

Committee(s): Extra Ordinary Council	Date: 26 January 2022
Subject: Strategic Partnership with Rochford District Council	Wards Affected: ALL
Report of: Cllr Chris Hossack - Leader of the Council	Public Exempt Appendix C
Report Author/s: Name: Steve Summers Strategic Director Telephone: 01277 312500 E-mail: steve.summers@brentwood.gov.uk	For Decision

Summary

To approve the creation of a formal strategic partnership between the Brentwood Borough Council (the Council) and Rochford District Council (RDC) in accordance with Heads of Terms agreed between the two councils.

To approve drawdown of £300,000 to support the Transformation Unit – i.e. programme resource for implementation of the organisational structure required to deliver the strategic outcomes of the partnership.

To consider the recommendations made by the Audit & Scrutiny Committee following their pre-scrutiny of this report on 12 January 2022 and the additional recommendations made by the Rochford District Council's Review Committee on 13 January 2022.

Recommendation(s)

Members are asked to:

- R1.** To agree the Strategic Partnership between Rochford District Council and Brentwood Borough Council and that Jonathan Stephenson is the Joint Chief Executive for both councils with effect from 1 February 2022.
- R2.** To approve the Heads of Terms set out in Appendix A.
- R3.** That the Joint Chief Executive and the Monitoring Officer of each council, be given delegated authority, in consultation with the Leader of each council, to enter into a Memorandum of Understanding and s113 Agreement to give effect to the Partnership.
- R4.** That the Joint Chief Executive be given delegated authority to undertake a restructure of Tiers 2 and 3 of the councils in consultation with the Leader of each council.

- R5.** That a maximum of £300,000 (as set out in paragraph 6.7 of this report) be allocated from general reserves to fund the additional programme resource for the Transformation Unit.
- R6.** That the Monitoring Officer be given delegated authority in consultation with the Constitution Working Group to make any required changes to the Constitution to give effect to the recommendations in this report.
- R7.** That the MOU and s113 Agreement makes provision for robust Exit Arrangements and a member led Conflict Resolution Process.
- R8.** That the s113 Agreement comes to the Review Committee for scrutiny before it is executed.
- R9.** That feedback from residents as to the impact of the partnership on services is regularly sought and reported upon.
- R10.** That there be an early review of technology in Phase 2 of the Transformation Programme to identify threats and/or opportunities.
- R11.** That the MOU and/or document that underpins the Strategic Partnership makes clear that whilst the division of the savings achieved as part of the transformation process is to be agreed between the two councils, that the starting point for that discussion should be 50/50.

Main Report

1. Introduction and Background

- 1.1 Following a decision by the Council on 28 July 2021 and a reciprocal decision by Rochford District Council (RDC) on 20 July 2021, Jonathan Stephenson was appointed as Joint Chief Executive/Managing Director for both councils and designated as Head of Paid Service for the Council with effect from 1 August 2021 for an interim period of 6 months.
- 1.2 At those same meetings, it was resolved that the Joint Chief Executive (“Joint Chief Executive”) and the Strategic Directors of each authority, in consultation with the Leader and Deputy Leaders of each council undertake the creation of a feasibility study to explore further shared and partnership opportunities with one another. A further report with proposals was due to be brought back to each council for consideration by the end of 2021. Due to the amount of work to be completed and the desire to engage with the Overview and Scrutiny Committee of each council it has not been possible to meet this deadline although a verbal update was provided by both Leaders to their respective meetings of Full Council in December 2021.

1.3 As part of the feasibility study, the two councils have been working with external experts Shared Service Architecture (SSA) who have supported other councils through this process. SSA has helped to facilitate engagement; ensure alignment and develop of Heads of Terms for the proposed partnership. Through these sessions the councils have created a shared understanding of what they want to achieve together and how they want to achieve it. Leaders have also engaged with senior leadership teams of both councils to ensure they have been included in the discussions and have informed thinking.

1.4 The proposed strategic partnership is built upon the following identified synergies between the partner councils:

Both councils are located in South Essex	They already have a shared set of strategic interests
Both councils are second tier councils	There is parity in their local government status
Both councils have similar size net revenue budgets	There is equality of bargaining power and both are experiencing similar financial pressures
Both councils have similar socio economic make up and demographics	There is much commonality in residents' interests, scale and dynamics by population (Brentwood Borough c77,000 and Rochford District c87,000)
Both councils have a mixed economy of in-sourced/ outsourced services	There is no dogma or overriding philosophy which could be a brake on creativity
There is no joining administrative boundary	There is no legal ability to merge into one council – because this is simply not an option, it removes any tension or suspicion from the partnership and allows the councils to focus on making it work

1.5 The terms of the partnership between the two councils will be set out in a written Memorandum of Understanding (MOU) document which will formalise the details of the arrangement. The Heads of Terms which will form the basis of the MOU have been agreed by the Leaders of both councils and are set out at Appendix A.

- 1.6 The Heads of Terms sets out the key points and principles which underpin the partnership. From these the two councils will continue to develop and agree the MOU which will set out in more detail how the partnership will work going forward. An MOU is not a contractual document but the obligations contained within it set a precedent for how the two councils intend to work together and so it is dependent on the trust and confidence which has been built through the process.
- 1.7 A more formal legal agreement will also need to be created under s.113 Local Government Act 1972 (the “s113 Agreement”) to make the councils’ workforces available to one another and to adopt harmonised terms and conditions.

2. Pre-scrutiny of this report

- 2.1 On 12 January 2022, Audit & Scrutiny Committee, as part of its pre-scrutiny function considered a report by the Strategic Director relating to the proposals for the creation of a formal strategic partnership between the Council and Rochford District Council. Members of the Audit & Scrutiny Committee were asked to consider the recommendations R1-R6 inclusive which are proposed in this report and to make any further recommendations as they saw fit.
- 2.2 The report of the Audit & Scrutiny Committee is at agenda item 6. Appendix D of this report.
- 2.3 The Audit & Scrutiny Committee gave careful consideration and in addition to the recommendations R1-R6 inclusive, proposed at paragraph 3 of that report (Appendix D) members made the following further recommendations:
- (A) That the MOU and/or other document that underpins the Strategic Partnership makes provision for member led Conflict Resolution process.
 - (B) That the MOU and/or other document that underpins the Strategic Partnership makes clear that whilst the division of the savings achieved as part of the transformation process is to be agreed between the two councils, that the starting point for that discussion should be 50/50.
 - (C) That further detail and clarification be provided as to the savings estimated to be achieved by the Partnership; how this would be achieved; the phasing of such savings; and in which financial years they would be realised.

- 2.4 On 13 January 2022, the Review Committee of Rochford District Council as part of its pre-scrutiny function, considered a report written in near identical terms as the 12 January 2022 Audit & Scrutiny Committee report. Following consideration of that report and its recommendations, the Review Committee made the following additional recommendations:
- (A) That the s113 Agreement makes provision for robust Exit Arrangements and a member led Conflict Resolution Process.
 - (B) That the s113 Agreement comes to the Review Committee for scrutiny before it is executed.
 - (C) That feedback from residents as to the impact of the partnership on services is regularly sought and reported upon.
 - (D) That there be an early review of technology in Phase 2 of the Transformation Programme to identify threats and/or opportunities.
- 2.5 The Audit & Scrutiny Committee recommendation in paragraph 2.3(A) above is in the same vein as that from Rochford District Council's Review Committee recommendation in paragraph 2.4(A) and so this has been transposed into recommendation (R7).
- 2.6 The recommendation from Audit & Scrutiny Committee set out in paragraph 3 (B) is repeated in recommendation (R11)
- 2.7 The recommendation from Audit & Scrutiny Committee set out in paragraph 2.3 (C) has been adopted in the preparation of this report with additional financial implications set out at paragraph 8 below. Accordingly, it is not proposed that this is a recommendation for the Council in this report.
- 2.8 Rochford District Council's Review Committee's recommendations in paragraphs 2.4 (B)(C) and (D) are repeated in recommendations (R8), (R9) and (R10)

3. Appointment of the joint Chief Executive

- 3.1 The terms and conditions of the appointment of the Joint Chief Executive are set out in the Statement of Employment at Appendix B to this report. It is proposed that Jonathan Stephenson Chief Executive will be appointed as Joint Chief Executive and Head of Paid Service by Rochford District Council with effect from 1 February 2022 on these terms and conditions but that his employment will remain with the Council. His current terms and conditions with the Council will be varied to reflect Appendix B. Jonathan Stephenson has consented to this change.

- 3.2 The range of salary for the role of Joint Chief Executive is £140,000 - £160,000 pa as indicated by the EELGA benchmarking report as set out in Appendix C in the Audit & Scrutiny Committee report, comprising 3 incremental points of £10,000.
- 3.3 The proposed salary to be paid to Jonathan Stephenson is set out in Exempt Appendix C to this report. The cost of the salary will be shared equally by the Council and Rochford District Council.

4. Issue, Options and Analysis of Options

- 4.1 As set out in paragraph 2 of the Audit & Scrutiny Committee report at Appendix D.

5. Reasons for Recommendation

- 5.1 As set out in paragraph 3 of this Report and the Audit & Scrutiny Committee report at Appendix D.

6. Consultation

- 6.1 No external consultations have been carried out.

7. References to Corporate Plan

- 7.1 As set out in the Audit & Scrutiny Committee report at Appendix D.

The partnership will identify further opportunities for beneficial shared service arrangements with other local authorities. In addition, the partnership's strategic priorities of:

- Deliver financially sustainable, high-quality services that are valued by our community;
- Lead the way to improve our environment by acting locally, contributing globally;
- Provide high quality, sustainable housing to meet the needs of our community;
- Improve the quality of life, health and wellbeing of our residents; and
- Create opportunities for economic growth and improved connectivity in which businesses can flourish;

broadly reflect the Council's priorities of :

- Growing the economy;
- Protecting the environment;
- Developing communities;
- Improving housing; and
- Delivering an effective and efficient council.

8. Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section 151 Officer

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8.1 In addition to the implications set out in the Audit & Scrutiny Committee report, at Appendix D, further detail as to the savings estimated to be achieved by the Partnership; how this would be achieved; the phasing of such savings; and in which financial years they would be realised is set out in the table below:

Financial year	2021/22	2022/23	2023/24	2024/25		Annual Savings From 2025/26
	£	£	£	£		£
<u>Profiled Savings</u>						
Estimated annual saving to be gained from management restructure in Phase 1	24,000-26,000	272,000-332,000	403,000-509,000	474,000-577,000		544,000-644,000
Estimated annual saving to be gained from Phase 2 Business Cases	0	TBC	TBC	26,000-105,000		51,000-209,000
Total Estimated Savings p.a	24,000-26,000	272,000-332,000	403,000-509,000	500,000-682,000		595,000-853,000
<u>Cumulative Position</u>						
Cumulative Savings	24,000-26,000	296,000-358,000	699,000-867,000	1,199,000-1,549,000		
Cumulative profiled costs of transformation unit	-24,000	-271,000	-500,000	-600,000		
Cumulative Net savings over Transformation programme duration	0-2,000	25,000-87,000	199,000-367,000	599,000-949,000		

- 8.2 Phase 1 denotes the creation of a single unified leadership team from February 2022 – September 2022. Phase 2 denotes the alignment of service delivery and creation of joint working opportunities from September 2022 – September 2024.
- 8.3 Savings have been shown as a range, following indicative benchmarked salary forecasts at this stage of analysis. The lower number of the range is based on proposed headcount appointed at the mid-point of a revised salary scale (as per the EELGA Benchmarking Report) and the higher number of the range is based on proposed headcount appointed at the bottom of that scale. All figures have been rounded to the nearest £1,000. Previously in the Review/Audit & Scrutiny Committee Report savings and cost figures were rounded to the nearest £10,000. In addition, costs have now been profiled according to the expected financial year in which they will be incurred.
- 8.4 Phase 1 savings comprise salary savings arising from the Tier 1-3 management restructure which is due to be fully operational by September 2022 – i.e. the midpoint of financial year 2022/23. Savings achievable by the appointment of the post of Joint Chief Executive for the remainder of this financial year (1 February 2022 - 31 March 2022) are included in the table above. Savings have already been achieved by both councils for the 6 months of his interim appointment (1 August 2021 - 31 January 2022). These savings amount to approximately £86,000 (£43,000 per council) as no additional salary was paid to him during this interim appointment. (Costs of £30,000 (£15,000 per council) have been incurred to date as set out in paragraph 4.1 of the Audit & Scrutiny Committee report). From next financial year, the full year savings for the post of Joint Chief Executive will be c.£141,000 (£70,500 per council) inclusive of on-costs.
- 8.5 Costs for Phase 1 and Phase 2 will start from February 2022 as the preparatory work for commencing Phase 2 of the Transformation Programme will be undertaken with effect from that date. This is shown at paragraph 4.5 of the Audit & Scrutiny Committee report at Appendix D.
- 8.6 Phase 2 savings are more difficult to predict at this stage because the changes required to deliver a unified workforce at Tiers 4 and below is inherently linked to the service re-design process which is at the heart of Phase 2. Re-designed services will be proposed in Business Cases which will be subject to internal programme governance before formal approval by the councils in line with the process set out in the Audit & Scrutiny Committee report at Appendix D.

The table at paragraph 6.1 above does, however, make an assumption about the estimated level of savings in line with the assumptions applied to Tiers 1-3 i.e. if there were to be a 25% reduction with the bottom of the range being the most change in salary (midpoint of a new salary scale) and the top of the range being the least change in salary (bottom of a new salary scale). This gives some indication of the scope of savings which might be available subject to approval of specific Business Cases.

- 8.7 As referred to within the Audit & Scrutiny Committee report. £300,000 will be required to be allocated in earmarked reserves to fund the additional programme resource for the Transformation Unit of £600,000.

Legal Implications

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- 8.8 As set out in the Audit & Scrutiny Committee report at Appendix D.

- 8.9 Appointment of a chief executive by a council would normally result in a direct contractual employment relationship between the council and the appointee. However, because the Joint Chief Executive is already an employee of the Council, his appointment by RDC pursuant to this report will be affected through the legal s113 Agreement between the two councils. The standard provisions which RDC would usually be expected in a contract of employment (including but not limited to the Statement of Employment at Appendix B) will need to be replicated in the s113 Agreement.

Economic Implications

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- 8.10 As set out in the Audit & Scrutiny Committee report at Appendix D.

Equality and Diversity Implications

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- 8.11 An Equality Impact Assessment was completed for the Audit & Scrutiny Committee report and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010. The Equality Impact Assessment has been reviewed following the recommendations of the Review Committee and no amendments are required. The Assessment, therefore, remains unchanged.

Risk Implications

- 8.12 As set out in paragraph 2.29 of the Audit & Scrutiny Committee report at Appendix D.

Background Papers

None

Appendices to this report

Appendix A: Head of Terms

Appendix B: Statement of Employment

Appendix C: Exempt

Appendix D: Audit and Scrutiny Committee Report