

## **DETAILED SUPPORTING INFORMATION**

**Name of Unitary Bid:** Rural Suffolk (including Lowestoft)

**Authorities Involved:** Suffolk County Council  
Babergh District Council  
Forest Heath District Council  
St Edmundsbury Borough Council  
Mid Suffolk District Council  
Suffolk Coast District Council  
Waveney District Council

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**Date Completed:** 19<sup>th</sup> September 2008

### **A EFFECT OF DISAGGREGATION OR AMALGAMATION OF AUTHORITIES ON INHERITED RESOURCES**

#### **A1 Split of Net Expenditure**

The base data used for this financial evaluation is the Finance and General Statistics Budget information for 2007/08 (RA Return). The net expenditure has been apportioned to the proposed new unitary on bases agreed with the Chief Finance Officers of the constituent authorities listed above. Population was used as the key driver for splitting the district budgets. For the County Council the most appropriate bases for the different lines within the RA return were agreed.

The Rural Suffolk area includes the whole of Forest Heath, St Edmundsbury and Waveney and parishes in Suffolk Coastal, Mid Suffolk, and Babergh District Councils. Following disaggregation of the constituent authorities budgets the relevant percentages that are used in this business case are shown below:

<b>Constituent Authorities</b>	<b>Total Current Budget £'000</b>	<b>Percentage to Rural Suffolk %</b>	<b>Rural Suffolk Assumed Budget Requirement £'000</b>
Forest Heath	8,637	100	8,637
St Edmundsbury	14,554	100	14,554
Suffolk Coastal	16,190	50	8,092
Babergh	12,232	72	8,862
Mid Suffolk	12,385	92	11,443
Waveney	17,017	100	17,017
Suffolk County Council	393,105	69	270,292
<b>Total</b>	<b>474,120</b>		<b>338,897</b>

Suffolk County Council has developed a programme of initiatives to secure efficiency savings and this is already delivering benefits to the people of Suffolk by

reducing current costs and will continue to do so in to the time of the new unitary authorities. It is assumed that this programme will be maintained by the new unitary authority, so the anticipated savings have been built in to the workbook as net savings under the Transition Plan (in row 24) as a contribution from other sources outside of the reorganisation. See section G1 below for further information.

## **A2 Split of External Finance**

External finance for local authorities is made up of council tax, government specific grant and government formula grant.

The assumption has been made that specific grants will continue at a similar level for the new unitary authority as currently received and have been disaggregated to the proposed new unitary authorities based on population or location of schools (for Dedicated Schools Grant and other schools related specific grants).

Formula Grant has been the subject of more detailed consideration. Local Government Futures (LGF) were employed by the Suffolk Chief Finance Officers (SCFO's) group to identify the new formula grant entitlements using the national formula grant methodology and re-running the national settlement calculation. They have provided guideline figures for each of the scenarios under discussion, which have been debated and agreed by the SCFO's.

Due to the fact that the options to be exemplified included transferring part of Waveney to Norfolk, LGF have calculated figures for this business case by looking at the Suffolk and Norfolk areas together, following advice obtained from Communities and Local Government (CLG). Under the current Comprehensive Spending Review (CSR) 2007 the total formula grant available for Suffolk and Norfolk is ring fenced to these totals until CSR 2009 and the calculations acknowledge this.

The calculations presented by LGF allow for Rural Suffolk, North Haven, and a Combined Fire Authority (CFA). The workbook does not allow for the costs and funding associated with the CFA to be shown as a separate authority, therefore they have been split between the Rural Suffolk and North Haven workbooks.

LGF's analysis attempts to replicate CLG methodology for the 2007/08 formula grant settlement. Actual data has been used where available and proxies agreed with SCFO's have been used where not.

The formula grant figure calculated by LGF for the business case for Rural Suffolk is £124.610m.

## **A3 Split of Council Tax Base**

The Council tax base is the number of band D equivalent dwellings in an area. Disaggregation of this base allows the identification of potential council tax funding available to the new unitary authorities. The analysis is based on 2007/08 actual data analysed to parish where applicable and the split has been agreed with the

SCFO's. The share of each constituent authorities tax base used in this business case is set out below:

<b>Authority</b>	<b>Total Tax Base (£)</b>	<b>Rural Suffolk Tax Base (£)</b>
Forest Heath	16,266	16,266
St Edmundsbury	37,107	37,107
Suffolk Coastal	48,487	25,905
Babergh	32,539	23,326
Mid Suffolk	34,289	31,597
Waveney	39,811	39,811
<b>Total</b>	<b>208,500</b>	<b>174,012</b>

#### **A4 Split of Revenue Balances**

General (unallocated) and earmarked reserves make up the revenue balances of a local authority. Suffolk County Council has service reserves as well as a general fund reserve and these have been treated as general reserves for this exercise.

General reserves have been split on population and earmarked reserves have been split on either population or specific projects relevant to the proposed new unitary authority areas.

The analysis shown below for Rural Suffolk is based on revenue balance estimates at 31/03/07 as shown in the 2007/08 RA form for the district councils. For Suffolk County Council the level of reserves has increased significantly since the 2007/08 RA return, so the figures used in this business case are based on the available level of reserves held as at 31/3/08.

<b>Authority</b>	<b>General £'000</b>	<b>Earmarked £'000</b>	<b>Total £'000</b>
Forest Heath	3,555	2,739	6,294
St Edmundsbury	2,500	9,822	12,322
Suffolk Coastal	1,695	2,042	3,737
Babergh	1,409	725	2,134
Mid Suffolk	912	1,796	2,708
Waveney	1,502	267	1,769
Suffolk County Council	25,864	27,875	53,739
<b>Total</b>	<b>37,437</b>	<b>45,266</b>	<b>82,703</b>

#### **A5 Split of Staff Numbers**

Staff numbers include all permanent, temporary and fixed contract staff (excluding casual staff) on a full time equivalent (fte) basis. Staffing levels were identified by each Suffolk authority based on 2007/08 information and was coordinated and moderated by the Suffolk HR Group with representatives from each of the Suffolk local authorities. The numbers exclude staff in schools, Customer Service Direct and those charged to the housing revenue account. The table below shows the allocation of current staff to Rural Suffolk for this business case.

<b>Authority</b>	<b>Staff Numbers fte</b>
Forest Heath	197
St Edmundsbury	559
Suffolk Coastal	124
Babergh	170
Mid Suffolk	323
Waveney	754
Suffolk County Council	3,883
<b>Total</b>	<b>6,010</b>

#### **A6 The Effect of these on the Projected Council Tax Level**

Following completion of the split of budgets and grant for the new unitary authorities an analysis was undertaken to see if there was any impact on the level of council tax. The details are shown in the table below and the impact has been built in to the workbook.

	<b>Rural Suffolk £'000</b>
Calculated Budget Requirement	338,897
Use of Unallocated Reserves and General GLA Grant	-3,692
Grant Figure from LGF	-124,610
Council Tax Requirement	210,595
Existing Council Tax Raised	210,640
<b>Shortfall</b>	<b>45</b>

#### **A7 Council Tax Equalisation Strategy**

Rural Suffolk is made up of elements of seven authorities all with different council tax levels. A strategy for equalising council tax levels need to be set as an authority can only set a single council tax. The strategy for Rural Suffolk is that council tax be equalised at £1,200 (at 2007/08 levels) over 4 years from 2010/11.

The 2007/08 council tax levels, including the average cost of parishes for each district, have been used to assess the financial implications of this strategy. This is set out in the table below and has been built in to the workbook. No allowance has been made for growth in council tax base and the equalisation strategy is that all councils will move towards the proposed level in four equal steps over four years. The 2007/08 council tax and the proposed changes over the four years 2010/11 to 2013/14 are shown in the table below.

<b>District Council</b>	<b>2007/08 Council Tax £</b>	<b>2010/11 Proposed Council Tax £</b>	<b>2011/12 Proposed Council Tax £</b>	<b>2012/13 Proposed Council Tax £</b>	<b>2013/14 Proposed Council Tax £</b>
Forest Heath	1,221.83	1,216.00	1,211.00	1,205.00	1,200.00
St Edmundsbury	1,233.04	1,225.00	1,216.00	1,208.00	1,200.00
Babergh	1,216.29	1,212.00	1,208.00	1,204.00	1,200.00
Suffolk Coastal	1,204.36	1,203.00	1,202.00	1,201.00	1,200.00
Mid Suffolk	1,217.28	1,212.00	1,208.00	1,204.00	1,200.00
Waveney	1,180.04	1,185.00	1,190.00	1,195.00	1,200.00

The table below shows the proposed percentage changes in council tax rates compared with 2007/08.

<b>District Council</b>	<b>Average Council Tax including Parishes 2007/08</b>	<b>2010/11 % Change</b>	<b>2011/12 % Change</b>	<b>2012/13 % Change</b>	<b>2013/14 % Change</b>
Forest Heath	1,221.83	-0.5	-0.9	-1.4	-1.8
St Edmundsbury	1,233.04	-0.7	-1.4	-2.0	-2.7
Babergh	1,216.29	-0.4	-0.7	-1.0	-1.3
Suffolk Coastal	1,204.36	-0.1	-0.2	-0.3	-0.4
Mid Suffolk	1,217.28	-0.4	-0.8	-1.1	-1.4
Waveney	1,180.04	0.4	0.8	1.3	1.7

## **B ADDITIONAL REVENUE EXPENDITURE**

### **One Off Additional Revenue Expenditure**

#### **B1 Staffing – Staff Release Costs**

##### **(a) Redundancy**

The outcome of the various savings options outlined in section C below will result in fewer staff being employed by the new unitary authority compared with the current levels in the existing authorities. One of the costs as a result of this will be in the form of redundancy payments to existing staff.

The intention is to keep redundancy payments to a minimum through the existing authorities working collaboratively to minimise disruption to staff and services. It is assumed that costs will be reduced through redeployment of existing staff (particularly where services are integrated) and natural turnover, but there will still be some staff that are made redundant.

The other local authorities whose staff may be affected by redundancies have slightly different policies, but the overall financial impact of these differences is considered to be immaterial therefore Suffolk County Council's policy has been applied to the calculations.

The savings options suggest that the number of staff will reduce by 175 in this new authority. An average turnover of 30% (15% for Chief Executives and Directors) was applied to the numbers along with an average age and average length of service to calculate redundancy costs of £2.4m over the transition period.

The table below shows the calculation of both the redundancy and early retirement costs as the calculations are linked.

<b>Redundancy and Early Retirement Costs</b>	<b>FTE</b>	<b>£'000</b>
<b>Redundancy Costs</b>		
Reduction in CEO and Director posts	10.0	465
Assumed Natural Wastage / Redeployment @ 15%	-1.5	-70
<b>Total CEO / Director Posts</b>	<b>8.5</b>	<b>395</b>
Reduction in other staff posts	165	2,850
Assumed Natural Wastage / Redeployment @ 30%	-49.5	-850
<b>Total Other Posts</b>	<b>115.5</b>	<b>2,000</b>
<b>Total Redundancy Costs</b>	<b>124</b>	<b>2,395</b>
<b>Retirement Costs</b>		
30% of Redundant posts assumed to be entitled to Early Retirement. Cost equivalent to 140% of redundancy.	<b>37.2</b>	<b>1,005</b>

The phasing of these payments is in line with the assessment of when savings will be generated and is shown in the table below.

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	Total £'000
<b>Redundancy Costs</b>	959	889	266	281	<b>2,395</b>
<b>Early Retirement Costs</b>	403	373	112	117	<b>1,005</b>

(b) Early Retirement and Pension Fund Contributions

Where staff are over 55 years of age on 31 March 2010 and have continuous service since March 2008 they will be eligible for early retirement in addition to their redundancy payment. An assumption has been made that 30% of surplus staff (in line with the current workforce profile) will be over 55, resulting in a cost of £1.0m over the transition period. The calculation and phasing of the payments is shown in the tables above under section B1 (a) Redundancy.

(c) Pay Harmonisation

There are not considered to be any one off additional revenue costs associated with pay harmonisation resulting from the establishment of this new unitary authority. On going pay harmonisation costs are outlined below.

(d) Relocation

If staff are required to move their office base as a result of the establishment of the new unitary authority then they will be eligible to be paid relocation expenses at 40 pence per mile for a period of up to four years.

The property strategy for the new Rural Suffolk authority is likely to rationalise office buildings within the area over the transition period in order to take advantage of savings, which will result in some staff having a new base. Final decisions would be taken by the new authority, but we have modelled assumed new patterns. Assumptions have been made about the numbers of staff that will be eligible for payment, taking into account working patterns, annual leave and sickness, where people live and natural turnover resulting in a calculation that gives a cost of £2.0m over the transition period.

<b>Relocation Expenses</b>	<b>£'000</b>
Staff Travelling 27 Miles	561
Staff Travelling 13 Miles	1,442
Staff Travelling 10 Miles	2,265
Staff Travelling 20 Miles	362
Less allowance for staff who work closer to new base	-926
Less allowance for staff who work flexibly	-556
Less allowance for natural wastage	-1,120
<b>Total Relocation Costs</b>	<b>2,028</b>

Any closure of properties would be phased over the four year transition period, so some of the associated costs will fall beyond the timescale being evaluated for this proposal. To ensure that the total costs are shown in the business case any costs

falling beyond the four year transition period have been included in 2013/14. The phasing is shown in the table below.

2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 (and beyond) £'000	Total £'000
73	307	397	1,251	<b>2,028</b>

(e) Recruitment

The majority of recruitment costs will be funded from existing budgets, but there will be a peak of activity as the new council seeks to recruit the best senior managers to its new structure. It is anticipated that recruitment consultants will need to be employed for some of the top positions (particularly the Chief Executive's post) hence a one-off additional cost of £0.3m has been included in the business case to allow for this. It has been assumed that £0.2m will fall in 2009/10 and £0.1m in 2010/11.

**B2 Accommodation**

There will be some one off additional revenue costs associated with decommissioning buildings and moving staff from their current office base to a new one. These costs were allowed for when calculating the savings that would be generated from rationalising the property portfolio in section C5 below, so are not shown separately in this section of the workbook. The on going accommodation costs are outlined in section B13 below.

**B3 ICT**

ICT will be at the heart of delivering the information needed to shape tailored localised services. It will support flexibility locally while offering economies of scale in commissioning, planning and performance management at the centre of council operations. There are two elements to the ICT transitional costs contained within the business case.

The first element is around integrating the various systems that the current authorities in Suffolk are operating. This will involve integrating the different systems and processes into shared systems; joining together and rationalising the technical infrastructure; merging data into common systems; merging the support services into one service and training. Experience of other authorities of a similar size suggests a cost for transition of up to £3.6m which includes £2.7m for joining and integrating existing systems and services and £0.9m for standardising core systems e.g. finance, HR, revenue and benefits and payroll. The tables below show a breakdown of the cost areas included in the figures above.

<b>Joining and Integrating Systems and Services</b>	<b>£'000</b>
Integration of diverse systems and processes into shared systems	830
Joining and rationalising the technical infrastructure	570
Merging data into common systems	965
Merging support services	160
Training of ICT and other staff	130
<b>Total</b>	<b>2,655</b>

<b>Standardising Core HR, Finance, Revenues &amp; Benefits and Payroll Systems</b>	<b>£'000</b>
HR	220
Finance	155
Payroll	220
Revenues & Benefits	305
<b>Total</b>	<b>900</b>

The table below shows the phasing of costs across the transition period and is based on the assumption that the work to integrate and standardise systems will be undertaken during the first two years of the new unitary authority, with approximately 70% falling in the first year.

<b>2010/11</b>	<b>2011/12</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2,455	1,100	3,555

The second element is the investment in IT infrastructure and systems needed to deliver high quality localised services at lower cost. This will largely be achieved by using the funds already available to the councils for service improvement and system development, but additional investment of £1.8m is required to achieve the level of transformation to meet the ambition of the new unitary authority. The table below gives a breakdown of the £1.8m.

<b>Development of ICT</b>	<b>£'000</b>
Content management	750
Performance management	255
Business intelligence	255
Web, communications and public access channel management	510
Contact management, citizen, partner and market information	510
Network and telephony	4,080
Mobile and flexible working, greening ICT	1,020
Democratic support	255
Locality working	2,550
Security and business continuity, virtualisation	2,040
Development of specialist service functions	1,275
<b>Total Investment over 3 years</b>	<b>13,500</b>
Existing revenue funds	-9,000
60% of costs assumed to be capital	-2,700
<b>Total Revenue Transition Cost</b>	<b>1,800</b>

The table below shows the phasing of costs across the transition period and is based on the assumption that the work to develop ICT will need to be started before the new unitary authority is established and will continue over the following two years. The phasing is in equal instalments over three years.

<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
600	600	600	1,800

Where possible ICT transition costs have been capitalised and are included in section D below.

#### **B4 Change Management and Shadow Planning**

##### **Additional staff**

A substantial senior officer team would be established to support the implementation of a shadow authority. The team of 14 people would be lead by a Transition Director and would require a mix of skills and knowledge from across county and district services to ensure a successful and smooth transition to the new unitary authority. This team would be in place for both 2009/10 and 2010/11 and would cover Team Director, Finance, HR, ICT, Project Manager, Property, District Services, Legal Services, Children's Services, Adult Services, Other Services and Administrative support. The cost of running this team of people for the two years has been assessed at £1.9m. The table below gives details of the calculation.

<b>Transition Team</b>	<b>£'000</b>
<b>2009/10</b>	
Director	151
11 Senior Management staff @ £75,400 each	829
2 Administration Support staff @ £22,750 each	46
<b>Total 2009/10</b>	<b>1,026</b>
<b>2010/11</b>	
11 Senior Management staff @ £75,400 each	829
2 Administration Support staff @ £22,750 each	46
<b>Total 2010/11</b>	<b>875</b>
<b>Total Transition Cost</b>	<b>1,901</b>

#### **B5 Contingency**

A general contingency sum of £1.5m has been included. This will be a one-off transition contingency of £0.3m per annum, spread over 2009/10 to 2013/14 to allow for risks associated with creating and integrating the services for Rural Suffolk.

#### **B6 Contract Novation**

The process of novating contracts from the existing authorities to the Rural Suffolk authority will be complicated, with some contracts needing to be split three ways (Rural Suffolk, North Haven and Combined Fire Authority). Based on an assessment that there are approximately 3,000 contracts that will need to be novated, with each requiring an average of 1.5 days of legal time, the cost has been calculated as £1.3m for Rural Suffolk. The calculation is shown in the table below. The costs are phased £1.0m in 2009/10 and £0.3m in 2010/11 to reflect the fact that most of the novation work will need to be complete before the new authority is established in April 2010.

<b>Contract Novation</b>	<b>£'000</b>
Total cost for the whole of Suffolk	
3,000 contracts @ 1.5 days @ £490 per day	2,205
Rural Suffolk proportion 57% (based on budget disaggregation)	<b>1,257</b>

#### **B7 Elections**

There are not considered to be any one off additional revenue costs associated with elections resulting from the establishment of this new unitary authority. The current budgets across Suffolk allow for elections every four years and the new unitary authority will have the same pattern of elections therefore there will be no additional costs.

## **B8 Localisation**

The approach being adopted for Rural Suffolk in terms of localisation and the on going costs are outlined in section B15 below. There will be 18 Community Boards in Rural Suffolk. In order to underpin and embed the new localised working with Community Boards it has been assessed that there will need to be additional staff support of £0.6m in each of 2010/11 and 2011/12. The details are shown in the table below.

<b>Supporting Community Boards</b>	<b>£'000</b>
Locality Officers (9 @ £43,100)	388
Support Officer (9 @ £28,800)	259
<b>Total</b>	<b>647</b>

## **B9 Communications and Branding**

The commitment to a devolved and community focussed unitary authority necessitates a strong and visible community presence. There will need to be investment to ensure that correspondence, leaflets and public buildings and vehicles are identified with the new authority. This will focus on areas where use of previous signs and communication will provide confusion. The programme will be phased to minimise the cost. The transition cost is estimated to be £0.6m as set out below with £0.5m falling in 2009/10 and £0.1m in 2010/11 to reflect the fact that most of this work will need to be undertaken before the new authority begins.

<b>Information and Public Access</b>	<b>£'000</b>
Development of an umbrella brand identity and local variations	34
Identity application to fleet	76
Identity application to property	497
Identity application to stationery and marketing	38
<b>Total</b>	<b>645</b>

## **B10 Close Down**

Each of the existing authorities will need to undergo a process of financial close down and audit. It has been estimated that a team of eight staff costing £50,000 each would be required to undertake this across the whole of Suffolk. The Rural Suffolk share of this total cost (68% based on budget disaggregation) is £0.3m and will fall in 2010/11 when the final accounts for 2009/10 are prepared and audited.

## **B11 Other Additional One Off Expenditure Items**

### (a) Training

It is anticipated that existing budgets will be utilised for ongoing training, however, given the major change to a new unitary authority an additional £100 per employee has been set aside to ensure all staff and councillors are made aware of the new

principles, priorities and systems that will underpin Rural Suffolk. This equates to a transition cost of £0.7m and will fall in 2010/11 as staff are inducted to the new authority.

(b) Combined Fire Authority

The proposal to create two unitary authorities within the county of Suffolk brings with it a requirement to establish a single Combined Fire Authority (CFA). The CFA will provide a governance structure for the fire and rescue service comprising councillors from both local authorities. It will be an independent precepting authority, able to raise revenue through council tax levy, so it will need sufficient specialist staff to ensure that it works accountably and effectively. The transition costs for the CFA have been estimated at £0.4m for Rural Suffolk and the detail is set out in the table below. It is estimated that £0.3m will fall in 2009/10 and £0.1m in 2010/11 to ensure that the CFA is ready to operate from April 2010.

<b>Combined Fire Authority</b>	<b>£'000</b>
Shadow running costs	109
Branding, stationery, logos and communications	47
Transitional support (insurance, banking, treasury management etc)	68
ICT (to support CFA governance)	68
Recruitment and training of staff and councillors	21
Set up costs for separate support services	68
Contingency	37
<b>Total</b>	<b>418</b>

**On Going Additional Revenue Expenditure**

**B12 Staffing – Staff Release Costs**

(a) Pay Harmonisation

There will be a cost associated with harmonising pay and grades from across the different authorities. This has been estimated at £0.6m per annum from 2010/11 based on Suffolk County Council's experience from undertaking a 'Single Status' review in 2002.

**B13 Accommodation**

As outlined in B1 (d) above the property strategy will result in rationalising the existing portfolio of buildings across Suffolk and ensuring that the remaining buildings are used as efficiently as possible in terms of staff numbers and how staff work. To maximise this potential it will be necessary to invest in additional hot desk facilities in operational buildings. The capital costs associated with increasing the capacity of existing buildings is covered in section D below. The additional revenue cost has been assessed at £0.1m per annum from 2010/11 with the details being shown in the table below.

<b>Property</b>	<b>£'000</b>
New Hot Desks (125 @ £450)	56
Endeavour House new capacity (66 @ £450)	30
New Shire Hall additional capacity (50 @ £450)	23
<b>Total</b>	<b>109</b>

#### **B14 ICT Costs – Revenue Elements**

There are not considered to be any on going additional revenue costs associated with ICT resulting from the establishment of this new unitary authority. The one-off transition costs associated with ICT are outlined in section B3 above.

#### **B15 Localisation**

A fundamental design principle for Rural Suffolk is to engage with and empower communities and the business case has been designed on the basis of creating a number of Community Boards to achieve this ambition. This business case has been built on the assumption that there will be 18 Community Boards operating in the Rural Suffolk area.

##### **(a) Additional Staffing**

To run as effectively as possible, the Community Boards in each locality will need strong staff support. There are a number of existing democratic support staff who will be available to support the new ways of working, but it is felt that there is the need to make a further investment in staff to ensure its successful operation. The cost has been assessed at £0.6m per annum from 2010/11 and the details are shown in the table below:

<b>Supporting Community Boards</b>	<b>£'000</b>
Locality Officers (9 less 3 existing @ £43,100)	259
Support Officer (9 @ £28,800)	259
Venue Hire (18 @ £90 per annum based on 3 meetings per year)	2
Special Responsibility Allowance for Chairman (18 @ £4,844)	87
<b>Total</b>	<b>607</b>

##### **(b) Localisation**

Each Community Board will have a locality budget which will provide a fund for councillors to spend on local issues with the involvement of their local community. This means that localities can access an additional and flexible resource to meet their needs. Suffolk County Council has an existing resource of £0.75m per annum for locality budgets, but to enable development of local initiatives it is proposed that Rural Suffolk would invest a further £1.2m from 2010/11.

<b>Locality Budgets</b>	<b>£'000</b>
Assessed level of Locality Budgets for Suffolk	2,500
Existing resource within Suffolk County Council	750
Additional investment required across Suffolk	1,750
<b>Rural Suffolk investment (68% based on budget disaggregation)</b>	<b>1,190</b>

## **B16 Other On Going Revenue Expenditure Items**

### (a) Combined Fire Authority

As outlined in section B11 (b) above creating two new unitary authorities in Suffolk brings a requirement to establish a Combined Fire Authority (CFA). The on going costs for the CFA have been estimated at £0.2m per annum from 2010/11 for Rural Suffolk and the detail is set out in the table below.

<b>Combined Fire Authority</b>	<b>£'000</b>
Councillors allowances 20 @ £3,000	45
Councillors travel & Subsistence plus expenses	15
Special responsibility allowances	17
Democratic support services	68
Specialist advice	68
<b>Total</b>	<b>213</b>

### (b) Dividing County Services

In the same way that there will be savings associated with bringing district services together in one structure, the proposal to divide county council services into two organisations will have a significant on going impact on costs and value for money. These are difficult to assess, but are likely to affect the new authority in the following ways:

- Management overhead throughout the organisation
- Capacity to develop specialist teams
- Ability to procure strategic services effectively
- Competition for staff in areas where it is difficult to recruit.

We have not attempted to estimate the total impact across the authority, but have looked instead at a small number of specific examples where this impact can be quantified to demonstrate the likely level of costs that will be incurred. The cost has been assessed at £2.0m per annum from 2013/14 onwards with the details being shown in the table below.

<b>Dividing County Services</b>	<b>£'000</b>
<b>2010/11 to 2012/13 (cost per annum)</b>	
Specialist commissioning teams. The team of staff required would be of an equivalent size in any organisation. This has been assessed at £2.1m (excluding senior managers). Rural Suffolk has 68% of the budget to pay for this team, so the additional cost equates to 32%.	676
Domiciliary Care – impact of proportionally higher cost cases due to additional cost to travel to rural customers	338
Transport Costs – impact of longer journeys and higher costs	400
Procurement – stepping down from countywide contracts to smaller packages	400
<b>Total 2010/11 to 2012/13 (cost per annum)</b>	<b>1,814</b>
Highways Maintenance (from 2013/14 onwards) – anticipated higher costs for Rural Suffolk when current contract is renegotiated	200
<b>Total 2013/14 Onwards (cost per annum)</b>	<b>2,014</b>

## **C REVENUE EXPENDITURE REDUCTIONS**

### **C1 Corporate and Democratic**

#### **(a) Councillor Allowances**

Rural Suffolk will need fewer councillors to operate in its streamlined governance arrangements. The total number of councillors representing the Rural Suffolk area will reduce from 266 to 100. The councillors will be expected to fulfil a role as frontline community representatives, working with and through the community boards to ensure strong two-way links between community action and corporate strategy. In recognition of this responsibility and comparison to similar sized unitary authorities, we are assuming that the basic councillor allowance will be £10,000. There is also a range of special responsibility allowances that have been calculated using the basic allowance figure. Compared to the current costs across the county this gives an annual saving of £0.5m per annum from 2010/11. The details are shown in the table below.

<b>Councillor Allowances</b>	<b>£'000</b>
<b>Current Spend</b>	
Total current spend across all Suffolk authorities	2,559
Rural Suffolk proportion (based on number of current councillors)	<b>1,842</b>
<b>Proposed Spend</b>	
Basic councillor allowance (100 @ £10,000)	1,000
Various special responsibility allowances	378
<b>Total Proposed Spend</b>	<b>1,378</b>
<b>Saving per annum</b>	<b>464</b>

#### **(b) Support Staff**

Each local authority requires certain services that support its corporate functioning. However, the size of the service is not proportional to the size of the authority, but reflects the number of organisations and the services it is responsible for. The services that have been looked at and included within this area are as follows:

- Communications and marketing
- Performance and planning
- Scrutiny and monitoring (including democratic services and legal)
- Internal audit
- Programme and project planning
- Strategy and corporate partnerships

Legal casework has been excluded because the volume of work undertaken by the new unitary authority is unlikely to be significantly different from that undertaken by the existing local authorities.

It has been assessed that the level of corporate support staff required by the new Rural Suffolk unitary authority would be equivalent to 60% of the current spend across all authorities. This is lower than Rural Suffolk's proportion of the budget

disaggregation, which results in a saving of £1.6m for the business case. The table below shows the basis for the calculation.

<b>Corporate Support Staff</b>	<b>£'000</b>
<b>Current Spend</b>	
Total current spend across all Suffolk authorities	22,375
Rural Suffolk proportion (based on budget disaggregation – 68% for county council and 66% for district councils)	<b>15,059</b>
<b>Proposed Spend</b>	
Assessed cost of staff team required (60% of current spend)	<b>13,425</b>
<b>Saving per annum</b>	<b>1,634</b>

The phasing of the savings is shown in the table below. It is anticipated that half of the savings will be achieved in 2010/11 as not all the new structures will be in place from April 2010.

<b>2010/11 £'000</b>	<b>2011/12 (and beyond) £'000</b>
817	1,634

(c) Senior Staff

Senior management savings result directly from the reduction in the number of councils from eight to two. For example, this proposal along with the North Haven unitary authority will see a move from eight Chief Executives to two. Compared to existing arrangements across Suffolk, the proposed authority will have fewer senior managers with a more strategic responsibility.

The comparison between the proposed new structure and the existing numbers of senior managers across Suffolk is shown in the table below. There will also be a senior management structure within North Haven unitary authority, but the figures give an indication of the level of savings to be achieved.

	<b>Current (FTE)</b>	<b>Proposed (FTE)</b>
Chief Executive	7.0	1.0
Directors	22.0	6.0
Heads of Service / Assistant Directors	100.9	34.0

The table below shows the calculation of the saving for the Rural Suffolk unitary authority taking into account the proportion of the Suffolk budget that they will receive on disaggregation. It is anticipated that £3.4m will be achieved in a full year of savings, with half that amount in 2010/11, to reflect the fact that not all structures will be in place from April 2010. A deduction has been made from the calculated saving to allow for the fact that there might be double counting with senior managers being included in some of the other savings options.

<b>Senior Management</b>	<b>£'000</b>
<b>Current Spend</b>	
Current spend by Suffolk County Council	4,753
Current spend by the District Councils	6,746
Total current spend in Suffolk	11,499
Rural Suffolk proportion (based on each authorities budget disaggregation percentages)	<b>8,223</b>
<b>Proposed Spend</b>	
Chief Officer Team (7 @ average salary of £163,000)	1,141
Third tier managers (34 @ £91,000)	3,094
Addition to eliminate double counting possibility	557
<b>Total Proposed Spend</b>	<b>4,792</b>
<b>Saving per annum</b>	<b>3,431</b>

(d) Information Technology

The anticipated reduction resulting from the integration of ICT systems and processes is incorporated within Shared Services, which is detailed in section C4 (e) (i) below.

(e) Procurement

Rural Suffolk will inherit a wide variety of contractual arrangements. These should present significant opportunities for procurement savings. Rural Suffolk will benefit from the work that Suffolk County Council has recently undertaken to strengthen its procurement function, introduce the latest procurement systems, centralise procurement activities and introduce best practice.

Savings should be obtainable from:

- Re-negotiating or re-tendering existing contracts, based on the aggregated volume of spend of the new authority.
- Reducing the total number of suppliers.
- Reducing processing costs, including order placing and invoice processing.
- Consistent application of best practice procurement techniques across all categories of spend.
- Challenging levels of demand and specifications.
- Using outsourced service providers where these can offer better value for money than undertaking works in-house.

Based on this a conservative estimate for savings has been included in the business case, starting at £0.2m per annum in 2010/11 rising to £0.8m per annum in 2013/14 and beyond. In 2007/08 the level of procurement undertaken by Suffolk County Council (excluding schools) was £389m. The proposed savings therefore represent only 0.2% of this level of procured expenditure. The phasing of the savings is shown in the table below.

2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 (and beyond) £'000
200	400	600	800

(f) Other

(i) External Audit

Currently, each of the local authorities in Suffolk pays the Audit Commission for a range of audit services that includes the Code of Audit Practice work, certifying grant claims and statutory inspections. Under a unitary Rural Suffolk this will be replaced by one set of audits resulting in reduced costs. The saving has been assessed as being achievable gradually over the transition period. The Audit Commission will regard it as a high risk audit in the first year of operation of the new unitary authority, so it is unlikely that any savings will be seen in that year and any reduction in the cost of auditing grant claims will be slowly realised as benefit systems are integrated. It is anticipated that savings will eventually rise to £0.5m per annum in 2014/15 and beyond. The calculation of the on going saving from 2014/15 and beyond is shown in the table below.

<b>External Audit</b>	<b>£'000</b>
<b>Current Spend</b>	
Total current spend across all Suffolk authorities	1,655
Rural Suffolk proportion (based on 68% of budget disaggregation)	<b>1,132</b>
<b>Proposed Spend (2014/15 and beyond)</b>	
Fixed element audit fee	115
Variable fee based on 0.032% of gross expenditure	233
Grant claims	193
Statutory inspections	96
<b>Total Proposed Spend</b>	<b>637</b>
<b>Saving per annum (2014/15 and beyond)</b>	<b>495</b>

The phasing of the savings are shown below to acknowledge the fact that savings will accrue as grant claim risks are reduced.

2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 (and beyond) £'000
0	352	400	447	495

(ii) Insurance

Savings on insurance arise from combining the district council insurances with those of the county council, gaining from economies of scale and the level of self-insurance that the new unitary authority can afford to undertake compared

with district councils. The saving for Rural Suffolk has been assessed as £0.4m per annum and the calculation is shown below.

<b>Insurance</b>	<b>£'000</b>
<b>Current Spend</b>	
Rural Suffolk proportion of current spend (based on budget disaggregation percentages)	<b>2,919</b>
<b>Proposed Spend (2014/15 and beyond)</b>	
Assessed share of Suffolk County Council costs	904
Assessed share of Suffolk County Council claims	672
Assessed share of District Council costs	907
<b>Total Proposed Spend</b>	<b>2,483</b>
<b>Saving per annum</b>	<b>435</b>

## **C2 Education**

As outlined in section A1 above Suffolk County Council has a programme of initiatives to secure efficiency savings across a wide range of its services. This includes an element that would have been shown under the Education section of the workbook, but this programme of savings has been included under the Transition Plan as a contribution from other sources outside of the reorganisation. See Section G1 below for further details.

## **C3 Social Services**

As for Education described in C2 above.

## **C4 Other Services**

### (a) Highways, Roads and Transport Services

Currently district and county councils provide parallel services dealing with maintaining public spaces. There is the potential for savings to arise from integrating and aggregating verges, grounds, parks and gardens services and also street cleansing services.

Bringing these services together will generate savings from a reduction in managerial numbers and enhanced procurement power. We have worked with district council colleagues to evaluate the current levels of expenditure in this area. Savings have been conservatively estimated at 10% of the current district spend excluding Waveney, Babergh and Suffolk Coastal where their long term contracts mean that savings would not be realised within the evaluation period for the new unitary authority.

The table below shows the calculation of the annual savings figure of £0.3m, which will be achieved in 2013/14 and beyond. Total expenditure for Forest Heath and St Edmundsbury District Councils fall within Rural Suffolk, but the Mid Suffolk expenditure figure has been reduced to reflect the proportion of the population that falls within Rural Suffolk.

<b>Street Scene</b>	<b>£'000</b>
<b>Street Sweeping and Litter Collection</b>	
Expenditure incurred by Forest Heath, St Edmundsbury and Mid Suffolk District Council	1,515
<b>10% Saving</b>	<b>152</b>
<b>Maintaining Verges, Parks and Gardens</b>	
Expenditure incurred by Forest Heath, St Edmundsbury and Mid Suffolk District Council	1,579
<b>10% Saving</b>	<b>158</b>
<b>Total Saving per annum</b>	<b>310</b>

The phasing of the savings is shown in the table below and reflects the fact that it will take time for the new unitary authority to rationalise and drive out efficiency savings.

<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 (and beyond) £'000</b>
93	217	310

(b) Housing Services

There are not considered to be any savings associated with housing services resulting from the establishment of this new unitary authority.

(c) Cultural and Related Services

There are not considered to be any savings associated with cultural and related services resulting from the establishment of this new unitary authority.

(d) Environmental Services

(i) Waste Services

Waste collection services in the Rural Suffolk area are delivered by six separate authorities. By bringing these together with disposal we anticipate that savings can be made of 20% on management, 7.5% on disposal, 3.75% on collection and 10% on other areas.

Following discussion at officer and councillor boards, the assumption that has been used to calculate the savings is that a Joint Waste Disposal Authority would operate between the Rural Suffolk and North Haven unitary authorities, thereby enabling them to benefit from the economies of scale outlined above. If the new authorities decided not to set up the joint waste disposal authority then the level of savings to be achieved by Rural Suffolk would be significantly reduced.

The annual saving figure from 2014/15 and beyond has been assessed at £1.4m and is shown in the table below. The figures used are based on an independent consultant's report commissioned by the Suffolk authorities in

2005/06 and the figures have been uplifted for inflation to 2007/08 prices. The figures used for Rural Suffolk are based on the split of population.

<b>Waste Services</b>	<b>Rural Suffolk Budget £'000</b>	<b>Saving %</b>	<b>Saving £'000</b>
Managing Waste Collection Authority	1,486	20.0	297
Managing Waste Disposal Authority	479	20.0	96
Household Waste Recycling Centres	1,109	7.5	83
Other County Costs (less management costs)	820	0.0	0
Collection (less management costs)	7,441	3.75	279
Dry Recyclables	1,589	10.0	159
Botanical Waste	1,402	10.0	141
Residual Waste-Contract (split based on consultants data)	3,252	10.0	325
Residual Waste-Landfill Tax (split based on consultants data)	3,330	0.0	0
<b>Total Saving per annum (from 2014/15)</b>	<b>20,908</b>	<b>6.6</b>	<b>1,380</b>

It has been assumed that the management savings can be achieved from 2010/11 onwards, but the other savings will be phased over the transition period to reflect the fact that new arrangements will need to be put in place. The phasing of the savings is shown in the table below.

<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 (and beyond) £'000</b>
590	788	985	1,183	1,380

(ii) Regulatory Services

The high level of synergy between Regulatory Services currently provided in part from the county council and the district councils means that integrating them will generate both savings and deliver an improved, customer focussed service.

A conservative estimate of savings of £0.4m per annum has been included based on a reduction in staff costs resulting from fewer posts as the services are integrated and efficiencies realised. It is anticipated that £0.2m will be achieved in 2010/11 and £0.4m from 2011/12 onwards. The table below shows the calculation of the savings figure.

<b>Regulatory Services</b>	<b>£'000</b>
<b>Strategic Managers</b>	
Current staffing levels across Suffolk authorities	4.0 (fte)
Rural Suffolk's share of current staff levels	2.8 (fte)
Proposed new structure	2.0 (fte)
Saving	0.8 (fte)
<b>Saving based on salary of £71,500 (including oncosts)</b>	<b>58</b>
<b>Senior Managers</b>	
Current staffing levels across Suffolk authorities	18.0 (fte)
Rural Suffolk's share of current staff levels	12.8 (fte)
Proposed new structure (50% saving)	6.4 (fte)
Saving	6.4 (fte)
<b>Saving based on salary of £52,000 (including oncosts)</b>	<b>332</b>
<b>Total Saving per annum</b>	<b>390</b>

(e) Other Services

(i) Shared Services

Significant savings can result from integrating existing council support functions. The functions that have been included under this heading are Property (i.e. facilities management, catering and cleaning), ICT, Human Resources, Finance and Revenue and Benefits. Savings will be realised by removing duplication of systems and processes and integrating the district council services together with those of the county council. The table below shows the level of current spend in these areas across the councils in Suffolk.

<b>Current Spend in Suffolk</b>	<b>County Council £'000</b>	<b>District Councils £'000</b>	<b>Total £'000</b>
Property	6,645	3,738	10,383
ICT	13,240	7,290	20,530
HR	7,543	3,040	10,583
Finance	4,750	5,673	10,423
Revenues and Benefits	0	7,371	7,371
<b>Total Current Spend</b>	<b>32,178</b>	<b>27,112</b>	<b>59,290</b>

Suffolk County Council and Mid Suffolk District Council have already established a Joint Venture company (Customer Services Direct – CSD) to jointly provide their HR, Finance, ICT and Revenues and Benefits services. Forest Heath District Council is part of the Anglia Revenues Partnership, which provides its Revenues and Benefits function. These costs have been excluded from the savings calculation due to the long term nature of these existing contracts. The table below shows the figures that have been excluded from the Suffolk totals.

<b>Exclusions from Current Spend</b>	<b>County Council £'000</b>	<b>District Councils £'000</b>	<b>Total £'000</b>
ICT	13,240	726	13,966
HR	7,543	241	7,784
Finance	4,750	379	5,129
Revenues and Benefits	0	1,547	1,547
<b>Total Exclusions from Current Spend</b>	<b>25,533</b>	<b>2,893</b>	<b>28,426</b>

The current spend for Mid Suffolk, Babergh, Suffolk Coastal and Waveney District Councils and Suffolk County Council has been allocated to the Rural Suffolk unitary authority based on population. Forest Heath and St Edmundsbury's current spend is entirely within Rural Suffolk. These proportions have been used to establish the Rural Suffolk current spend shown in the table below. The annual saving from 2013/14 onwards has been calculated at £2.9m and is also shown in the table below.

<b>Shared Services Savings</b>	<b>Rural Suffolk Spend £'000</b>	<b>Saving %</b>	<b>Saving £'000</b>
Property	7,274	15%	1,091
ICT	3,378	15%	506
HR	1,471	15%	221
Finance	3,125	15%	469
Revenues and Benefits	3,858	15%	579
<b>Total Saving per annum (from 2014/15)</b>	<b>19,106</b>		<b>2,866</b>

It is not expected that any savings will be realised in 2010/11. The phasing of the savings in the following years is shown in the table below.

<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 (and beyond) £'000</b>
955	1,910	2,866

## **C5 Other Savings**

### (a) Property

Creating Rural Suffolk unitary authority provides an opportunity to develop a strategic approach to property that will maximise efficiency and also support the strategic and community empowerment principles that the proposal is built on. This will need to address the most effective use of district and county properties.

There will be less demand for property due to:

- A single hub as a base for strategic decision making e.g. full council.

- Fewer staff to be accommodated, resulting from the reductions identified in this paper.
- Fewer meetings for officers and councillors.
- Better use of technology and flexible working although there will be an initial investment to support this as outlined in section B13 above.

The assumption has been made that some of the existing council offices will be surplus to requirement and an estimate has been put on the number of square metres of office space that would no longer be required. This is based on the reduced number of staff that the new authority will employ. In this case 11,870 square metres of property can be made surplus. The savings have been calculated using an average running cost of £150 per square metre of office space to give £1.7m. Entitlement to offices has been split appropriately between the two unitary authorities of Rural Suffolk and North Haven.

The phasing of the savings is shown in the table below and reflects the fact that it will take time to dispose of excess office space identified.

<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 (and beyond) £'000</b>
249	748	1,246	1,745

## D CAPITAL COSTS

### D1 Property Investment

As already outlined in section B13 above it will be necessary to invest in some of the existing properties to increase capacity in relation to the number of desks that are available and also hot desk facilities. The capital investment has been assessed as £1.5m and is set out in the table below. It has been assumed that this capital investment will be funded from capital receipts.

<b>Property Investment</b>	<b>£'000</b>
New Hot Desks	938
Endeavour House additional capacity	99
New Shire Hall additional capacity	500
<b>Total Investment</b>	<b>1,537</b>

### D2 IT Systems

Section B3 above outlined the ICT development that will be required for the new unitary authority. An assessment has been made that 60% of the additional investment (£4.5m) will be eligible to be treated as capital expenditure. The capital investment is therefore £2.7m and it has been assumed that this will be funded from capital receipts.

## E EFFECT ON STAFF NUMBERS

	<b>FTE's</b>
<b>One Off Costs</b>	
Change Management and Shadow Planning (Transition Team)	14.0
Localisation (Community Boards)	18.0
<b>Total One Off Costs</b>	<b>32.0</b>
<b>On Going Costs</b>	
Localisation (Community Boards)	<b>15.0</b>
<b>Total Increase in Staff Numbers</b>	<b>47.0</b>
<b>Savings</b>	
<b>Corporate and Democratic</b>	
Support Staff (Corporate Support Staff)	-35.0
Senior Staff (Senior Management)	-40.0
Information Technology (Shared Services)	-23.0
<b>Total Corporate and Democratic</b>	<b>-98.0</b>
<b>Other Services</b>	
Highways, Roads and Transport Services (Street Scene)	-5.0
Environmental Services (Waste Services & Regulatory Services)	-13.7
Other (Shared Services)	-51.9
<b>Total Other Services</b>	<b>-70.6</b>
<b>Total Savings</b>	<b>-168.6</b>
<b>Overall Net Impact on Staff Numbers</b>	<b>-121.6</b>

## **F USE OF ANY EARMARKED BALANCES**

This business case does not make any use of earmarked balances.

## **G ANY OTHER ITEMS**

### **G1 Efficiency Savings**

As outlined in section A1 above Suffolk County Council has already initiated a programme of efficiency savings that have been shown in the Transition Plan under contribution from other sources outside of the reorganisation. This programme will lead to annual efficiency savings of £6.6m being achieved in 2011/12 and beyond. The table below shows the phasing of the savings that have been included in the workbook and also an analysis of the services to which the savings would accrue had they been shown as revenue expenditure reductions in the workbook.

By including the efficiency savings in row 24 of the workbook cell Q50 turns red. This is because the net expenditure reduction is different to the net use of unallocated reserves at that point. The efficiency savings play in to the workbook after this calculation has been made and increase the contributions to reserve.

<b>Efficiency Savings</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2011/12 (and beyond) £'000</b>
Social Services	477	1,105	1,595	1,626
Education	662	1,374	1,798	1,798
Highways, Road & Transport	0	370	370	370
Other Services	881	1,582	2,381	2,788
<b>Total</b>	<b>2,020</b>	<b>4,431</b>	<b>6,144</b>	<b>6,582</b>

### **G2 Capital Receipts**

The property strategy for the new unitary authority makes an assumption that properties will be rationalised and that there will be some surplus capacity that will be available to generate capital receipts. The assumption within this business case is that £4.3m of capital receipts will be generated.

### **G3 Combined Fire Authority**

Qualifying statement

The figures relating to the Combined Fire Authority (CFA) represent an objective estimation of currently identified costs associated with key functions necessary for the establishment and operation of a CFA. However, they do not necessarily represent the totality of funding required to ensure financial sustainability. In setting an initial budget, the shadow Fire Authority will need to be provided with comprehensive financial information associated with all additional costs involved in

transitioning from a county council to an 'independent' CFA governance structure. This information is not currently available, but detailed work is underway to provide it through analysis of a range of funding models used by existing CFA's. Outputs from this modelling process may dictate the need to significantly adjust the figures quoted above.

#### **G4 Population Estimates**

Following discussion and agreement with the SCFO's the population figures in the workbook have been updated to the ONS mid 2006 statistics.