

Termination of shared CEO arrangements with East Devon District Council and proposed future management arrangements

Leader of Council: Ric Pallister, Portfolio Holder for Strategy and Policy

1. Purpose of the Report

1.1 This report invites members to agree that the current arrangements with East Devon District Council (EDDC) in relation to the sharing of a Chief Executive be terminated and that exploratory talks are initiated with Mendip District Council.

2. Public Interest Summary

2.1 At its meeting in May 2015 Council agreed for discussions to begin with East Devon District Council with a view to reaching mutually acceptable arrangements for terminating the existing agreement to receive the services of a joint Chief Executive.

2.2 It is clear that the future financial environment will pose even greater challenges for local authorities, adoption of the recommendations in this report will continue to deliver management savings through reducing the management costs of running this organisation and enable an exploration to be undertaken which could result in greater savings through combined management and other related efficiencies.

3. Recommendations to Full Council

That Council:-

1. agrees to terminate the existing agreement with EDDC to receive the services of the joint chief executive for the purpose of the council's functions in accordance with section 113 of the Local Government Act 1972 with effect from 31st July 2015.
2. agrees that a sum of £42,124.87 be paid to East Devon District Council in lieu of 12 months formal notice of termination being given and to be funded from the 2015/16 salary saving.
3. agree that £88,700 is added to the Medium Term Financial Plan as a saving for 2016/17.
4. agree that a working group be appointed to review the possible structural options and exploratory discussions involving the Group Leaders and relevant officers be undertaken with Mendip District Council around Options A and B as detailed in paragraph 4.3.

5. agree that the role and function of the CEO be rotated on a monthly basis (subject to leave arrangements) between SSDC's existing Directors for an interim period pending the outcome of exploratory talks on future alternate management arrangements. However, specific projects will continue to have individual Director leads.
6. note that there be regular reports to Council on the progress of the discussions referred to in recommendation 4 and that Council notes that any final decision on any option will need to be reported to Council for formal approval before it can be implemented. At that point the full and actual financial consequences of any decision will be known and available.

4. Background

4.1 Members will recall, at the meeting held on 15th May 2015 considering the contractual arrangements with EDDC in relation to the provision of CEO services and the possible future management arrangements. Members resolved at that meeting as follows:-

RESOLVED:

That Council agreed:-

1. *to enter into discussions with East Devon District Council (EDDC) with a view to terminating the existing agreement to receive the services of the joint chief executive for the purpose of the council's functions in accordance with section 113 of the Local Government Act 1972;*
2. *that the terms of any notice period, notice arrangements and termination costs be reported to Council for approval together with a report on the proposed future management arrangements.*
3. *a maximum sum of £112,333 is approved with an allocation of £38,416 from Unallocated Balances (with the remainder being funded from the 2015/16 salary saving) subject to negotiation with East Devon District Council;*
4. *that £88,700 is added to the Medium Term Financial Plan as a saving for 2016/17.*

4.2 Since that meeting the Leader and Deputy Leader together with the Conservative Group and Independent Group Leaders met with the Leader of EDDC to discuss the current situation and the resolution of Council. As a result of those discussions it has been agreed with EDDC, subject to approval by Council, that the existing agreement be terminated by mutual consent and that to reflect the fact that EDDC could have insisted upon being served 12 months' notice by this Council from 1st October 2015 that the Council pay 6 months' worth of the fees due to EDDC. This equates to a one-off payment of £42,124.87. In addition it has been jointly agreed that if approved by Council, termination should take effect from 31st July 2015.

4.3 At the last Full Council it was agreed that a small working group would seek support and guidance from experienced Local Government Officers to consider the options on how best to re-align the management structure to move the Council forward. This group has now met on two occasions. Those discussions were aimed at more than just SSDC's own internal management structures and included where SSDC might seek to position itself in the changing Local Government landscape. There is already greater partnership working within the Somerset Authorities (Somerset Rivers Authority, Homefinder, Waste Partnership, Growth Board, etc). Equally it must also be considered whether remaining outside any integrated relationship with another Somerset Local Authority would be in the best long term interests of South Somerset residents and, more importantly, businesses as central government funding reduces. Essentially 3 options have been identified during those discussions. They are:

- (A)** Joint Chief Executive and integrated management team (officer structure) with another authority or more (in the first instance to explore with Mendip DC),
- (B)** recruit our own Chief Executive (internally or externally) or
- (C)** a non-Chief Executive model.

4.4 In Dorset, authorities have combined and have been able to achieve worthwhile economies of scale whilst creating a large District Council combination whose opinion has an inherent weight. To the north-west, Taunton Deane is now in a joint authority with West Somerset. Each District Council retains its own sovereignty, members are independent of each other and able to make their own decisions but, through a single joint officer team. It seems clear that, although still in its infancy, the joint authority model in both cases mentioned was working well.

4.5 It was considered that SSDC should now contemplate a similar move and in order to do so needed at least one other Council prepared to explore this joint authority model further. After detailed consideration with the LGA representatives, the working Group met with the Leader, Deputy Leader, and CEO of Mendip as a first step. The outcome of that meeting is that there was a willingness to recommend to the elected members of both Mendip and South Somerset that both explore a joint Authority model. The objectives would be to bring added value to both Councils in terms of regional and county strategic influence, resilience and capacity in key areas and with a common thread of market towns across and up the southern and eastern side of Somerset. It may also assist in identifying any required future savings for both Councils that do not damage front line services.

4.6 It is clear that to stand any chance of success there will need to be a clear majority of members from both Councils who are absolutely committed to explore this option in detail. Obviously if the final conclusion is that this is not in the best interests of either Council then, if Council so agree, Options (B) and (C) will then need to be considered and agreed.

4.7 In order to get to a point when it is considered that further investment of time is worthwhile, the initial exploratory work must be to a timescale and a project plan that provides focus and impetus to the work so that an initial conclusion could be reached within approximately 3 months. This work would not turn its back on the other options

available nor on other Somerset authorities, but at this stage it would be a shared initiative between Mendip and South Somerset.

4.8 To give proper consideration in relation to the existing SSDC management team and in particular the future position of the CEO, the recommendation to Council is to run with the role and function of the CEO rotated on a routine basis between SSDC's existing Directors until that initial conclusion about the future direction has been reached and reported back to Council. This will enable the options around this aspect to be sensibly reviewed as part of any potential future Joint Authority. During that same timescale it is proposed to prepare a future senior Management team option based around SSDC remaining outside of any Joint Authority should members of either Council ultimately decide not to proceed down that route.

5. Financial Implications

5.1. The sum of £42,124.87 if agreed will be paid to East Devon District Council in lieu of 12 months formal notice of termination being given and funded from the 2015/16 salary saving.

5.2. The budget of £88,700 will be added to the Medium Term Financial Plan in 2016/17 as an ongoing saving. There will be no additional costs resulting from the interim arrangements.

5.3. The financial implications of any future arrangements will be reported back to full Council once the options have been fully explored.

6. Corporate Priority Implications

6.1 Links to SSDC's Corporate Plan (2012-2015) include: Providing well managed, cost effective services valued by our residents;

7. Carbon Emissions and Climate Change Implications

7.1 None arising from this report.

8. Equality and Diversity Implications

8.1 None arising from this report.

9. Background Papers

9.1 Reports to District Executive April 2014 and Council May 2014 & May 2015