

NAME OF SCRUTINY COMMITTEE	PRINCIPAL SCRUTINY COMMITTEE
DATE OF MEETING	9TH DECEMBER 2010
TITLE	COLLABORATION/SAVINGS
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RESPONSIBLE PORTFOLIO LEADER	COUNCIL LEADER DYFED EDWARDS
What needs to be scrutinised and why?	The Chief Executive's recommendations on a category C savings proposal regarding Senior Management An alternative opportunity for savings through the potential for large scale collaboration with Anglesey Council
What are the next steps?	Report to Council Board 14th December Report to full Council 16th December

1.0 BACKGROUND

- 1.1 Last year the Council implemented my recommendations to reduce the cost of senior management and central corporate support by £1million. Subsequently members determined that they wished to investigate the possibility of a further reduction in senior management costs as part of the £16 million savings framework. However, this possibility was put in the C category i.e. schemes that were in areas that members wished to investigate further, but were uncertain, at the time, about the merits and risks of individual proposals.
- 1.2 As the Council's Head of the paid service, my clear advice to members at the time was that they should wait and assess how the Council coped with the effects of the £1 million reduction in senior management costs before considering further reductions. This was based on the fact that the approved changes would reinstate our position as the Council with the lowest cost senior management in North Wales. This at a time when the council was facing a big programme of service transformational change which would require sufficient leadership capacity.

- 1.3 My assessment of the potential for a further reduction in senior management is largely based on two factors.
- **Coping with the new structure** – through a combination of new management techniques(e.g. Programme Management and Results Based Accountability) and the break in the traditional line management relationships between Corporate Directors and the Heads of Service which has further empowered Service Heads, Senior Managers have dealt very well with the reduction in resources at a time of increasing change.
 - **Increasing Change Agenda** – At the same time the change agenda, which demands more leadership and senior management capacity, has increased at a faster rate than could have been anticipated when the senior management resource was originally reduced. The financial prospects are far worse and this has led to all the change projects associated with the £16 million savings regime and many more schemes that are in the pipeline in order to bridge the projected financial deficit. Also, as evidenced by the paragraphs below, the need for horizontal leadership across organisational and geographical boundaries has increased substantially, for all the Senior Managers in the last 12 months.
- 1.4 Whilst I have been very impressed with the way Senior Management have coped with the reduction in senior management resource and the consequent change in the way we work, I cannot at this point recommend a further reduction in Senior Management resources. I am already concerned with the slippage in some major change programmes and other signs of overload. I believe that any further reduction would bring short term financial savings at the expense of medium term progress. A further reduction in cost would offer poor value in the longer term. My clear advice as Statutory Officer is therefore that a further reduction in senior management is not advisable at this stage.
- 1.5 However, an alternative opportunity has arisen recently that members may feel is worthy of further consideration. The Minister for Social Justice and Local Government, Carl Sargeant, has recently approached the leadership of both Anglesey and Gwynedd Councils with a view to exploring the possibility of both Councils significantly increasing their collaborative working. He is urging both Councils to partake in a scoping study to ascertain the potential for substantial efficiency savings through the integration of service delivery but within a framework of two separate sovereign democratic bodies.

- 1.6 This would entail exploring the merits of integrating Senior Management, support services and some frontline services. A document proposed by the minister for both Councils which describes the scoping study principles is at Appendix 1. The document clearly states that no party is committed to accepting or implementing the findings of a scoping study.

I don't think members should automatically agree to partake in such a scoping study without giving some initial thought to the principle of large scale collaboration of this kind. If members are strongly against the principle from the offset there is no point in wasting time and resources in pursuing the matter further. In order to aid members further in this decision I have set out some further information below:

2.0 CONTEXT

- 2.1 Members need to be aware of the rapid development in collaborative initiatives that are taking place both nationally and regionally. The collaborative agenda has gained momentum this year largely due to the difficult financial circumstances in the public sector.

National Developments

- 2.2 the WLGA has recently published a compendium of regional collaboration (which is available on their website). This provides details of over 100 collaborative schemes across Wales. It is not an extensive list and it does not list the historical collaborative schemes that have been in place for some time. It is evident that the volume of new collaborative activity is increasing rapidly across Wales.
- 2.3 During the spring of this year the Minister for Business and Budget, Jane Hutt, established a national, pan –public sector Efficiency and Innovation Board. The Board has seven workstreams:
- Collaborative Procurement and Commissioning
 - National Asset Management
 - Public Service ICT
 - Transforming the Business
 - New Models of Service Delivery
 - Workforce Development
 - Leadership

A leaflet providing some more detail on the work of the Board is attached at Appendix 2. The work of the Board is gaining momentum and promoting collaborative working across Wales. It recently adopted an ambitious National IT Strategy for Wales which will lead to reduced duplication and more effective and efficient use of IT in the public sector.

2.4 In recent months Welsh Assembly Government Ministers have commissioned national studies on the potential for collaborative working in different sectors.

- Education
- Local Government
- Health

Also the Efficiency and Innovation Board is looking at support services collaboration and is sponsoring a pilot in North Wales which is exploring opportunities for radical collaboration in this area.

Regional Developments

2.5 The North Wales Regional Partnership Board, which includes the leaders and Chief Executives of the 6 North Wales Councils, has made changes this year to increase collaboration in North Wales. It has established four Programme Boards:

- Social Services and Health – there are 6 projects in the programme at present including Learning Disabilities, Telecare and Children’s Commissioning.
- Environment – There are seven projects in the programme at present including Residual Waste, Fleet Management and Public Protection.
- Education – At the moment this Board is concentrating on a big project in educational support services.
- Support Services – this programme has commissioned a series of quick wins (including collaborating in a review of single person council tax discount which could lead to an increase in income of £1.5 million). It will shortly commission an alternative business case for a radical approach to collaboration in the delivery of support services across the public sector in North Wales.

2.6 The Chief constable has recently led a review of partnerships in North Wales and recommendations as to how the number of partnerships can be rationalised are imminent.

2.7 There are increasing examples of Councils pairing up and making joint appointments for some services.

Overall Context

- 2.8 Although the Minister for Local Government has recently reiterated a desire to maintain 22 separate Local Councils he has also emphasised that 22 Local Authorities delivering all their own services separately is unsustainable and has stated that Councils “need to be more ambitious in the scale and pace of change if they are to meet financial challenges”.
- 2.9 It is evident that the landscape of public service delivery is changing rapidly and at an increasing pace and the future pattern is that many services, will one way or another, be delivered collaboratively.

3.0 DECISION FRAMEWORK

- 3.1 Even at this early stage in exploring the possibility of large scale integration of services with another authority – members should be exercising due diligence. The Council should be considering whether the concept could be beneficial for Gwynedd citizens and help to protect front line services.
- 3.2 My consistent advice to members when assessing collaborative opportunities is to use a fundamental business principle – namely the risk/reward ratio. A higher risk associated with a venture demands that the potential rewards should be higher. Obviously a scoping study should help the Council to have a better understanding of these issues. However, it is possible to exercise a high level consideration even at this stage.
- 3.3 In terms of benefits the potential large scale integration creates the potential to save several million pounds a year and better service resilience. In terms of risks there are three high level risks.
- **Can large scale integration work?** – There are no other examples in Wales of the potential level of integration considered here. However, there are examples of integrated management teams with partial service integration in England but there have been between District Councils to date. We therefore know the model can work in principle but are uncertain as to whether it can cope with the size and complexity of unitary Councils.
 - **Are there particular risks associated with the potential partner** – Anglesey is a Council in transition. The Welsh Assembly Government have appointed an interim Managing Director and a Recovery Board to monitor progress against a recovery plan. The Wales Audit Office preliminary Corporate Assessment concludes that the Council has responded positively to Ministerial intervention but that much work remains to be done to

enable more modernisation and assure sustainability of improvement. It also concludes that the Council works well with partners to deliver a wide range of services. There are examples of successful collaboration between our two Councils, particularly in the field of education. One problem at the moment is that the absence of an overarching strategic framework for collaboration has meant that it has been difficult to pursue further collaborative opportunities.

- **Would a collaborative initiative of this potential size distract attention away from Gwynedd Council's Improvement and Efficiency Agenda?** – There is a growing feeling that Gwynedd Council is making good overall progress despite very challenging financial circumstances. The Council cannot ignore the risk that large structural management and service change could lead to temporary reduction in performance and loss of momentum.

3.4 One advantage of pursuing the scoping study option is that the Council could come to a better understanding of the risks and rewards. The emphasis of the scoping study should be to maximise the opportunity for benefit and to find ways of mitigating any significant risks.

4.0 CONCLUSION

- 4.1 I am firmly of the opinion that, as an individual Council, the risks associated with a further reduction in senior management at present outweigh the benefits. An alternative possibility for reducing management and other overheads in the cost of service delivery has presented itself to the Council. This alternative has substantial potential benefits but is not without risk.
- 4.2 Whether this Council takes the opportunity to explore this possibility further or not it will not be delivering as many services alone in future. By one means or another there will be more collaborative service delivery in the future.
- 4.3 There is increasing evidence of councils clustering to share management posts and service delivery in addition to the emerging regional and national collaborative opportunities. The opportunity to explore the possibility of large scale integration merits serious consideration.
- 4.4 As Head of the Paid Service I need to record my concerns that this initiative will create uncertainty for staff, particularly managers. If the Council does decide to investigate this opportunity further it needs to strike the balance between pace of investigating the opportunity and due diligence and awareness of staff anxiety. However in the council's deliberations members must always put the interests and welfare of Gwynedd citizens above institutional interest i.e. what is convenient for staff and councillors.

4.5 The Council should not decide to take part in a scoping study unless it is willing to pursue the matter further should the scoping study result prove positive.

5.0 Recommendations

5.1 It is recommended that the Council does not pursue the option C scheme for further senior management reduction at this point in time

5.2 It is recommended that the Council decides whether it should further investigate large scale collaboration opportunities with Anglesey in accordance with the scoping study principles in the Minister's paper at Appendix 1, as an alternative means of reducing management overheads and realising savings.

5.3 That the Principal scrutiny committee Scrutinises the report and recommendations and provides guidance to the Council's Board on the best course of action. Members should note that the Board's recommendations will be presented to the full council on 16 December.

A. Barn yr Aelodau Lleol/Views of the Local Member:

Dim yn fater lleol / Not a local issue.

B. Barn y Swyddogion Statudol/The View of the Statutory Officers:

1. Prif Weithredwr/Chief Executive:

Awdur yr Adroddiad/ Author of the report

2. Swyddog Monitro/Monitoring Officer:

Mae gan y Cyngor ddylestwydd ymddiriedol i warchod buddiannau Gwynedd. Bydd raid i'r Bwrdd gadw hyn mewn cof wrth bwysu a mesur yr holl ystyriaethau perthnasol (sydd wedi eu rhestru yn yr adroddiad) cyn dod i benderfyniad ar pa argymhelliad i'w wneud i'r Cyngor.

Dymunaf gofnodi buddiant personol yn yr eitem oherwydd y posibilrwydd y bydd effaith ar fy adran.

The Council has a fiduciary duty to protect the interests of Gwynedd. The Board will need to bear this in mind in balancing the relevant considerations (which have been listed in the report) before coming to a decision on the recommendation to be made to the Council.

I wish to record a personal interest in the item because of the possible effect on my department."

3. Prif Swyddog Cyllid/Chief Finance Officer:

Mae adroddiad y Prif Weithredwr yn cyflwyno'n deg fod cyfle i Cyngor

Gwynedd wireddu arbedion sylweddol o gydweithio ac integreiddio gwasanaethau, tra'n amlinellu'r ffaith fod cryn risgiau'n gysylltiedig â'r fenter.

Wrth gofnodi buddiant personol yn yr eitem oherwydd y posibilrwydd y bydd effaith ar f'Adran, **wrth gwrs byddaf yn parhau i ddarparu arweiniad proffesiynol i'r** Cyngor yn ystod y broses o bwysu a mesur pryd fydd aelodau yn ystyried a phenderfynu ar sail yr astudiaeth cwmpasu i ba raddau byddai'r cysyniad yn gallu bod er budd ariannol i Wunedd.

The Chief Executive's report fairly presents that there is an opportunity for Gwynedd Council to achieve substantial savings from collaborative integration of services, and sets out the considerable risks associated with the venture. While recording a personal interest in this item because of the possible effect on my Department, **of course I shall continue to provide professional advice to** the Council during the due diligence process when members will consider and decide on the basis of the scoping study to what extent the concept could be financially beneficial for Gwynedd.