant were manufacturing (16.7%, £509 million), distribution, transport, accommodation and food (16.3%, £495 million) and real estate activities (15.2%, £463 million)<sup>11</sup>.</p> <p>Improving digital connectivity is key to supporting businesses and local communities in the future. It is also attractive commercially and can contribute towards a prosperous economy. Broadband download speeds in Havant are mainly fast (under 100 Mbit/s), and in some LSOAs are superfast (100+ Mbit/s)<sup>17</sup>.</p>	<p>East Hampshire's GVA output was valued in 2019 at £2.672 billion (£21,583 per resident)<sup>18</sup>. East Hampshire had a lower increase (81%) in GVA between 1998 and 2019 in Hampshire.</p> <p>The largest contributors to economic output in East Hampshire by industry were distribution, transport, accommodation and food (19.4%, £552million), real estate activities (18.56%, £528million) and public administration, education and health (14.45%, £411million)<sup>19</sup>.</p> <p>Digital connectivity and broadband download speeds in East Hampshire vary from superfast (100+Mbit/s) to slow (under 30 Mbit/s). Superfast is mainly based in densely populated areas such as Bordon, and slow in rural areas<sup>25</sup>.</p>

<sup>1</sup> Hampshire CC [Microsoft Power BI](#)

<sup>2</sup> Hampshire CC [Microsoft Power BI](#)

## Jobs and skills

There are 41,000 jobs in Havant, but job density is lower with a score of 0.67 than the Hampshire average score of 0.84<sup>26</sup>. The employment rate in Havant from Oct 20-Sept 21 was 81.4%, and unemployment rates at 3.8%<sup>27</sup>, which is one of the higher unemployment rates within Hampshire. Claimant counts in Havant in December 2021 were 4.1% of those aged 16-64, the highest of all lower-tier authorities in Hampshire and remain above the Hampshire rate of 2.7%<sup>28</sup>.

Although Pan-Hampshire has a higher proportion of employees in higher skill occupations than the UK average, Havant is the lowest ranking of all Hampshire authorities of the proportion of those in higher-skilled occupations (37.1% compared to 48.6% Pan-Hampshire).<sup>31</sup>

When understanding the impacts of COVID-19 on businesses, Hampshire's Business Vulnerability Index 2021 identified of all lower-tier authorities in Hampshire, Havant ranked as the most vulnerable.<sup>35</sup> This was due to self-employed businesses being particularly vulnerable, and Havant had the highest uptake rate of the Self-Employment Income Support Scheme.<sup>36</sup>

There are 42,000 jobs in East Hampshire, and there is a job density of 0.82 in 2019.<sup>38</sup> The employment rate in East Hampshire from Oct 20-Sept 21 was 85.2%, and unemployment rates at 3.2%<sup>39</sup>. Claimant counts in East Hampshire in December 2021 were 2.3% of those aged 16-64, one of the lowest of all lower-tier authorities in Hampshire and below the Hampshire rate of 2.7%<sup>40</sup>.

East Hampshire is the 3<sup>rd</sup> highest ranking of all Pan-Hampshire authorities of those in higher skill occupations. This totals 50.4% of employees, higher than the Pan-Hampshire average of 48.6% and the UK average of 47.4%.<sup>43</sup>

Of East Hampshire residents aged 16-64 years, 49.8% hold NVQ4 qualification or above, this is the third highest ranking Pan-Hampshire authority, and higher than the Pan-Hampshire average of 42.8%.<sup>44</sup>

<p><b>Regeneration, infrastructure, and housing</b></p>	<p>Objective assessment of housing need in Havant has identified 10,433 new homes between 2016 and 2037<sup>50</sup>. However, many local authorities within Pan-Hampshire have seen housing affordability becoming an acute issue, with Havant being one of them. Havant’s affordability ratio (median house price to median gross annual (residence based) earnings in 2020) was 9.48.<sup>51</sup> House prices for Havant are above the national average, coupled with lower wage earnings, meaning housing is fast becoming less affordable.</p>	<p>Many local authorities within Pan-Hampshire<sup>54</sup> have seen housing affordability becoming an acute issue, with East Hampshire being one of them. East Hampshire’s affordability ratio (median house price to median gross annual (residence based) earnings in 2020) was 12.58.<sup>55</sup> This makes it one of the least affordable places to live outside of London and ranks significantly (over 40%) above the national average, and the second highest unaffordable authority in Pan-Hampshire.</p>
<p><b>Geography</b></p>	<p>Havant has approximately 56km of coastal frontage, 32km of main river frontage and Sites of Special Scientific Interest (SSSI). This is a major asset to the Havant area and supports the tourism industry, which is worth approximately £190m in visitor spend and supporting 4,440 local jobs<sup>59</sup>.</p> <p>However, 22% of the borough’s land is designated within an Environment Agency flood zone and predicted sea level rise could result in tidal events affecting areas such as Hayling Island, and an increase in fluvial flood flows may put additional pressure in the town of Havant and areas adjacent streams<sup>60</sup>.</p>	<p>The South Downs National Park (SDNP) was designated as a national park in 2010 and holds planning decision powers for the South Downs area. The SDNP covers over half (57%) of the land in the East Hampshire district and includes areas such as Petersfield and Liss<sup>61</sup>. Due to this, housing and job opportunities are limited in the SDNP area, and therefore the delivery of homes and jobs for the whole district will look to the north and south of SDNP.</p>

## 2.6 Differences in the relevance of national agendas to EHDC and HBC

Since the original agreement, significant developments in national policy agendas have emerged that create both opportunities and obligations for the Councils. A wave of devolution deals, accompanied by the development of accountable bodies to deliver them, began in the Greater Manchester in 2014. Though piecemeal, a number of unitary councils have also been created through local government reorganisation in Buckinghamshire, Cornwall, Somerset, North Yorkshire and Cornwall.

### 2.6.1 Devolution, county deals, local government reorganisation and NHS reform

The white paper, ‘Levelling up the United Kingdom’, sets out 12 missions each of which combine a number of new and pre-existing initiatives from across Whitehall departments.

Under the banner of ‘Unlocking globally mobile investment and harnessing the UK’s independent trade policy’ the UK Government has announced eight Freeports in England, including a Solent Freeport. The Freeports will be able to begin initial operations to attract private investment. This initiative has potential benefits in terms of jobs and innovation growth and Havant BC, as a partner in the endeavour, will require significant capacity and focus to gain advantage from the development.

Under a separate mission the White paper sets out proposals to reduce “the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest” as well as to “improve well-being in every area of the UK.”

For some time the policy agenda of the Department of Health and Social Care has been to focus not simply on the curative aspects of health care provision but on the preventative aspects collectively referred to as the “wider determinants of health”. This agenda integrates with local government at all levels to

- “draw attention to the broad range of individual, social and environmental factors which influence our health
- provide the public health system with intelligence on the wider determinants of health to help improve population health and reduce health inequalities”

In 2020 23.7% of the population in Havant was over 65 and in East Hampshire 23.9%. This is forecast to grow to 25.9% in Havant and 26.9% in East Hampshire by 2027. Compared to the 2020 baseline, the number of people aged over 65 in Havant and East Hampshire will grow by 14.3% and 17.2% respectively<sup>3</sup>.

Prior to the White Paper the Councils have been involved in the development of the work generated by the NHS action plan ‘Integrating care: Next steps to building strong and effective integrated care systems’. Whilst both Councils are part of the wider ‘Integrated Care System (ICS) and Integrated Care Partnership (ICP), the emphasis is now on the work of the local Primary Care Networks (PCNs) and these require different relationships with the PCNs serving, East Hants on the one hand, and Havant and Waterlooville on the other.

The White Paper also sets out a new devolution framework for England This framework sets out pathways to a devolution deal for every area of England that can make the case. It announces a first wave of County Deals and whilst Hampshire is not named as one of them, all the Councils in Hampshire have been involved in developing propositions that would meet the criteria. The devolution framework is underpinned by four principles: effective leadership, sensible geography, flexibility and appropriate accountability. The three levels set out in the devolution framework are:

- Level 3 – a single institution or County Council with a directly elected mayor (DEM), across a functional economic area (FEA) or whole county area;
- Level 2 – A single institution or County Council without a DEM, across a FEA or whole county area; and
- Level 1 – Local authorities working together across a FEA or whole county area e.g. through a joint committee.

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<sup>3</sup> ONS population projections 2018

Within the levels there exists a multitude of possibilities that relate to the functional economic areas and the Councils operate within different FEA geographies. Local Government reorganisation “will remain a locally-led avenue available where there is broad local support, but will not be a requirement for a devolution deal.”

The discussions taking place regionally about devolution present a number of potential options for the future. There are also two clear economic areas emerging within Hampshire that could form the geography for future combined authorities. One to the North which has synergies with EH and one to the South with a similar urban and coastal character to Havant.

The report ‘Withdrawal from Joint Management and Shared Staff Arrangements’ agreed by both Councils in January it is recognised that whilst the Shaping our Future transformation programme requires greater integration to achieved the next level of benefit from the partnership “Further integration may be premature until the implications of the Levelling Up White Paper are known and understood. The consequence of all of these emerging agendas is to open up the landscape for the reconfiguration of partnerships, with organisational efficiency and resilience not being the dominant criteria as it was just over a decade ago.

## 2.7 Strain on leadership capacity in EHDC and HBC

Both councils have become increasingly aware of the leadership capacity to serve diverging agendas, both councils need dedicated leadership focus on their priority areas, and this is stretching current capacity.

### 2.7.1 DMA report findings

The DMA (Decision Making Accountability) exercise undertaken by the LGA to focus on the spans (the number of staff that each manager manages) and layers (the levels of the hierarchy) in both councils identified a lack of strategic capacity due to the way the councils are currently structured. The two-director model which is in place is a traditional way of structuring services in district and borough councils and this can cause tension and inefficient ways of working due to the stretched capacity of the roles. The concern the councils have regarding leadership capacity is borne out in the findings of the DMA exercise. Recommendations which include a move towards structures which have greater strategic capacity will enhance the work with members to deliver objectives and improve decision making.

### 2.7.2 Feedback from wellbeing surveys

Overall the feedback from staff surveys is positive with the vast majority clearly valuing and enjoying the work they do. Recent trends however have shown some signs of strain. The wellbeing survey’s which have been conducted over the last 18 months highlight the challenge further as some staff report high workloads, inability to have sufficient breaks and managers under too much pressure to be able to be effective with their team members in 1-1’s. (20% of staff reporting that they do not have regular 1:1 conversations with their manager; 9% of staff reporting that they are not able to take sufficient breaks; 41% of staff

reporting that their workloads are too high and 55% of staff reporting a higher workload and increased demand due to the pandemic).

## 2.8 Differences in the Financial challenges of EHDC and HBC

Both Councils publish annual Medium Term Financial Strategies (MTFS) which identifies the projected financial position over the next 5 year.

The financial challenges of the Councils are currently very different. The required savings of Havant Borough Council are significantly larger than those of EHDC.

	2022/23	2023/24	2024/25	2025/26	2026/27
	000s	000s	000s	000s	000s
<b>East Hampshire DC</b>	0	466	(262)	(254)	179
<b>Havant BC</b>	0	1,268	1,799	2,339	2,664

### 3.8.1 The MTFS in EHDC demonstrates that:

- Net service expenditure will reduce to £12.272 million by 2026/27;
- Provision is made for salary and other inflation;
- Over the period the MTFS requires cumulative savings totalling £6.50 million, which it is proposed to be delivered via Shaping our Futures Transformation savings
- On the funding side, it is projected that overall Business Rates yield will increase by £0.866 million; Council Tax yield by £0.750 million and that New Homes Bonus will disappear
- The Council is planning to add £1.531 to earmarked reserves each year;
- The Council has strong projected level of Revenue Ear Marked Reserves
- By 2026/27 there is expected to be an in-year deficit of £0.179 million but with small surpluses in 2024/5 and 2025/6;
- Current MTFS shows an overall virtually balanced budget over period of the MTFS

### In HBC

- Net service expenditure will rise to £17.624 million by 2026/27;
- Over the period an provision of £3.193 million has been made for salary and other inflationary pressures;
- Published MTFS shoes a balanced budget in 2022/23 and highlights pressures in future years.
- The MTFS makes no forecast of any savings after 2022/23;
- On the funding side, it is projected that overall Business Rates yield will increase by £0.434 million; Council Tax yield by £0.950 million; and that New Homes Bonus will disappear:
- The Council is planning to add £0.806 to earmarked reserves each year;
- By 2026/27 there is expected to be an in-year deficit of £2.664 million and over the four years of the MTFP, the cumulative deficit will be £8.070 million;

- Savings will need to be identified to ensure Council is financial sustainable over the medium term

In both Councils the reduction in the cost of services is intended to be achieved by transformational activity based upon the transformational plan prepared last year, Shaping our Future.

### 2.8.1 *The track record of shared services*

Shared services is an approach to cost reduction and resilience that emerged during the 1990's and peaked just after 2015. They represent a trade-off between the need for financial savings on the one hand and the need for organisational autonomy on the other. They are based on there being sufficient similarity, or strategic interdependence, between the organisations for them to be served by common leadership and systems. The arrangements are not mergers. In shared services the governance arrangements preserve the sovereignty of the original organisations, they represent an approach based on collaboration.

The experience of local government shared service arrangements provides some key facts regarding both the potential and limitations of shared service arrangements. The LGA tracks the scope and scale of shared services between councils, identifying some 626 agreements between councils that have delivered, since 2016 £1.34bn in savings. The most recently reported data shows the figures for 2018/19 as approximately £200m illustrating the tailing off of new arrangements. The amounts are impressive, however consideration should be given to what these figures represent as a proportion of budgets overall. The current overall expenditure on local government is IRO £100bn per annum in total, £953m if social care and education services are excluded. Recent authoritative data is hard to come by but a report by the New Local Government Network (2011) based on surveys of councils who had well developed shared service arrangements concluded that the range of shared service benefit was between 3.9 and 7.3% of controllable service expenditure.

Sharing areas	Annual Savings %
Frontline Services (e.g. winter gritting and waste management), HR, ICT, Procurement, Legal Services, Communications, Community Safety, Environmental Health, Land Charges, Planning Policy, Development Management	<b>7.3%</b>
HR, Payroll and Expenses, ICT, Procurement, Finance, Health and Safety	<b>5.5%</b>
Customer Services, Frontline Services (e.g. winter gritting, waste management), HR, Payroll and Expenses, ICT, Procurement	<b>3.9%</b>
Average	<b>5.6%</b>

It is an important element in decision making to not only take account of what benefits have been derived in the past, but what benefits might be possible in the future. The Councils are trying to do more than simply balance the books, they are also trying to make headroom for investment in priority areas.

It is a common story that many councils can make quick savings at the commencement of new arrangements by appointing joint managers. They often struggle thereafter to achieve further savings because to do so requires greater integration as well as the redesign and standardisation of service delivery below the managerial level, and it is often at this point that the respective organisations become nervous of what can feel like merging rather than sharing. The LGA shared service benefits tracking work bears this out, of the £1.3bn of savings delivered through shared service arrangements in England since 2016, £602m have come solely from shared management and procurement initiatives.

### 2.8.2 Adequacy of a shared service approach

Although there are other objectives to take into account besides purely financial ones, the evidence of the accomplishment of a shared service approach, when contrasted with more permanent and structural such as local government reform (the creation of Unitary Councils) shows the scale of the potential difference.

Initiative	% savings achieved
<b>Shared Services (average across back office and customer facing services)<sup>4</sup></b>	5.56%
<b>Unitarisation Wiltshire<sup>5</sup></b>	28.0%
<b>Unitarisation Cornwall</b>	16.8%
<b>Savings Target EHDC</b>	3.7%
<b>Target HBC</b>	19.6%

All of these figures are ballpark. Local circumstances can significantly change the specifics of the benefits of any approach. Nevertheless they provide a guide for the scale of savings that can be achieved.

## 2.9 Differences in the transformation journeys of the Councils

In the design of transformation programmes form should follow function. As the focus and priorities of each council begin to diverge, the Shaping our Future programme, which both councils have been developing becomes a key area.

### 2.9.1 Transformation assets

The Programme has achieved much in developing the foundation of any transformation activity, specifically

- A target operating model which articulates how the organisations would function as a set of integrated services and systems with a consistent customer journey

<sup>4</sup> Source: Shared Necessities the Next Generation of Shared Services NLGN London 2011 p.29

<sup>5</sup> Source: Independent Analysis of Governance Scenarios and Public Service Reform in County Areas. EY London 2016 p.52

- An analysis of each service area that helps to determine its relative level of priority and efficiency, as the basis for target setting over a three-year period.
- Learning from other councils about what works in transformation, and the outcomes of different approaches.
- Refreshed corporate strategies, performance management arrangements, values and behaviours statements.
- A new approach to budget setting and an analysis of how resources could. Be moved to priority areas
- A set of transformational tools that could help service leaders redesign their services in collaboration with others.
- An outline design for a modular programme of service redesign, to enable service leaders to fundamentally change the way services operate.
- A virtual learning environment in which all this information is stored and can be accessed by service leaders.

These are assets with both Councils have invested in and own, which will be of use to both as they move forward.

## *2.9.2 Emerging differences in transformation needs*

Whilst the transformation needs of both organisations have much in common, key differences are emerging in the planning of a joint approach to transformation.

### *2.9.2.1 The scale and timings of the savings requirements*

From the outset the savings requirements have been different, and the long-term strategic direction exacerbates that difference. The delivery of these savings over the lifetime of the respective MTFS's is also challenged by the need for Havant in particular to front load savings delivery to the 23/24 financial year in order not to store up a bigger problem in subsequent years. In addition the MTFS highlight larger ongoing savings requirement for Havant.

The recently published MTFS for EHDC highlights the requirement for future year savings of £1 million to be delivered in 2023/24. The full forecast is for a small deficit in 2026/27 of £0.179 million

By contracts the Havant MTFS highlights a savings requirement in 2023/24 of £1.268 million, and the gap forecast for 2026/27 is £2.664 million.

### *2.9.2.2 The relative priorities of different services in the two Councils*

In the work on priority-based budgeting to date differences have begun to emerge on the relative priorities that services make to the delivery of differing corporate objectives

### *2.9.2.3 The options for savings delivery through shared services*

One of the transformation tools that has been developed by the Shaping our Future programme team has been 'Next level sharing'. This is a set of templates for assessing the maturity of current sharing arrangements and approaches to deriving more benefit.

Whilst it is assumed that benefit could be derived from this line of enquiry it should be recognised that in over 10 year of partnership the Councils have not been able to gain political agreement to the standardisation and integration necessary to progress significantly beyond the initial savings achieved through shared management. Shared management is in place across the Councils but deriving the next level of benefit seems unlikely. The benefit of shared services are mainly derived from the work that goes on after single management teams are in place, to redesign and standardise the way services operate, that work can

### *2.9.3 The Learning and collaboration challenge*

The process by which Heads of Service and their direct reports had been due to redesign services was through the applied programme in service re-design. Differing priorities, savings needs and timescales and the fact that the two further sharing is unlikely makes the idea of staff from the two Councils working alongside each other more challenging. There is no doubt that it could still work, but the experience and outcomes may not be optimal.

### *2.9.4 Transformation approach*

Whether they proceed separately or together both Councils need a credible transformation plan to support the MTFs, and both have developed assets they can use. The scope for transformation is only partly diminished by the loss of scale, it may well be that

## **3 The Options for EHDC and HBC**

### **3.1 The options**

The options need to strike a balance between the need for autonomy for each organisation; to control its own governance, strategy, finance, and services, set against the advantage to be gained from working closely with others. As the matrix below shows this consideration can lead to different configurations from the status quo to a full-scale merger. As the analysis above shows, levels of savings that can be expected from different organisational configurations are influenced by the degree to which, to pursue strategic advantage the organisations are willing to let go of autonomous governance and service provision and the permanence of the arrangement.



Option	Description
<ul style="list-style-type: none"> <li>As is</li> </ul>	This will act as the baseline option from which all other options will be compared and assessed; this option has already been rejected but it is included here for comparison and completeness
<ul style="list-style-type: none"> <li>Improved Existing Partnership</li> </ul>	This option will model the improvements, opportunities, and challenges of the existing partnership arrangement, taking account of the currently planned transformation programme.
<ul style="list-style-type: none"> <li>Standalone Authority</li> </ul>	This option will model the improvement, opportunities and challenges for a standalone authority arrangement.
<ul style="list-style-type: none"> <li>Future strategic alliance</li> </ul>	This option considers the opportunities for a strategic alliance in the future. This option is not based on any ongoing discussion and is not specific to any potential single partner or multiple partners. This heading serves as a descriptor for a range of alliance possibilities, from a service supplier relationship, to limited sharing, to close collaboration as part of a devolution deal or to structural change under local government reform.

### 3.2 The criteria

The descriptions above demonstrate considerable divergence across a number of key criteria in the work of the councils and it is in relation to these areas that the options for the future should therefore be assessed.

In the table below 8 criteria are described that represent the key elements of a sustainable business plan.

Criteria	Description
<b>External Considerations</b>	
Vision	The extent to which the proposed option enables the realisation of the Councils' vision for its community and organisation.
Leadership Capacity	The extent to which the proposed option creates sufficient leadership capacity, both political and managerial, to address challenges and opportunities in their respective areas
Place Priority	The extent to which the options enable the Councils to address the needs that arise from the demography, geography, infrastructure, and economy of their respective areas
National Policy objectives	The potential of the proposed options to enable the Councils to grasp the opportunities afforded by emerging national agendas such as levelling up, health service reform (ICS) and planning policy initiatives
<b>Internal Considerations</b>	
Financial sustainability	The extent to which the options provide financial sustainability in the short, medium and long term
Transformation journey	How the options enable the transformational challenges of the respective organisations
Focus and priority	Whether the options enable staff to have a clear focus on what matters to local communities
Employer of choice	The extent to which the options enable the Councils to attract and retain high quality staff

## 4 The comparative weighting of the criteria

Criteria	EHDC Weighting	HBC Weighting	Rationale
<b>External</b>			
Vision	5	5	Both councils have compelling vision, and a good sense of the characteristics of community and what matters to their people
Place Priority	4	5	The place of Havant is more challenging and developing prosperity is a central challenge, greater than that in EH
National Policy	5	5	The demography of the area means that the synergy in particular with welfare, housing and planning agendas is more important
Leadership Capacity	5	4	Potentially greater focus on this in EHDC
<b>Internal</b>			
Financial sustainability	3	5	HBC has a greater challenge across all time frames
Transformation journey	5	4	Transformation matters more in EH, innovation and new approaches are more prevalent compared to the more traditional HBC

Focus and priority	5	5	This is key for both councils
Employer of choice	5	4	Important to both initially for retention but long term both will need to provide an attractive prospect for people to want to come and work

## 5 Scoring the criteria and evidence sources

### 5.1 Scoring of options for EHDC

EHDC		As is			Improve partnership			Standalone Council			Future Strategic Alliance		
Criteria	Weighting	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result
Vision	5	M	3	15	M	3	15	H	5	25	M	3	15
Place Priority	4	L	1	4	L	1	5	H	5	25	H	5	20
National Policy	5	L	1	5	L	1	5	M	3	15	H	5	25
Leadership Capacity	5	L	1	5	L	1	5	H	5	25	M	3	15
Financial sustainability	4	L	1	4	H	3	20	H	5	20	M	3	12
Transformation journey	5	M	3	15	M	3	15	H	5	25	M	3	15
Focus and priority	5	L	1	5	L	1	5	H	5	25	M	3	15
Employer of choice	5	L	1	5	H	3	25	H	5	25	M	3	15
Totals				58			95			188			132

### 5.1.1 Narrative and evidence sources

EHDC	Narrative	Evidence Source
<b>Vision</b>	EHDC's agenda is compatible with HBC at a high level but, because of the differences in place and priority, both the as-is and improved partnership options are sub-optimal. Entering a new partnership may be advantageous in the future but would be distracting in the short term. A standalone council is therefore the preferred option for the immediate future.	The new Corporate Strategy sets out a vision and proposed objectives to deliver that vision, evidenced in section 2.4
<b>Leadership Capacity</b>	EHDC is trying to build leadership capacity at the strategic level and the current position means that insufficient time is available for a focus on its specific priority areas and partnerships. Leadership needs to be focussed on the transformation programme and pursuing any other partnerships would be a distraction.	See sections 2.7.1 and 2.7.2 for specific information on leadership, this is supported by the information in 2.6 on diverging agendas and 2.9 on transformation
<b>Place Priority</b>	Place plays an increasing role in the future plans of EHDC in contrast to the conditions that drove the original partnership agreements. East Hants serves a different area and population with different needs to those of HBC. In the first instance attending to the priorities of its area and then potentially seeking a partner with greater place-based synergy is the best option.	National data demonstrating the geographic, demographic, economic and infrastructure characteristics of the area is evidenced in paragraph 2.5.
<b>National Policy</b>	National Policy agendas are important to EHDC, specifically those that relate to the contribution it can make to the wider determinants of health for its population. Whilst this agenda matters to Havant as well, their focus will be more on levelling up and economic regeneration, as is and even improved partnership options. Devolution and LGR agendas are also relevant but potentially will require EHDC in a different direction	See section 2.6. which sets out some of the more significant areas of national policy
<b>Financial sustainability</b>	EHDC more favourable financial position allows the authority more options and choices for the future. The position overall creates space for investment in priority areas and opens up the possibility of longer-term investments to take advantage of innovative technologies. In the short term EHDC will have to bear the costs of the disaggregation of the JMTA and advice from CIPFA states that this is bearable in the short term, following this the strategic, long-term opportunity has the potential to be greater.	Details of the financial challenges are included in Para 2.8 Financial Challenge
<b>Transformation journey</b>	The Council is fully committed to the transformation programme and will be able to proceed to implementation. Though proceeding with the planned transformation would have ensured sustainability and resilience, by pursuing a standalone option much of the planned transformation can still be delivered. Once transformation has been achieved the council will then be in a good position to pursue other strategic partnerships.	See section 2.9
<b>Focus and priority</b>	For staff, there is clear strain at present in serving the needs of the two councils, the transformation programme is aimed at giving greater clarity and focus on priority areas and whilst this would help, there is obvious advantage to be gained from a singular focus in the short term. Exploration of future partnership opportunities can then be accommodated.	Detailed in the Business Plan 1.1 and 3.2
<b>Employer of choice (CT)</b>	The current stresses that staff report of working for two councils and the difficulties in accurately accounting for the utilisation of shared staff between them makes the current position far less than ideal. The transformation programme is aimed at giving the staff greater agency in the re-design of services and this enables greater resilience in services and better outcomes for services. The appeal of a solvent council able to vary terms and conditions to reward staff is significant and will attract innovative people.	See section 2.7 and also 3.3 of the Business Plan



## 5.2 Scoring of options for HBC

HBC	As is			Improve partnership			Standalone Council			Future Strategic Alliance			
Criteria	Weighting	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result	Assessment rating	Assessment score	Weighted result
Vision	4	M	3	12	M	3	12	H	5	20	H	5	20
Place Priority	5	L	1	5	M	3	15	H	5	25	H	5	25
National Policy	5	L	1	5	L	1	5	H	5	25	H	5	25
Leadership Capacity	4	L	1	4	L	1	4	H	5	20	H	5	20
Financial sustainability	5	M	2	10	M	3	15	M	3	15	M	3	15
Transformation journey	4	L	1	4	M	3	12	M	3	12	M	3	12
Focus and priority	5	L	1	5	L	1	5	M	3	15	M	3	15
Employer of choice	4	M	2	10	M	3	12	M	3	12	M	3	12
Totals				55			80			144			144

### 5.2.1 Narrative and evidence sources

HBC	Narrative	Evidence Source
<b>Vision</b>	HBC's agenda is compatible with EHDC at a high level but, because of the differences in place and priority, both the as-is and improved partnership options are sub-optimal. A standalone council is desirable but may not be sustainable, moving towards a new partnership may be necessary in the future and should be considered as part of its transformational plan.	The new Corporate Strategy sets out a vision and proposed objectives to deliver that vision, evidenced in section 2.4
<b>Leadership Capacity</b>	HBC lacks capacity at the strategic level and the current position means that insufficient time is available for a focus on its specific priority areas and partnerships. Leadership needs to be focussed on immediate sustainability and on the creation of a transformation plan that meets with current challenges whilst building a platform for the future.	See sections 2.7.1 and 2.7.2 for specific information on leadership, this is supported by the information in 2.6 on diverging agendas and 2.9 on transformation
<b>Place Priority</b>	Place plays an increasing role in the future plans of HBC. Containing demand in the future will be significantly influenced by the prosperity of its economy and the extent to which this provides benefits and opportunities to address inequality and deprivation in communities. In the short-term attending to the priorities of its area with others whose activity influences the sub-region.	National data demonstrating the geographic, demographic, economic and infrastructure characteristics of the area is evidenced in paragraph 2.5.
<b>National Policy</b>	National Policy agendas are important to HBC, specifically those that relate to the prosperity of its economy through regeneration and inclusivity through levelling up. Devolution and LGR agendas are highly relevant given the county deals initiatives and a focus on the Free Port needs focus.	See section 2.6. which sets out some of the more significant areas of national policy
<b>Financial sustainability</b>	The Cipfa report identifies that the existing Medium Term Financial Strategy (MTFS) for Havant, as recently approved by the Council, does not contain sufficient resources to finance the existing Council services, and that the additional costs arising from the separation from EHDC will add an additional financial burden.  However, Cipfa have considered the totality of the financial reserves and provisions which could be available to the Council, and subject to the review of the Budget Working Group, there may be sufficient resources available for an independent Havant to become a financially viable Council. The Cipfa outlines some of the potential resources available, and what needs to be done to deliver those resources.	Details of the financial challenges are included in Para 2.8 Financial Challenge CIPFA report
<b>Transformation journey</b>	Though proceeding with the planned transformation would have ensured sustainability and resilience, the Council now needs to adjust to fit in with its targets and timescales. The options for other partnerships should be considered as part of its transformational journey.	See section 2.9
<b>Focus and priority</b>	For staff, there is clear strain at present in serving the needs of the two councils, the transformation programme is aimed at giving greater clarity and focus on priority areas and	Detailed in the Business Plan 1.1 and 3.2

	whilst this would help, there is obvious advantage to be gained from a singular focus in the short term. Exploration of future partnership opportunities can then be accommodated.	
<b>Employer of choice</b>	The current stresses that staff report of working for two councils makes the current position far less than ideal. In the short term the Council will need to reduce staffing levels. The Council has the opportunity to create its own distinct branding and appeal based on the challenge of prosperity, inclusivity, and partnership.	See section 2.7 and also 3.3 of the Business Plan

## 6 Preferred Options

The options appraisal concludes that in the case of EHDC, a standalone Council with the potential to develop new strategic partnerships in the future that match with its place-based ambitions, is the best way forward.

In the case of HBC the standalone council is preferred in the first instance, it has the capacity to do this now provided it can reduce its cost base to be sustainable in the medium term. This option is the best place from which it can then consider any future strategic alliances.

## 7 Transition

The Councils have worked together in formal partnership arrangements for over 10 years and in that time have become intertwined in ways that may not immediately be obvious and will need to be unravelled consciously and carefully. However, given the limitation of the 'as is' arrangements the Councils will want to pursue their preferred options as quickly and as safely as practical. It is vital therefore from the point of service continuity, financial sustainability, staff retention (and recruitment) and partner relationships that the transition from old to new arrangements is carried out as efficiently as possible.

The JMTA, sets out that both Councils shall co-operate in terminating modifying restructuring assigning or novating contractual arrangements entered into, to mutual advantage, and properly and in a timely manner execute any documents necessary

### 7.1 Creation of a transition plan

To do this it is proposed that the Chief Executives create a robust transition plan for each authority involving their respective s.151 and monitoring officers and their resources and transformation.

In doing so they should act with pragmatism and due process in the pursuit of the strategic options they Councils have chosen, completing the tasks as quickly and as beneficially as possible, agreeing principles and timescales at the outset.

The plan will cover:

#### *7.1.1 Separation of Governance arrangements*

The councils have already invoked the conflict arrangements contained within the joint management team arrangement to ensure the interests of the separate sovereign councils are safeguarded and drive all of the decision-making to achieve an effective transition.

There is provision within the agreement for dispute resolution in the event that the Leaders of the Councils in conjunction with the Chief Executive are unable to resolve any dispute. Any such unresolved dispute may be referred to an arbitrator appointed from the Chartered Institute of Arbitrators or such other professional body appropriate to the matter in dispute

### *7.1.2 Management of financial consequences*

The independent advice of CIPFA is that the separation is affordable by both councils provided appropriate action is taken to mitigate the impact of the decision to terminate the JMTA. Councils will make each other aware of any financial consequences that need to be managed as a result of the termination of the agreement, seeking to minimise any unintended consequences.

### *7.1.3 The appointment of staff*

The Councils will design and appoint their own leadership teams. The Councils may wish to develop a protocol for the appointment of staff to strike the appropriate balance between individual preferences and organisational needs.

### *7.1.4 The management of Contracts*

The Councils will make each other aware of the obligations and restrictions of any contracts to which both councils are party, especially the major contracts with Norse and Capita.

### *7.1.5 The future of ICT arrangements and the management of security and data*

Beyond the contractual arrangements for the delivery of ICT hardware, software and support the two councils will need to understand the extent to which data and systems are currently shared and to determine how and in what time scale they can safely and securely be separated.

### *7.1.6 The future of services that are shared*

The Councils will need to take account of the current sharing arrangement and consider

- a) Which services are currently woven together such that precipitous action would significantly undermine financial, sustainability and service continuity/quality.
- b) Which services can easily be separated and become part of the standalone or other strategic partnership options.
- c) Which services, if any, they may wish to continue to share beyond the separation
- d) Which services, if any, they may wish to commission from one another

### *7.1.7 Transformation plans*

It is clear that both Councils require credible transformation plans and that they have together developed transformation assets and jointly owned IP. The Councils will make each other aware of their transformation plans, exploring the options for collaboration where desirable and advantageous to both.

### *7.1.8 Partnerships*

The Councils will map any partnerships in which they are currently engaged, consider each other and make each other aware of any necessary communication with partners and any actions that would be to the benefit of either party.

# 1 Havant Borough Council Business Plan

The following is a high-level business plan stating how HBC will successfully deliver the benefits to underpin the strategic option determined in the options appraisal. Having identified the strategic objectives and conducted the options appraisal, the Treasury five case model asks whether the preferred option is viable, affordable and achievable. This plan sets out how the HBC can proceed, at first as a standalone Council, to deliver the organisations strategic goals whilst being financially sustainable.

## 1.0 The Councils goals

### 1.0.1 Corporate Strategy Outcomes



In terms of the difference we make for customers and communities, the focus in Havant is around the priorities of an environmentally aware and cleaner borough, a safe environment, healthier and more active residents, a thriving local economy, a revitalised borough with infrastructure that meets our ambitions, a responsive and commercial council and a quality home for all. This clarity lends itself to a planning and performance regime that offers stronger focus in outcomes and

measures that are contained within the corporate strategy document.

### 1.0.2 The Balanced Scorecard

Havant Borough Council has clear and distinct strategies, it is vital that the pace, prioritisation and focus of arrangements to deliver these plans are set out. This extends into arrangements for corporate and service planning, target setting, performance management and risk management, which facilitate the execution of strategic priorities. The Shaping our Future Programme identified refreshed corporate strategies and enhanced performance management arrangements as one of the key enablers of transformation. For Havant BC this has resulted in a clear set of measurable goals. These goals cover four distinct but interconnected areas in a balanced scorecard:

Perspective	Description
Customers and Communities	This reflects the difference we make for our customers, businesses and communities, and their perceptions.
Finance	This reflects the financial sustainability and stewardship of the Authority.
Internal Processes	This covers how we do business, and how we ensure operational processes drive achievement of ambitions and priorities

## 2 Leadership capacity and organisation design

A key aspect of the preferred option of a standalone council is the desire to enhance leadership capacity to deliver corporate objectives. The Council has already appointed an Acting Chief Executive and, subject to approval of this Business Case will seek to appoint a permanent Chief Executive as soon as possible, recognising that this process can take between 6-9 months. The Acting CEO will move to fill other senior posts following presentation of proposals for a new staffing structure. More immediately, the Acting CEO will employ a temporary s.151 and monitoring officer as swiftly as possible to fulfil the Council's statutory obligations.

The move to a permanent structure will seek to minimise the costs of the transition and will deliver one of the objectives of the transformation programme: to rationalise the structure to conform to the principles of the LGA backed DMA (Decision Making Accountability) model, that sets out the required layers of hierarchy between the Chief Executive and frontline worker and standard spans of control for each managerial position in the hierarchy.

Details of this new structure will be developed and implemented by May 2022.

A new target operating model will be developed through an Officer Working Group of senior officers that will work with the Acting CEO to take account of the separation of the Councils but adheres to the same principles of the previous model organisations by:

- standardising and simplifying the way we operate,
- using emerging technologies to create consistent and better customer experiences,
- managing demand, sharing more closely, redesigning our services
- developing the skills and capabilities of our staff to drive better results,
- building organisations that can transform themselves and the communities they serve

## 3 Financial sustainability and transforming resource allocation

Independent analysis of the financial position of HBC states that the Council has work to do to afford the preferred strategic option.

- a) *We are not fully satisfied that the Council has sufficient resources within the Medium Term Financial Plan period to implement the emerging plan to split from East Hampshire Council. We would urge an immediate review of the need for a provision for possible pension contributions and whether some earmarked reserves are needed in the short term so that there may be some reallocation to assist in the requirements of the split, before there is any further new capital spend.*

*Additionally, we would want the Council to consider reviewing its likely Council Tax take to reflect any growth in the tax base to establish clearly the action it needs to resolve any possible deficit over the MTFS period.*

- b) We think that the Transformation reserves available are overall sufficient to meet the requirements that will arise, but we would urge that within the next three months the Chief Executive provides the Cabinet with a detailed proposal to use the reserves including the consideration of any temporary additional staff and enhancements for staff who continue with the Council throughout the period of the split.*

*We think there may be an ongoing requirement for additional posts at a senior level that will put further pressure on the Council finances.*

- c) We suggest the Council should plan for a formal revision of the 2022/23 budget in the Autumn 2022 to represent a target point for an assessment of the financial consequences of the split and the achievement of the Council savings targets. We are encouraged by the creation of a budget working group.*

As set out in the options appraisal, the short-term cost increase is justified by the alternative path in terms of better delivery and future strategic possibilities. However it is recognised that action is required immediately and this is now in hand, a budget working group has been established to deal with points b) and c) above and a revised budget will be submitted that will show how the costs of the split, and the opportunities arising from it will combine to demonstrate affordability in the short term and advantage in the medium to long term.

### 3.1 Cost of ending the JMTA

As part of the budget setting process for both Councils, a high-level review of cost connected with the ending of the JMTA was undertaken and included in the budget setting papers. It is proposed that these costs are funded from ear marked reserves.

The earmarked reserves are £1.200 million for EHDC and £1.950 million for HBC.

These figures include costs relating to the dissolving of the partnership, which includes estimates for additional management costs arising from splitting the JMT and other teams, costs for redundancy and job advertising costs. Included in the Havant figures were £175k for transformation costs. The figures differ to reflect potential additional temporary costs in Havant, pending movement to the new permanent structure.

The figures are estimated and will continue to be refined and reviewed as part of the work on splitting the JMTA through the Budget Working Group. The final figures will depend on the structures and ways of working that are designed for the two Councils. Further, Cipfa has requested an immediate review of pension reserves (at (a) above) and for the Council to reconsider its use of short term cash through review of its Treasury Management Strategy to maximise potential short term financial benefits to the Council. The Acting CEO will work with the Budget Working Group to produce a financial impact statement.

The Budget Working Group will consider more detailed work on the long term use of funding but it is expected that the current estimates are adequate for this transition period.

The Councils have different levels of Ear Marked Reserves. The most recent budget papers estimated value of revenue earmarked reserves at 31 March 2023 will be £15.8 million in EHDC and £11.1 million in Havant. Both Councils will be reviewing the need and commitment to spend these on earmarked items to identify if any could be used for one off expenditure.

### 3.2 Achieving Financial sustainability and the better use of resources

The requirement for transformation within the two Councils is more important than ever, to ensure that the service costs are within the overall cost envelopes. Delivering the desired improvements whilst making the necessary financial savings must be at the heart of the Councils transformation programme.

To date the Council has invested in the Shaping our Future Programme and it will continue to utilise the work completed in particular:

- A new approach to budget setting
- Priority based target setting

A key initiative in the SoF programme plan is the Applied Programme in Service Redesign which envisaged for each service, a root and branch review of the way they operate. As set out in section 2.9 of the Strategic Case and Options Appraisal, the scale and timings of necessary savings and the relative priorities of the Councils may lead HBC to pursue a different route. This choice is part of the remit of the Budget Working Group “to make proposals based upon the following measures:

- a. Review the CIPFA report and the future sustainability of the Council
- b. Review of future costs of the Shaping Our Future Programme and the continuation of transformation within the Council
- c. To undertake service reviews based upon information obtained from the Shaping Our Future Programme
- d. To review its contractual management arrangements and decide if they provide value for money”

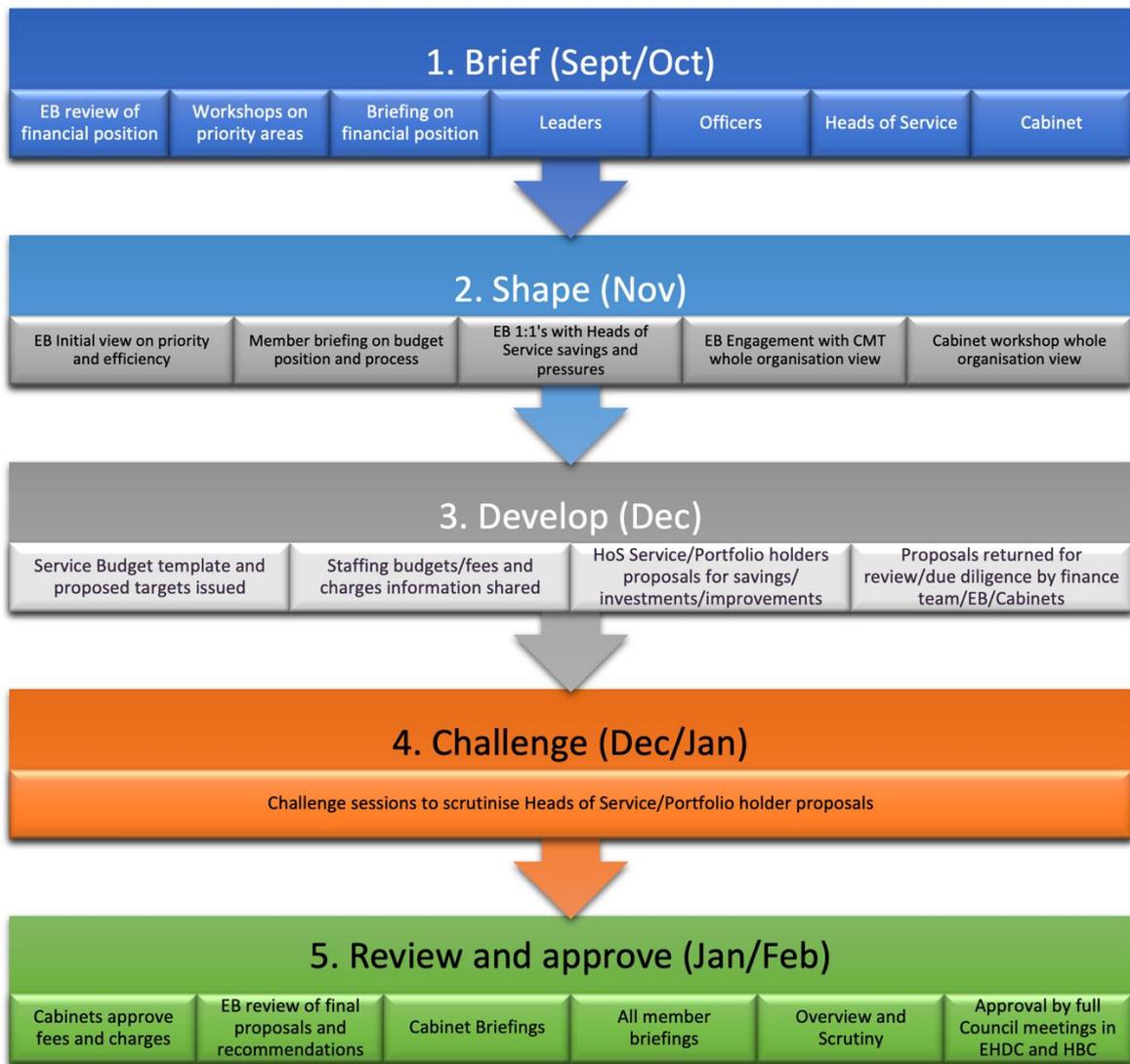
The Cipfa report highlights that achieving transformation targets will be challenging when restructuring begins. Cipfa indicates at paragraph 5.10 that transformation may have to take second place to making the savings that will provide a sustainable financial future. It is important therefore for that the Budget Working Group receives an early report on the future options for the Shaping Our Future transformation programme.

The intended outcome of the Budget Working Group will be to provide a financially sustainable Council that will allow the Cabinet and Councillor to focus on funding opportunities to support the Corporate Strategies that are specific to Havant:

- Using funding from the Freeports to fund the Skills Centre in Leigh Park,
- CIL to fund various street works,
- Levelling Up Fund for the Town Centre Regeneration fund
- The High Streets Task Force to assist the Town Centre work

### 3.2.1 New approach to budget setting

Previous approaches to budget setting have relied on proposals for savings and investments being generated within services. The new approach will include broader consideration of how resources may need to move between services, to deliver the overall goals of the organisations, and to create headroom for the development of new services and initiatives to meet council goals. This will be based on a consistent evidence base to assist the formation of budget proposals and, in particular, link them to service plans and priorities. The stages in this new approach to the annual cycle are illustrated below:



### 3.2.2 Priority based target setting

Under the Shaping our Future programme, each service has been analysed and categorised. This categorisation has been arrived at by considering the services level of priority and efficiency. As the diagram below illustrates areas have been categorised according to one of four categories, which will drive financial targets over the period of the MTFS.

These categories are used to guide the financial trajectory of each service over the MTFS period:



The following is a summary of targeted savings for future years to tie into current MTFS. These are illustrative figures to show the scale of the budget challenge. It is proposed that invest to improve areas will benefit from the investment of transformational activity within a flat line budget. Invest to save areas will deliver 5% savings, other areas those that are lower priority but currently relatively efficient will see incremental reductions over the period of 15% and services that are both low priority and inefficient at present will be at the forefront of a drive to reduce costs and improve performance. These figures are broad envelopes at this stage and subject to further discussions and agreements. However, this approach yields a saving over the MTFS period of £2.1m.

	Havant	Havant		Savings 23-26
<b>HBC</b>	Net Budget	Revised target	<b>% SAVING</b>	
1 Invest To Improve	465,592	(292,103)	0.0	0
2 Invest To Save	1,661,178	0	5.0	102,021
3 Incremental Cost Reduction	7,944,770	721,817	15.0	1,082,725
4 Urgent Action	3,521,134	766,227	25.0	957,784
	<b>13,592,674</b>	<b>1,195,941</b>		<b>2,142,530</b>

Reviewing this approach will be a major focus of the Budget Working Group.

### 3.3 Retaining and attracting the right talent

#### 3.3.1 *Creating the right environment*

The USP of the Councils is likely to be different and potentially attract different kinds of staff. To be an attractive employer in a competitive market requires an organisation to be focussed on the opportunity it can offer to and provide its workforce.

The pandemic has shifted attitudes to work and consequently employees want more flexibility, improved work/life balance, a sense of purpose and opportunities to develop and grow. Becoming an employer of choice in the era of covid is different to how it was before, and organisations are competing for skills as many people look for different opportunities. For Havant BC the opportunity is to create an exciting focus that is attractive to people who want to make a significant contribution to the levelling up agenda within the context of an urban environment that is keen to transform its infrastructure and to work in partnership across the functional economic area.

### 3.4 Service delivery

#### 3.4.1 *In house Service delivery*

The Councils have been working together for over a decade and many services have become intertwined and woven together in ways that will take some time to unpick and unravel. Other services have coexisted but not necessarily joined up.

Maintaining service delivery and the quality of services to the public will be the first consideration in any plans to separate services, ensuring this is done safely and at a pace that can be managed. Part of the transition plan will be to take a detailed look at each service. Much of the detailed service analysis completed under the shaping of future programme will be drawn on to commence this exercise. We already know a lot about patterns of demand, about channels that customers use and how this picture interacts with our IT systems.

Our approach will therefore identify services

- That are highly integrated that will take time to separate
- Where the employing authorities are heavily weighted towards one side of the partnership
- Where continued sharing represents the best option when balanced with broader strategic considerations
- That are currently poorly integrated and therefore easily separable
- Where there is an opportunity for one council to provide the service on behalf of the other
- Where contractual arrangements restrict or enable future service delivery options. boom

Once a set of broad categories have been established specific actions will be identified and added to the programme plan. The Acting CEO, working with the CEO of EHDC will provide

a phasing plan for separation of the services or will identify those that may remain shared in the interim or long term where that either creates value for money or where services will not be sustainable as a standalone service e.g. emergency planning.

## Conclusions

The partnership between east Hants District Council and Havant Borough council have served both councils well for many years. Much has been achieved and there is no doubt that because of the partnership we have been able to provide more and better services for our communities. However, the circumstances and strategic drivers that led us into that arrangement have changed significantly. The option to become a stand-alone Council in the first instance and to explore the possibilities that may exist in place-based partnerships in the future is affordable and can be delivered and this business plan is a high-level description how it can be done.

## 4 Response to the CIPFA report

CIPFA were commissioned by the two Council to examine our approach to the re-evaluation of the JMTA and the capacity of the Councils to cope should they decide to bring that agreement to an end.

Their report highlighted some key issues which we believe we have addressed in this document. We have highlighted the key findings and our response.

Report Comment	Response
The option to seek any alternative Strategic Partner is not defined sufficiently for members to reach a conclusion, and therefore we suggest that further work on that option is ceased	It is not an option at present and no work is currently ongoing, it is identified as an option that has some attractions but any work on this will only commence once a standalone council has been established
There should be an agreement that the split should be phased and that changes in individual services should only take place when both Councils are satisfied that there will be continuity of service.	In the transition planning, the CEO's will identify phases of delivery and appropriate steps to be taken to ensure service continuity is not affected
The continuation of joint service teams may be the best option in the interests of service delivery.	This will be considered on a case-by-case basis where this is the case joint delivery remains an option
A comprehensive Section 113 agreement is agreed to replace the Joint Management Agreement.	At this stage given time scales and capacity the creation of a s. 113 agreement may not be necessary depending on the progress which is made in the transition plan. Given the thoroughness of the plan a s. 113 would only be envisaged if it is felt necessary for services that will continue to be shared.
By the end of March 2022, there is a cross Council agreement on the principles of staff retention and treatment through the splitting process.	Agreed and this would be part of transition planning
Early and comprehensive skills audit	This is already underway and additional capacity is being identified to carry out the necessary work
Suggest that there is no commitment to any new IT developments with the IT support contractor,	There is work underway on the tenancy arrangements and this will continue but no new work is envisaged
That additional resources are engaged, independent of the existing IT support contractor, to identify the application and data consequences of the split.	This is in hand
Chief Executive provides the Cabinet with a detailed assessment of the impact of the split on the 2022/23 budget and reserves including the costs of any additional senior management support, temporary additional staff and	Outline costs are identified in the paper and these will be refined through work with the Budget Working Group as the work progresses

enhancements for staff who continue with the Council throughout the period of the split.	
Clarity of the future structure	As detailed in the report the structure will follow the recommendations of the LGA decision making accountability framework. New structures are being developed now and will be consulted on as soon as possible
early appointment of a Section 151 officer and Monitoring Officer	This is in hand. Arrangements will continue to be shared until each Council has made appropriate arrangements for its individual statutory officers
protocols will need to be developed to manage data security and data use.	These will be developed as part of the transition arrangements
To establish the 'baseline position' (cost/performance/outcomes) for service delivery.	Considerable work has been undertaken to accurately assess cost priority and efficiency of each service and this provides a good baseline for the evaluation future options
To demonstrate the likely financial position for the period of the MTFs, and with an indication for at least 10 years based on the best available data;	We have demonstrated likely financial position over the lifetime of the MTFs and we'll use what data we can to model the next 10 years however there are so many variables this may prove challenging.
To outline the corporate requirements that demonstrate how the Council can best respond to the needs of its community	The work on the indicators and targets that support the corporate strategy identify how the councils relate to community needs. Further refreshes of the corporate strategy will consult with communities and make sure that plans will continue to meet needs.
We do however feel that there is a lack of financial detail of how much each Council expects the split to cost. We accept that given the speed at which this process is being undertaken, this is understandable, but this is a weakness in the Business Case document as currently drafted.	We have now inserted further detail since this comment was made and will continue to refine the exact cost of the split as the transition phase proceeds. Regular monitoring of cost will be undertaken through the Budget Working Group
Also, practical details of governance, project management, risk management, public communications, staff relationships and asset management including ICT are currently missing. However, we accept that planning this to the detail required before a formal decision is taken could be potentially abortive expenditure.	Agreed and all of this will be developed as part of the transition plan
We would urge that the Business Plan identifies clearly that the pace of change has to be realistically measured to ensure business continuity for both Councils.	Agreed and we will clearly need to manage the pace of change to ensure that we can cope with the pressures at the same time ensuring that we deliver outcomes
whether the creation of new structures will move in parallel; will there be redeployment available across both Councils for anyone displaced; will any form of employment guarantee be given to staff; retention and	We are acutely aware of the uncertainty that this causes for all of our staff and are using all communication channels to keep them informed and to reassure them of their value to

motivation activities; and the timescales for the implementation of new structures.

us and of the part they can play in future development

## 5 Risk Analysis

The split from shared management arrangements carries with it a number of risks. The Corporate Risk Register for each Council will be updated to reflect the risk and mitigations as the decision to split proceeds. In addition, a transition risk register will be established in order to manage the risks over the course of the next few months.

A summary of the main corporate risk areas is included below, including planned mitigations in place to reduce the likelihood and impact of the risks.

Risk ID	Risk Title	Category	Identification of areas where there are significant risks	Risk Owner	Pre mitigation			Planned Mitigation Actions	Mitigation Success Factor	Post Mitigation		
					Γ	Δ	Π			Γ	Δ	Π
1	Staffing	Reputation	Potential for reduction in staff morale and increase in staff leaving the organisations due to uncertainty created as a result of the changes.	Management team	4	4	16	Clear communication plan and timely updates to be provided to staff. Existing staff communications to continue. Staff surveys, where required Continued Leadership Conferences to provide key messages to leaders within the organisation Transition plan includes clear change management process	Staff turnover does not increase	3	4	12
2	Impact on partners	Partnership	Damage could be caused with our stakeholders and potential future partners/clients as a result of change	CEO	3	3	9	Clear communication plan with partners and stakeholders at all levels, including information going out in particular with informing stakeholders of senior staffing changes and service provision changes	Partners remain committed	2	3	6
3	Service delivery	Customer	Potential impacts on delivery of services due to the number of services (44 across both authorities) that currently have some shared arrangements and will potentially be split going forward	Managers	4	4	16	Regular monitoring and review of performance ongoing Transition plan to take account of existing shared services and proposals for operations going forward New structures in place at each authority to be in place to provide clarity on service delivery	Continued performance of services as evidenced through performance report	3	3	9
4	Budget incl MTFS	Economic	Costs of the split lead to significant financial impacts resulting in further cuts to services	s151	3	5	15	Balanced budget at each authority CIPFA commissioned report into financial viability Review of MTFS going forward in particular at Havant which has established a budget working group to balance the MTFS Transformation programme to ensure both authorities are financially viable in the future	Balanced MTFS	3	4	12
5	Contracts incl data	Competitive	Numerous contracts exist between the two authorities including contracts where one authority is the lead, joint contracts and delegations and changes could lead to service delivery impacts	MO/Procurement	3	5	15	Priority consideration given to impacts on major contracts and delegations (Capita and Norse) as part of transition arrangements, in particular arrangements for IT at each authority going forward Contract register to be reviewed to provide clarity on position for each contract Review of data implications of split by DPO (Data Protection Officer)	Seamless transition and contractual obligations are fulfilled by each authority	3	4	12

# Havant Borough Council: Initial analysis of Business Case for ending Joint Management Agreement

**Draft Report**

**18 February 2022**

# 1. Introduction and Executive Summary of findings

## Introduction

- 1.1. East Hampshire District Council and Havant Borough Council have decided to end their joint management agreement. The two Councils announced in January 2022 that they were looking to end their 12-year partnership to set up their own management teams.
- 1.2. We were asked to provide some initial assistance to quantify a number of issues related to the potential impact of this decision, and the likely requirements going forward, for each Council separately as part of the development of Business Cases that could be put to both Councils for a final decision.
- 1.3. Our initial work was to be completed by 18 February 2022 to assist in the construction of the Business Cases.
- 1.4. We were supplied with significant material for us to review. In addition, we commissioned our Data team to update the comparative financial details on both Councils.
- 1.5. We acknowledge the support we received from those who we interviewed, and those who supplied the documents.

## Executive summary of findings

- 1.6. We recognise that a formal decision has not yet been made to end the Joint Management Agreement and that our work has involved reviewing rapidly developing documentation that is being compiled at pace. Our work therefore focuses on the risks for the Council in progressing with this matter at speed.
- 1.7. Our overall conclusion is that the Council has the financial resources available to enable the delivery of the proposed separation of the two Councils. However, there are significant risks to the Council, which we outline in the table below:

Risk Area	Assessment	Reasoning and suggested mitigation
Formulation of plan for the splitting of the Councils		<p>We think that the draft of the Business Plan being prepared does contain the appropriate material to ensure that Members are adequately informed in order to make a decision, except we think that an outline financial appraisal should include the anticipated costs of the split.</p> <p>The option to seek any alternative Strategic Partner is not defined sufficiently for members to reach a conclusion, and therefore</p> <p>we suggest that further work on that option is ceased pending a decision by members on which of the other options is acceptable. The Strategic</p>

		<p>Partner option can then be re-evaluated, if required, at some later stage.</p> <p>We have concerns about the breadth of the challenge of separating the services. We suggest that it is formally acknowledged that there should be an agreement that the split should be phased and that changes in individual services should only take place when both Councils are satisfied that there will be continuity of service.</p> <p>We would urge that by the end of March 2022, there is a cross Council agreement on the principles of staff retention and treatment through the splitting process.</p> <p>We urge the Council to be pragmatic about the nature of the split and to accept that for some services, at least in the short term, the continuation of joint service teams may be the best option in the interests of service delivery. To assist this we suggest a comprehensive Section 113 agreement is agreed to replace the Joint Management Agreement.</p>
<p>Preparedness of the organisation to deliver Business as Usual</p>		<p>We are concerned that the Council currently has joint teams with East Hampshire Council and we are encouraged by the commitment of both Chief Executives to develop and agree plans for a phased implementation of changes to ensure that there is no disruption to service delivery.</p> <p>Whilst the majority of staff have clarity on their employment status we are aware that in some teams there is an imbalance of structure, skills and experience. We would urge that to overcome this the Council undertakes an early and comprehensive skills audit to identify any potential shortfalls that can be immediately overcome by additional temporary posts.</p> <p>We would suggest that there is no commitment to any new IT developments with the IT support contractor, and that additional resources are engaged, independent of the existing IT support contractor to identify the applications and data consequences of the split.</p>
<p>Adequacy of financial resources to support splitting of the Council over the MTFS period</p>		<p>We are not fully satisfied that the Council has sufficient resources within the Medium Term Financial Plan period to implement the emerging plan to split from East Hampshire Council. We would urge an immediate review of the need for a provision for possible pension contributions and whether some earmarked reserves are needed in the short term so that there may be some reallocation to assist in the requirements of the split, before there is any further new capital spend. Additionally, we would want the Council to consider reviewing its likely Council Tax take to reflect any growth in the tax base to establish clearly the action it needs to resolve any possible deficit over the MTFS period.</p> <p>We think that the Transformation reserves available are overall sufficient to meet the requirements that will arise, but we would urge that within the next three months the Chief Executive provides the Cabinet with a detailed proposal to use the reserves including the consideration of any temporary additional staff and enhancements for staff who continue with the Council throughout the period of the split.</p> <p>We think there may be an ongoing requirement for additional posts at a senior level that will put further pressure on the Council finances.</p> <p>We suggest the Council should plan for a formal revision of the 2022/23 budget in the Autumn 2022 to represent a target point for an assessment of the financial consequences of the split and the achievement of the Council savings targets. We are encouraged by the proposal to create a budget working group.</p>

Capacity of organisation to implement splitting of the Councils.

We think that the Acting Chief Executive has taken appropriate steps to secure additional capacity to assist delivery of the split. We would encourage the early appointment of a Section 151 Officer and Monitoring Officer and the confirmation of a senior management team below the Acting Chief Executive to give certainty and commitment. We are concerned, however, that the Council has ambitious transformation plans intended to be delivered by April 2023. We think the Council should keep the phasing and the timescale for delivery under review in consideration of the workload that will be generated by the split.

Draft

## 2. What is our view of the overall financial position of the Council: short term (2022/23); medium term (the current MTFP period); Long term.

### Short term

- 2.1 The Council have provided us with an overview of the Councils net revenue spend for 2022/23. This totals £14.431 million.
- 2.2 This was an increase from a budget of £13.593 million set for 2021/22. We noted that in Quarter 3 of 2021/22 monitoring, the Council is showing an overspend on budget of £211k.
- 2.3 The 2022/23 budget includes £0.985 million of savings. This breaks down as follows:

	Staff	Income	Efficiency	Service
TOTAL	294,943	182,221	14,500	493,907

- 2.4 We were provided with a schedule of Fees and Charges for 2022/23 that shows a variety of levels of increase depending on the service area. The Council had required them to be reviewed by Service Heads and recommended for increase where appropriate. In many cases the increase exceeds 5% and there are a significant number of new charges.
- 2.5 The net service expenditure is funded by:

<b>Business Rates Retention</b>	(4,293)
Section 31 grant	(1,992)
Levy payment	1,016
Business Rates Collection Fund (surplus)/Deficit	0
<b>Council Tax</b>	(9,113)
Council Tax Collection Fund (surplus)/Deficit	0
<b>General Grants</b>	0
New Homes Bonus Grant	(474)
<b>Other Financing</b>	0
Lower Tier Services Grant	(150)
New Service Grant	(231)
Contributions to/(from) Earmarked Reserves	806

- 2.6 We were supplied with the detail of the reserves of the Council:

Type	31/3/22
Earmarked reserves	£15.920
General Fund	£3.509

Capital Reserves	£26.197
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- 2.7 The earmarked reserves are primarily as a result of expenditure from Section 31 and Covid reserves. There is a Financial Management reserve of £3.867 million.
- 2.8 By 31 March 2022, The Council will have £44 million invested in short term accounts, with no longer term deposits maturing beyond 12 months. There was external borrowing in place as of January 2022 of £3.2 million, which represents the balance of PWLB borrowing for the refurbishment of the Plaza.
- 2.9 The Chief Financial Officer for the Council has advised the Council, in respect of the 2022/23 budget that *'I must draw to the attention of Members a number of concerns which I have raised within the main body of my report regarding financial risk and future financial sustainability. Primarily the proposition agreed by Council to withdraw from the Joint Management Agreement with East Hampshire District Council and the impact of that decision of the Shaping our Future Programme.'*
- 2.10 Also, that *'The current reserves position is adequate, but I do not believe them to be sufficient to provide the necessary long term financial stability and support without a credible plan in place to tackle the deficits and pressures within the revenue budget.'*
- 2.11 We have been shown a proposed response by the Cabinet to that advice. Essentially it is through the creation of a process involving a Member Working Party to oversee discussions on the nature of service delivery required going forward and an officer working group, all to be brought together in time for the 2023/24 financial year.

### **Medium Term**

- 2.12 The Council's MTFS demonstrates that:
- Net service expenditure will rise to £17.641 million by 2026/27;
  - Of the increase in net cost over the period of £3.193 million, £0.543 million is required for extra costs in Strategic Commissioning and £2.650 million is required for inflationary pressures;
  - The MTFS makes no forecast of any savings;
  - On the income side Business Rates yield will increase by £0.602 million; Council Tax yield by £0.950 million; New Homes Bonus will disappear and the levy payment will increase by £0.04 million;
  - The Council is planning to add £0.806 to earmarked reserves each year;
  - By 2026/27 there is expected to be an in-year deficit of £2.664 million and over the four years of the MTFS, the cumulative deficit will be £8.070 million;
- 2.13 The Capital Plan for the Council to 2026/27 demonstrates that with the exception of £0.4 million funded from specific reserves, the capital plan is

entirely related to Disabled Facilities Grants. We were provided with a list of previously unapproved and new bids for capital totalling £1.190 million. The Council's Treasury Management strategy anticipates no borrowing during the period of the MTFs.

- 2.14 We were supplied with the detail of the forecast for reserves of the Council:

Type	31/3/22	31/3/27
Earmarked reserves	£15.920	£14.026
General Fund	£3.509	£2.232
Capital Reserves	£26.197	£26.197

- 2.15 Following the use of Covid related earmarked reserves in 2022/23 the Council adds each year to the Pensions Resilience reserve. Notable is the annual contribution of £0.806 million to earmarked reserves. General Fund reserves reductions start in 2024/25. In the budget report for 2022/23 it was stated *'There is a single un-ringfenced Capital reserves available with a current balance of £10.3M mostly derived from the sale of land at Brockhampton West.'* This is available from 2022/23. We would urge that the Council should put any use for this in abeyance until such time as the Medium Term Financial Plan is in balance.
- 2.16 In the budget report for 2022/23 it was stated that *'The un-ringfenced covid financial support grant of (£2.1M) will now be set aside to support transformation and if required costs associated with the withdrawal from the Joint Management Agreement with East Hampshire District Council.'*
- 2.17 In the budget report it was stated *'However, the medium to longer term financial position is not sustainable for the Council and the Chief Finance Officer has advised the Cabinet Members that they need to now make significant in roads into the delivery of a robust and credible plan to reduce expenditure.'*
- 2.18 We have seen a document which is a draft of a Cabinet response to the Chief Financial Officers comment in the budget report intended to be a *'recommendation to Council to introduce measures to create a 'credible plan' for management of the budget and medium term financial strategy.'*
- 2.19 This correctly highlights the balanced budget for 2023/24 and the forecast budget deficits from 2023/24. It proposes to respond to our view of the affordability of the decision to withdraw from the Joint Management Agreement. It places a large reliance on a programme of transformation known as 'Shaping Our Future' which programme is about to enter phase 4, which is likely to have a significant budgetary impact in 2022/23 suggesting the Cabinet must therefore make an immediate decision as to whether the Shaping Our Future Programme will provide the budget returns necessary and in sufficient time to address its budget deficit.
- 2.20 The paper accepts the decision to exit the Joint Management Agreement will also bring additional costs at senior management level as costs for

those posts will no longer be shared. The Acting Chief Executive has committed to bringing a future senior management structure to Council for decision by end of May or as soon as possible afterwards. The paper says that for the two key contracts with Capita and Norse South East, the Acting Chief Executive and the Leader will meet with senior members of the contracting parties to re-establish working relations with those providers and to review the value for money offered by those contracts. Also, a service review to meet budget challenges is essential.

- 2.21 The paper also proposes that members selected from across the Council are asked to participate in a Budget Working Group to review service budgets with officers for the purpose of proposing service changes and there will be an officer working group in support of the member led group. This officer group will establish a target operating model for the Council.
- 2.22 The paper also points out that The Council has been identified as part of the Solent Freeport area and The Council has been identified as one of the towns to receive support from the Government's High Streets Task Force.
- 2.23 We reviewed the projections of Council Tax yield over the MTFS period. We noted that there is no increase predicted for growth in the tax base and we think this needs to be addressed.

#### **Long term**

- 2.24 We have no information on the long term financial expectation of the Council beyond the MTFS period.
- 2.25 The Council's Capital Strategy says that it is '*presently not actively seeking to generate additional revenue income through the purchase of new investment properties.*'

### 3. What is our view of the financial needs of the Council to ensure sustainability in the long term?

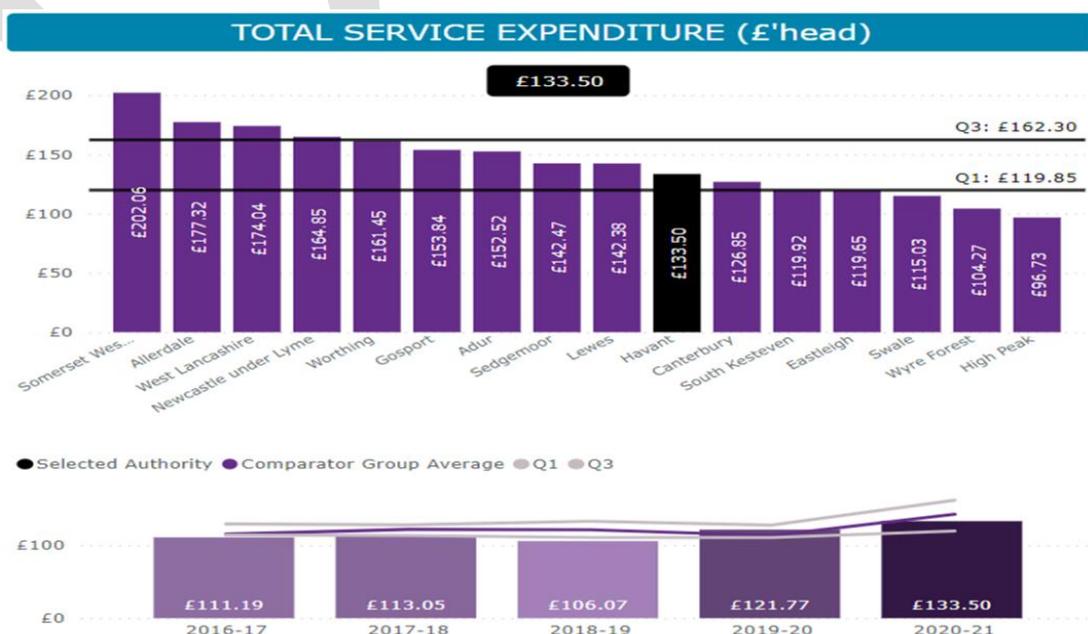
Need for resources

3.1. CIPFA undertook comparative financial analysis of the Council in 2019, based on the 2017/18 financial year. The main findings were that:

- In the 2017/18 outturn the average shire district spent £117.27 (Near Neighbours £117.97) per head of population, the Council spent £113.05.
- The trend since 2011/12 shows that the yield from Highways and Transport Services has increased significantly and the cost of Housing Services, Cultural and Related Services and Environmental and Regulatory Services have reduced and Planning and Development Services costs have decreased and in 2017/18 generated a surplus. Central Services costs have increased by 73% and are now double the shire district average.

3.2. For this report we have updated our comparative analysis using only Near Neighbour comparisons and focussing on service expenditure, Council Tax yield, reserves, debt and sustainability. We recognise that the 2020/21 figures for individual services will be impacted by the consequences of the pandemic. The main headlines are below:

- Overall Service expenditure per head has risen by 18.1% but is below average against Near Neighbours.



- The trend in service costs per head is generally upwards, the surplus from Highways and Transport has more than halved and Housing costs have quadrupled (both reversing the trend of 2011/12 to 2017/18) and both are now in the most expensive quartile; Environmental and Regulatory Services costs have virtually doubled and Planning and Development Services costs have risen significantly, both services reversing the previous trend. The same reversal of trend applies to Central Services costs that have more than halved.

#### Availability of resources

3.3. CIPFA undertook a comparative financial analysis of the Council in 2019, based on the 2017/18 financial year. The main findings were that:

- Compared to a cumulative average increase for all shire districts, in Council Tax of 15.3% since 2011/12, the Council has increased the rate of Council Tax only by a total of 7.97% and as a result, compared to the average shire district which funds 63% of its net current expenditure from Council Tax, the Council funds 59.11%.
- In 2017/18, the Council was holding reserves at a level common to most other shire districts and would rate a medium/high resilience index over the period reviewed. The Council was one of only a third of councils that do not have reserves totalling more than their net revenue expenditure.

3.4. For 2020/21 however:

- The Council now only covers 51.3% of its expenditure from Council Tax putting it in the lowest quartile compared to Near Neighbours.
- The Council has the worst level of reserves compared to net revenue expenditure of the comparators. However, the Council has low external debt.

3.5. The Chief Financial Officer has advised the Council, in respect of the 2022/23 budget that *'I must draw to the attention of Members a number of concerns which I have raised within the main body of my report regarding financial risk and future financial sustainability. Primarily the proposition agreed by Council to withdraw from the Joint Management Agreement with East Hampshire District Council and the impact of that decision of the Shaping our Future Programme.'*

#### Potential impact of the split of services

3.6. We have reviewed the cost of the two Councils services side by side. The following table identifies the cost per head of both for 2020/21.

Service	East Hampshire	The Council
Highways & Transport	-£1.70	-£2.52

Housing	£15.53	£28.95
Culture	£7.37	£0.79
Environment & Regulatory Services	£40.98	£53.12
Planning & Development	£43.39	£18.42
Central Services	£22.76	£34.73

- 3.7. This suggests to us that the services are significantly differentiated and therefore splitting them requires an individual analysis of the capacity of each service to stand alone or to remain as a single service. For example, the Culture Service is unlikely to have the capacity to operate independently.

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## **4. What is our view of the likely cost implications of the ending of the joint management agreement – what is the expectation of extra costs that will/may need to be incurred?**

- 4.1. In principle both Councils are agreed to the split taking place and accept that this is a joint enterprise. We were supplied with details of the staffing structure and noted the detailing of the allocation of posts in terms of which Council each staff member is employed by and where their role is shared.
- 4.2. We noted that at Service Head level this creates an imbalance with a greater number of the postholders being employed by East Hampshire. In discussion, the potential difficulties this may cause are recognised.
- 4.3. In our view the Councils are short of senior managers, and the split could exacerbate this shortage. We understand this view was also taken by the LGA in their Decision Making Accountability analysis. We suggest there could be an ongoing revenue commitment if the Council needs to fund management at tiers 2 and 3.
- 4.4. We comment elsewhere on the HR implications of the split but we recognise that there will be significant pressure on this activity across both Councils and we envisage that this will create a requirement for extra resources in this activity area.
- 4.5. We also reviewed the shared Contracts list. We note that the main areas of sharing relate to employees and technology. The listed value is around £750k. We do not see the separation implications as insuperable. The Norse Contract is a special case and we understand that the Acting Chief Executive has already made contact with the contractor to discuss issues related to their performance.
- 4.6. We note however that the challenge to separate ICT could be more complex. Most of the systems and applications are, we understand, bespoke and service specific, and so separation should not be too complicated. However, separation of the ICT support contract with Capita could be more challenging.
- 4.7. We can foresee that there will be extensive work required to review all applications for suitability and protocols will need to be developed to manage data security and data use.
- 4.8. We envisage that the Council may have to recruit resources to manage the process of disintegration and the establishment of new systems. This may require investment in new technology.

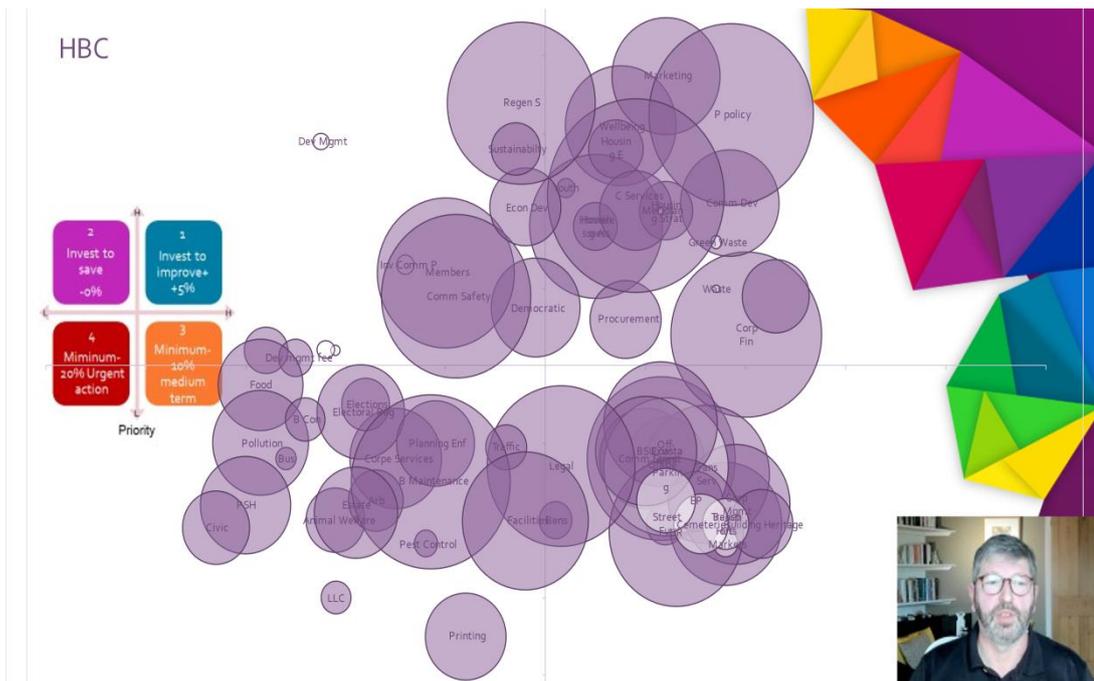
- 4.9. The Council has earmarked £1.95 million of reserves (available following the pandemic support from HM Government) to fund the change in the Council.
- 4.10. We are aware that the Acting Chief Executive has already sought to bolster her senior management from outside the Council. We understand this will give extra financial expertise and we understand that support for transformation will be continued. We think that the early appointment of a Section 151 Officer and a Monitoring Officer is critical. Other areas we think are critical to secure resources are human resources, procurement and contract management, and business planning. Going forward we can see the Council will need to bolster its resources for Planning and Regeneration.

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## 5. What is our high level view of the strategic options (including those already identified) and Business Case?

### Strategic Options

- 5.1. Prior to the establishment of any strategic options, we believe that the Council needs:
  - To establish the 'baseline position' (cost/performance/outcomes) for service delivery;
  - To demonstrate the likely financial position for the period of the MTF5, and to be satisfied that it will remain a viable Council for at least 10 years based on the best available data;
  - To outline the corporate requirements that demonstrate how the Council can best respond to the needs of its community:
- 5.2. This will form the detailed analysis that will form the backdrop to the assessment of any options.
- 5.3. The Council has embarked on a transformation programme designed to bring about significant change in the way it functions. The plan that was accepted in July 2021 described the initial phase of the programme as being internally focussed; gathering insights into how the organisation functions, and building the capacity for change.
- 5.4. As this 'mobilisation' phase draws to a close, and as the 'redesign' phase begins, a paper for the Council called 'Shaping our Future -Transforming key processes' outlines the changes in key corporate processes and describes the transition arrangements for moving from pre-existing systems to new ones, and any bridging arrangements that will need to be put in place to ensure that the Council continues to function and deliver during the transformation period.
- 5.5. We reviewed the Council's current performance and noted that against its own targets there is a mixed picture of RAG ratings of 'green' and amber' with limited 'red' ratings. In most of the critical public facing areas the ratings are positive overall, but are less so for internal activities.
- 5.6. In furtherance of the transformation process we have seen a document called '**Transformation and budgets 22/23-25/26**' which describes the outcome of an exercise designed to achieve a 5% reduction in overall service expenditure. The slide below models this:



- 5.7. We have heard how the programme was created and the work that now gives the Council a platform to implement change and derive permanent benefit from better understanding of service delivery, costs and outputs that will result in improved performance management. Our view is that this provides a sound basis for the Council to manage a transformation in service delivery.
- 5.8. Our understanding is that this would potentially involve a shift of around £1.8 million across the budget of the Council equating to nearly 15% of spend and the breadth and scale of this presents a very significant challenge for the Council overlaying the need to make budget savings.
- 5.9. We have been told that implementation is effectively on hold until after senior managers are in place. We understand that may not be until May when their first priority will be to create their teams, ensure Business Continuity and achieve their budget targets.
- 5.10. We think that the transformation targets will be challenging when a major restructuring is underway, with new staff arriving and staff developing new ways of working. Also, whilst the ambition to reprioritise spend and achieve transformation is appropriate, in our view this may have to take second place to making the savings that will provide a sustainable financial future.

#### Business Case

- 5.11. We would expect the business case for each Council to reflect on the following:
  - Ensuring sufficient capacity exists to deliver commitments made;

- Ability to respond to the new policy direction of any elected Government for the improved outcomes for its communities whilst being able to shape, influence and deliver for the community;
  - Sufficient strategic capacity and a strategic structure to ensure that the organisation can deliver the ambition of its politicians;
  - Focus on the opportunity it can offer, and provide, to its workforce;
  - Agility and responsiveness to the modern day demands of local government requiring innovation and transformation at ever increasing pace and scale;
  - Value for money and resident satisfaction.
- 5.12. We have seen the current draft of the content of the business plan for the Council and can see that it covers in considerable detail the reasons why the splitting of the Councils is desirable.
- 5.13. There is significant detail of the context in which the Councils find themselves and a drawing out of the differences between them. There is significant detail of staffing issues and the need to put in place appropriate structures that will make the Councils an employer of choice. There is also reference to potential continued sharing of staffing resources where it is sensible to do so.
- 5.14. We think that the draft of the Business Plan being prepared does contain the appropriate material that ensures that Members are adequately informed in order to make a decision. We do however feel that there is a lack of financial detail of how much each Council expects the split to cost. We accept that given the speed at which this process is being undertaken, this is understandable. However, this is a weakness in the Business Case document as currently drafted, and should be addressed as soon as practicable afterwards.
- 5.15. We think there is currently insufficient detail of the financial cost of the split in terms of any possible delays in achieving planned savings; and of the costs of any interim and temporary staff. In our view a financial impact statement is a vital element of the Business Plan.
- 5.16. Also, practical details of governance, project management, risk management, public communications, staff relationships and asset management including ICT are currently missing. However, we accept that planning this to the detail required before a formal decision is taken could be potentially abortive expenditure.
- 5.17. In addition, we are of the opinion that the option to seek a Strategic Partner is not defined sufficiently for members to reach a conclusion.
- 5.18. As a result, we suggest that further work on that option is ceased allowing for a decision by members on which of the remaining options is acceptable. Both Councils effectively already have a Strategic Partner and we have heard that the concept of continuing to 'share' for some services is under consideration. This needs testing first, before any other Strategic Partners are identified.

- 5.19. Also, we are not optimistic that there will be other Councils who can give the time in the short term to establishing a strategic partnership with either Council. We think that the Council needs in the short term to focus efforts on putting itself on a firm footing before embarking on another structural change. The Strategic Partner option can be re-evaluated once that is done.
- 5.20. We would urge that the Business Plan identifies clearly that the pace of change has to be realistically measured to ensure business continuity for both Councils.
- 5.21. The Council has three major priorities to achieve in the next financial year: the split of management; budget savings; and transformation and the 'credible plan'. We think these will be challenging to achieve and we suggest that the Council should plan for a formal revision of the 2022/23 budget by Autumn 2022 to represent a target point for an assessment of the financial progress that has been made. We welcome the proposal to create a budget working group which should assist in delivering this review.

## 6. What is our view of the speed and extent of any changes that need to take place in terms of the risk to the governance and resilience of service delivery?

- 6.1. Given that the Joint Management Arrangement has been in place for such a long time we think that an element of disruption to service delivery is highly likely.
- 6.2. Only one service, Building Control, is fully integrated, but other services will be problematic to split, such as HR and Finance, where the function is integrated and a split based purely on Council employment will create two services which are not functional. There are some posts that are singular in role e.g. a single Insurance Officer.
- 6.3. This is partly mitigated by the fact that staff are employed by one or other of the Councils and the majority are working exclusively to that Council. We are aware there is already an analysis of to which Council an individual officer directs their effort and, where that is split, the amount of their time they give to either.
- 6.4. Another mitigation will be to minimise the period of uncertainty. We are aware that in a strong labour market, as currently exists, an elongated transition period will create uncertainty. We are aware that both Councils are alive to this and have started to evaluate the potential to mitigate this. We think this is important as, for example, following the decision to end a joint management agreement between Breckland and South Holland Councils in February 2021, it was highlighted in July 2021, that the staff turnover rate was particularly high, but this *'had been down to the recent cessation of the shared partnership'*.
- 6.5. Actions that we have heard about include using the work of the LGA on spans of control and through 'Shaping the Future' to identify the Target Operating Model. Practical actions started include a 'Staffing Principles' document; seeking to give assurance to staff; and communicating as much as possible. However, we recognise there is much more to be decided such as whether the creation of new structures will move in parallel; will there be redeployment available across both Councils for anyone displaced; will any form of employment guarantee be given to staff; retention and motivation activities; and the timescales for the implementation of new structures.
- 6.6. We have been told that there is no 'one size fits all approach' to future service delivery arrangements and that if it is preferable to retain the existing team this can be agreed. We support this approach as, for example, following their decision to end their joint management, some Breckland Council officers continue providing support to South Holland District Council including: Legal Services Manager; Information Governance Officer; Lawyer (x2); Procurement and Contracts Manager (+

3 others) and Environmental Protection Business Support Officer. The officers would work on a 60/40 (BDC/SHDC) basis, except for the Environmental Protection Business Support Officer, where hourly charges will apply.

- 6.7. Further mitigation would come in the form of overarching project management that would have to be focused on the needs of both Councils. We understand that a Joint Management Committee under the terms of the Agreement, including an adjudication process, exists.
- 6.8. We think this needs to be supported by an appropriate body at senior officer leadership level focused on resolving cross over issues with an element of joint management of the process.
- 6.9. We would urge the Council to give the earliest possible consideration to the formal appointment of the statutory posts of Monitoring Officer and Section 151 Officer, even ahead of the agreement of a full Senior Management structure.
- 6.10. The Acting Chief Executive has been in place for only a short time, but we have seen demonstrable enthusiasm for the task in hand and a clear sightedness about the challenge that the Council faces.
- 6.11. The Acting Chief Executive demonstrated to us that she was urgently putting in place support that would assist her in delivering the change, such as talking to the Councils two main contractors, and seeking to recruit a person to provide high level financial support. Also, there have been discussions with people who have been involved in the splitting of shared arrangements to understand the pitfalls and issues that arose.
- 6.12. The Acting Chief Executive has given thought to the shape of the future structure with a greater focus on operational delivery. Restructuring the officer team will benefit from the work done for the Council on spans of control and layers of management.
- 6.13. The approach to change is initially focussed on leaving service teams alone where there is no good reason to change; where there would be minimal change; or where an easy split is possible. These are the 'quick wins' where change is mutually beneficial.
- 6.14. We noted that the Council has shown 'Medium Term Financial Strategy', 'Corporate Project delivery' and 'IT provision long term' as 'red' risks. We think that these need to be kept under review at the highest level although we note that £400k has been included in the budget to meet the needs for future IT.

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