The Future of Local Government in Somerset - Executive Summary

February 2019
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Foreword - a message from the Somerset Chief Executives

Key points to include:

A strong case for change has emerged from this work and whilst it’s not exactly the case we might have individually predicted at the start, it does advocate for collective change.

We are all on our individual transformation paths, referred to in the report as “the As-is state”. Whilst these will undoubtedly deliver individual benefits, we are now convinced that staying purely to our own paths is not an option. We can collectively do better.

This is only the start. Some of the system wide challenges and opportunities go beyond any Council boundary. Despite upcoming council elections, we do believe it is possible and desirable to maintain some momentum on the progress made to date. We will find areas that allow us to continue safely prior to the elections e.g. Strengthening the report content; seeking out and building stronger alliances; collaborating on areas of common purpose etc.

We need to consider the resourcing and development of a detailed business case and programme for delivering our preferred option.

Final version to be agreed by the Somerset CEOs on the 13th Feb
1. Introduction & Approach

The context for Somerset commissioning this work was critical. It shaped the options development and will continue to shape the journey through a complex and challenging process towards Local Government Reform - whatever option is ultimately pursued.

The impact of funding cuts and pressure on Adult and Children’s services have long been a driver for local government change. Sitting alongside that, central government is becoming far more overt about encouraging Local Government Reform (LGR) and there is clearly a shift in policy at MHCLG. Building a Somerset leadership alliance and a case for change are critical building blocks for this work.

It is important that the criteria to assess the options are not purely financial, as they also needed to be based on a credible geography and a genuine sense of “place”. The approach needed to develop collaboration between key stakeholders, ensuring an engagement in exploring the range of options available; not leaping to conclusions and ensuring key players had a voice in these early discussions.

What became clear as we started to explore the challenge, was that the purpose was not to create an assessment of the best options, but create a set of assessment criteria that would:

- Allow all feasible options to be assessed and discussed by the stakeholder group
- Encourage all stakeholders to explore all feasible and achievable options without prejudice
- Ensure that short term financial challenges were only part of the case for change

There is a great deal to celebrate in Somerset. The county has a rich heritage and outstanding natural assets on which to draw. With its position between the South West and routes to London, its location offers great potential for the future. Quality of life is (on average) high and residents value the beauty of the countryside and coast on their doorstep. People feel a sense of connection to their place, and specifically their town or village where many benefit from strong and thriving communities.

Somerset also faces many challenges, for example: How best to deliver good services and support to all residents across a dispersed population following a period of sustained and ongoing budget constraint? How best to provide security to an ageing demographic and opportunity to its youth? How best to generate more inclusive growth, despite a tight labour market? For Somerset to meet these challenges, local government must play its full part.

The commissioning councils’ Leadership team for this work - the ‘Leadership Alliance’ was made up of Chief Council Officers and Leaders from the six district councils and the county council for Somerset. The decision to come together as a group earlier in 2018 was prompted by a rallying moment. In response, this group made a decision to work in partnership to look at the options for the future shape of local government in Somerset. An Ignite-led partnership was brought together to help deliver this work. In order to explore all considerations recognising that a range of experiences and capabilities would be required to explore, challenge and develop a broad set feasible and achievable options. This partnership consisted of:
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- Ignite - bringing a broad range of experience and capability from our work with local government and from other sectors (Education, Policing, Healthcare and Private Sector)
- Collaborate CIC - a values-led, not for profit organisation, driven by a belief in the power of collaborative services as a force for social and economic progress
- Pixel Financial Management - one of the leading experts in local government finance and funding. They provide support and advice on funding to more than 100 local authorities through the Funding Advisory Service and also deliver expert advice and financial analysis to national representative groups
- The Local Government Research Centre, (LGRC), De Montfort University - an internationally recognised centre of excellence for policy research into local governance both in Britain and abroad. Their work focuses on public governance, local political leadership / politics, community cohesion and local citizenship, neighbourhood governance, and local democracy.

The approach throughout the commission was to work as one team which included the Leadership Alliance, seeking outcomes that provided informed debate and excellent choice, respected the diversity and interests of the partners involved and ensured no one jumped too quickly to solutions.

We set out to understand and explore a broad range of issues and data as a route to considering how local government might reshape itself for the benefit of the community it serves. We gathered both quantitative data (received from the councils and analysed by Pixel & Ignite) and qualitative data (research from LGRC, community engagement by Collaborate CIC and employee engagement by Ignite).

2. Findings & Feedback

The early research by LGRC started to develop some key indicators for the efficacy of local government - these being Voice, Place and Stewardship. The critical aspect when working with these indicators was that for any option there would be ‘trade offs’ - understanding the impact of these ‘trade offs’ would become an important element of the options assessment. These ‘trade-offs’ were also useful for the assessment across the options in helping develop comparative benefit cases. These indicators plus Finance became the 4 Dimensions against which all options would be considered. The 4 Dimensions were used throughout the work by all partners to create a coherent narrative to the data analysis:
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The LGRC research also evidenced that local government reform has tended to be more successful where the approach is supported by improved collaboration between local institutions. As was also evidenced in the Collaborate CIC engagement activity with stakeholders, and in discussions within the Leadership Alliance, previous efforts at collaboration Somerset-wide have had mixed results, none of which have been wholly successful.

Findings from our engagement with the broader Somerset community highlighted both challenges and reasons for hope:

Challenges partners identified:

- Purpose: a lack of high-level strategic leadership for Somerset, and no shared vision for the county
- Relationships: poor relationships between councils hindered progress; collaborative working was patchy
- Demand: system under strain; an organisation by organisation approach to cuts counterproductive and unsustainable.

Reasons for hope:

- Partnership working: partners reported a strong desire for more effective partnership working, taking a systems approach. They stand ready to play their part
- New models of practice emerging: these are often preventative, place-based, cross-sector, multi-agency, data-driven, and person-centred. They are nascent and fragile but point the way forward.

We identified 19 common strategic building blocks across the different council operating models. The strategic building blocks are grouped around four types of activity:

**Assessment dimensions**

- **VOICE**
  - Being 'close' to the customer/citizen
  - The right roles/structures for representation, engagement and empowerment.

- **PLACE**
  - Community identity and place attachment at a local level
  - Place/community identity for larger entities (e.g. functional economic or community geography?)

- **STEWARDSHIP**
  - Optimal service/outcome delivery, ‘big ticket’ items (e.g. economic growth, vulnerable groups (e.g. social care, homelessness), coordination/integration.
  - Collaborative system leadership.
  - Operational balance between large scale and locality levels.

- **FINANCE**
  - Short term savings and recovery of implementation costs
  - Medium to long term VFM and sustainability of finance and services, including managing demand
Blue - all activity that directly provides value for customers and communities
Red - all activity that enables and supports customer-facing activity
Yellow - all activity that involves working with partners and with the community to better deliver value for customers and communities
Green - all activity that steers the blue, red and orange areas - horizon scanning and ensuring the direction is clear and maintained.

(Note: An operating model is the ‘whole system’ of all the components and layers of an organisation including structure and roles, strategy, performance and governance, technology and processes).

We also identified 13 integration opportunities for benefit realisation that were applicable to all options, such as shared strategic outcomes, common asset strategies, coherent commercial and funding strategies, shared services etc. Each of these opportunities could be applied to each option subject to specific constraints and would drive benefit in the following ways:

- Creating a sustainable cost base
- Managing demand
- Commercialisation
- Single set of strategies and outcomes.

The diagram on the next page shows the maximum potential savings associated with each opportunity (across Somerset only) to provide an indicator of relative scale. The maximum potential saving is £47.5M. These are the savings calculated before any of the structural options are applied. None of the structural options achieve the maximum savings. Rather there are trade-offs e.g. between economies of scale and local demand management.
We have modelled the same opportunities across the wider set of councils in Somerset, i.e. including BANES and NS. We were restricted by the limited data on BANES and NS and as a result modelling was based solely on scaling factors. Further deep dive work is recommended if progressing any business cases including these two organisations.

This analysis enabled us to categorise the potential options into 4 distinct categories:

- **As Is** - continuation of current arrangements including on-going improvement and savings initiatives
- **Transformation** - each council maximises individual efficiency through aligned transformation, followed by increasing degrees of sharing / collaboration
- **New Council (s)** - 1, 2, or 3 new council structures
- **New Ways of Working** - running services at the right scale with corresponding governance in Somerset.

### 3. Options

Following discussion with the Leadership Alliance we have evaluated a total of seven options. These are summarised in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>As is</td>
<td>Continuation of current arrangements including on-going improvement and savings initiatives</td>
</tr>
<tr>
<td>Category</td>
<td>Option</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Category 2</td>
<td>Get fit + sharing</td>
<td>Each Council maximises individual efficiency through aligned transformation, followed by increasing degrees of sharing / collaboration: Strategy ……plus Internal support….. plus Customer / Community / Partnerships</td>
</tr>
<tr>
<td>Category 3</td>
<td>3a. One new council</td>
<td>One new council for Somerset (excluding BANES &amp; NS).</td>
</tr>
<tr>
<td></td>
<td>3b. Extended two new councils</td>
<td>Two new councils for Somerset including BANES &amp; NS. N/S split. A new council for Somerset and a new council for BANES/NS.</td>
</tr>
<tr>
<td></td>
<td>3d. Extended three new councils</td>
<td>Three new councils for Somerset (including BANES &amp; NS): BANES and Mendip. Somerset West and Taunton and South Somerset. NS and Sedgemoor.</td>
</tr>
<tr>
<td>Category 4</td>
<td>A new way of working</td>
<td>Running services at the right scale with corresponding governance in Somerset.</td>
</tr>
</tbody>
</table>

The table on the next page summarises the options in relation to their reviews against the 4 Dimensions, strengths and risks and financial impact:
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A summary of potential savings for each of the structural options are mapped below. This model shows how current estimates could move up or down based on a willingness to implement the opportunities that underpin the structural options. For example - we have estimated that the savings for ‘option 3a. One new council in Somerset’ could reach as high as £47M but that this would reduce significantly if there was no appetite to run services at scale and realise economies of scale; and/or highly effective locality working to drive management of demand was not implemented.

### Option 1
Council governance, structures and services would continue as is.

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - No disruption

- **Risks**
  - 1M savings gap across Somerset district council at £15m in 2019 (driving assumption), £1m in 2020/2021.

- **Savings range**

### Option 2
Each council remains in its own financial footprint and together they would be in a financial footprint with

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - Lower level of disruption than new council and members at work options.

- **Risks**
  - Leadership collaboration.

- **Savings range**

### Option 3A
A new council would be formed from the existing Somerset Council and Mendip District Council.

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - Trier and tested. Can learn and improve at pace.

- **Risks**
  - Risk of failed demand management.

- **Savings range**

### Option 3B
Two new councils governance driving savings potential.

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - Elements tried and tested. Can learn and improve at pace.

- **Risks**
  - Distance from people and communities.

- **Savings range**

### Option 3C
Two new council governance driving savings potential.

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - More sustainable and lower level of potential savings.

- **Risks**
  - Case as necessary benefits.

- **Savings range**

### Option 3D
Three new councils replacing the county and district and the unitary (SOM and Mendip).

- **Dimensions overview**
  - Voice
  - Place
  - Governance
  - Finance

- **Strengths**
  - More sustainable and lower level of potential savings.

- **Risks**
  - Case as necessary benefits.

- **Savings range**

### 3A. One new council

- **Summary**
  - **Dimensions overview**
    - Voice
    - Place
    - Governance
    - Finance
  - **Strengths**
    - More sustainable and lower level of potential savings.
  - **Risks**
    - Case as necessary benefits.
  - **Savings range**

### 4. Now way of working

- **Savings range**

**Draft savings are based on a number of assumptions made by ignite based on local data provided, research is experience. The figures have not been independently audited or verified as this is initial research & an opportunity assessment and not a detailed business case.**

**3B. 2 new councils (N5), 3C. 2 new councils (E/W), 3D. 3 new councils**

- **Savings range**
  - Unwilling to share support services across new councils
  - Unable to work effectively with health CCGs and WSCA
  - Unwilling to operate service delivery at scale
  - Ineffective locality structures & working

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1. **As is**
   - Existing change and savings initiatives
   - Fair funding & other funding changes
   - Fair funding & other funding changes

2. **Get system fit**
   - Shared support services
   - Shared customer facing services
   - No sharing, just individual transformation

3. **One new council**
   - Unwilling to operate service delivery at scale
   - Ineffective locality structures & working

4. **New way of working**
   - Effective locality working that has big impact on demand management
   - Diversification funding
   - Unwilling to operate some service delivery at scale

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**These figures are larger because they include BANES & North Somerset councils. They are only broad estimates based on scaling up savings in proportion to population/council size.**

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The table below shows initial estimates for the cost of transformation. We have taken highest cost scenarios to avoid larger numbers emerging later. The biggest costs are for the creation of fully digitally enabled councils, redundancy costs and contract exit costs.

We have assumed for the purpose of the calculations (support costs in rows 1 to 3) that the implementation will be over a period of 2 to 3 years. This is not at this stage based on a planned implementation timescale but rather an estimate on which to base modelling. The numbers will be refined and updated as implementation timescale becomes clearer.

<table>
<thead>
<tr>
<th>Cost Parameter</th>
<th>Description</th>
<th>Option 2: Set system in place</th>
<th>Option 3A: One new council in Somerset</th>
<th>Option 3B: Two new councils in smaller areas (£/y)</th>
<th>Option 3C: Two new councils in wider area (£/y)</th>
<th>Option 3D: Three new councils in Somerset</th>
<th>Option 4: A new way of working</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition Support/Programme Teams</td>
<td>Assumes a core team on a 2 or 3 year FTC covering programme management, services and engagement, technology and service redesign capability managed centrally. Increases for the 7 council options.</td>
<td>1.4</td>
<td>2.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Transformation Support</td>
<td>Includes governance/re-structuring set up, design, service redesign development, change management, engagement activity and leadership development.</td>
<td>1.7</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Recruitment &amp; Interim Support</td>
<td>Assumption is there will be an additional requirement to support the recruitment of staff into new roles, displacement and transition of current staffing as well as significant support requirement to support transition.</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Systems Transformation</td>
<td>Assumes the use of a common digital platform for all councils and common cost of IT integration including data transfer.</td>
<td>16</td>
<td>20</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>17</td>
</tr>
<tr>
<td>Contract Extraction</td>
<td>Estimated costs of extracting individual councils from existing shared contract agreements.</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Dis-aggregation Costs</td>
<td>Estimated costs of extracting individual councils from existing shared contract agreements.</td>
<td>25</td>
<td>25</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>25</td>
</tr>
<tr>
<td>Pension Strain/Redundancy</td>
<td>Cost related to redundancy and early retirement linked to the estimated savings in PFE. Note: assume all potential PFE savings will be realized (60%) – the rest is re-invested in demand management.</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Other Costs</td>
<td>Estimate - the cost of creating the new councils closeness of legacy councils, legal costs, communications, signage.</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Contingency</td>
<td>Anything else</td>
<td>111</td>
<td>111</td>
<td>111</td>
<td>111</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

An initial assessment of the full initial options list by the Leadership Alliance, based on the emerging details, resulted in a clear consensus:

- **Option 1 - ‘As is’:** There was no appetite in the group to keep this in the mix, with a common view being that with opportunity information now becoming visible some action needed to be taken to create better, more effective and efficient services for Somerset citizens.
- **Option 2 - Get system fit + sharing:** This developed considerable support as a first step that closes no other options down, gives shape to the collaboration driver and requires no structural change or permission. Immediate action can be taken forward at operational levels to develop collaborative approaches, establish new ways of working and build towards further stages of sharing. This doesn’t underestimate the scale of the challenge to deliver the potential benefits, but presents a commitment to change.
- **Option 3 - New council(s):** Limited immediate support from community and districts at this stage, however one or more variants to be kept on the table during further explore/pilot work as a potential ‘back stop’ should progress towards Option 2 not move sufficiently in the required timeframe. This will also be dependent on BANES and NS engagement in the
process. Building the data model and testing the assumptions will allow a number of options to be considered in a consistent way

- Option 4 - New way of working: This option continues to offer interesting possibilities for ultimate governance models and how the wider system could engage in the debate to manage demand holistically. The delivery of services at the appropriate scale, the opportunity to redefine ‘place’/super localities based on modern demands and ensuring Voice is addressed at the right level are all worth keeping this option on the table and exploring further.

4. Next Steps

A wider expectation that things need to change in Somerset requires a proactive, unified response. Progress for Somerset is expected to be evidenced by workable initiatives, demonstrable progress and visibly better outcomes. With Somerset County having successfully removed the original financial burning bridge, the development of shared purpose and narrative to give shape and direction to any future collaboration is now key to any next step.

A high level approach to implementation, if taking a journey through Option 2 towards either an Option 3 variant or Option 4, should follow four stages:

1. Building collaboration - agreeing principles, standards and approaches which build alignment
2. Get Fit and Transform - deliver Option 2 as a single programme over a 2-year timescale
3. Transition - the move to agreed end option decision (e.g. Option 3 variant, Option 4, other variant) and building on the Transform achieved in stage 2
4. Embedding - recognising that transition/cutover needs to be followed by a focused effort to support citizens, partners and staff through into the new way of working for local government.
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The diagram below sets out an indicative timeline for implementation:

<table>
<thead>
<tr>
<th></th>
<th>FY18/19</th>
<th>FY19/20</th>
<th>FY20/21</th>
<th>FY21/22</th>
<th>FY22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4</td>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td>Build Collaboration</td>
<td>Get System Fit/Transform</td>
<td>Transition</td>
<td>Embedding</td>
<td></td>
</tr>
</tbody>
</table>

A number of key opportunities were identified during the initial options assessment through which experience and collaboration should provide quick wins, both in terms of improving outcomes and financial efficiency - examples were:

- Developing a shared set of agreed strategic outcomes
- A consistent approach to Strategic Finance/MTFS development
- Enabling Growth
- Infrastructure/M5 corridor/coastal strip
- A coordinated asset management/commercial strategy
- An enterprise architecture approach to technology alignment
- Engaging with key external partners

The Leadership Alliance are exploring their preferred actionable areas for progress between now and the May elections. These fall into three activities:

- Supporting the Leadership Alliance - maintaining the impetus of the Alliance will be critical in developing - and delivering on - a vision for Somerset
- Detailed option development - deep dives - following agreement of the Alliance to focus on a small number of options across the range, deep data dives will be required to ratify assumptions made in the initial assessment
- Building collaboration activities/quick wins - individual projects to develop collaboration between institutions.
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The diagram below sets out an indicative timeline for next steps:

<table>
<thead>
<tr>
<th>Workstream 1: Leadership Alliance Support</th>
<th>Workstream 2: Detailed Option Development</th>
<th>Workstream 3: Collaboration/Quick Wins</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership Alliance</strong> - building the network:</td>
<td><strong>Agreeing Deliverables</strong></td>
<td><strong>Shaping/Prioritising Opportunities</strong></td>
</tr>
<tr>
<td>• Continue to develop the leadership group working together - building the team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Developing working groups aligned to key objectives - Somerset narrative/system leadership/collaboration etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Broaden involvement - partners/S151s/transformation leads/technical experts etc</td>
<td><strong>Detailed Business Cases:</strong></td>
<td><strong>Collaboration Activity:</strong></td>
</tr>
<tr>
<td></td>
<td>• Agreed baseline for each organisation</td>
<td>• Independent projects reporting to Leadership Alliance</td>
</tr>
<tr>
<td></td>
<td>• Stress testing assumptions</td>
<td>• Resourcing for delivery</td>
</tr>
<tr>
<td></td>
<td>• Peer review approach to maturity assessment</td>
<td>• Benchmarking</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

True transformation is fraught with difficulties and potential pitfalls. Keeping everyone at the table for this first phase was both a simple requirement and difficult for many good reasons. We have learnt much about each other’s values, preferences and style and how to work together with respect and honesty.

The commitment and support to those who choose to be at the table in the future, those choosing to collaborate, will continue to be a vital feature of any future success. If and as the group contracts and expands to release existing and include other system leaders, the confidence and style of them as a team must also adapt.

Our alliance must build a positive case for any plans being proposed, avoiding repeat of any mistakes made by previous Somerset alliances and other local government reform work. The goal continues to be somewhere within new ways of working together, which balance long term financial stability with governance arrangements which build on citizens’ sense of place and foster engagement in the councils’ political processes.