BOUNDARY COMMITTEE REVIEW OF LOCAL GOVERNMENT STRUCTURES IN NORFOLK SUFFOLK AND DEVON

REVIEW TO TEST WHETHER AFFORDABILITY CRITERIA ARE LIKELY TO BE MET

FURTHER REVIEW IN RESPECT OF REPRESENTATIONS ON AFFORDABILITY FOLLOWING FURTHER DRAFT PROPOSALS, PUBLISHED ON 19 MARCH 2009

SUFFOLK COUNTY – S1

SUMMARY REPORT OF THE INDEPENDENT FINANCIAL CONSULTANTS

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1. Executive Summary

1.1 Introduction

1.1.1 Background for the Further Review

1.1.1.1 The Boundary Committee published further draft proposals on 19 March 2009 and extended the period for representations on affordability to be received, to 14 May 2009. The deadline for advice has been extended by the Secretary of State to 15 July 2009.

1.1.1.2 The Independent Financial Consultants were asked to consider the representations on affordability and advise the Committee on the following:

> **Task A:** to advise the Committee on the likelihood of further draft proposals being likely to meet the affordability criterion, in the light of representations received;
>
> **Task B:** to advise the Committee on the general questions that have been have been received not directly relevant to the workbooks.
>
> Any other matters the Committee should take into account in reaching its conclusions.
>
> The full remit from the Boundary Committee is reproduced as Appendix A.

1.1.1.3 We have considered 11 responses on affordability.

1.1.2 Layout of the Report

1.1.2.1 The report is presented in a manner that is intended to provide the reader with an overview of the processes followed leading to the overall outcomes as follows:

- Objectives of the review – paragraph 2.1.1
- How we approached the review for all tasks – paragraph 2.2;
- Issues that arose from Task A, paragraph 3.1;
- Issues that arose from Task B, Responses to further consultation – paragraph 3.2;
- Other issues that the Committee should take into account – paragraph 3.3;
- Our conclusions – paragraph 4.

1.1.2.2 The report is supported by 1 document:

- Detailed Responses in Respect of Affordability Issues – Suffolk County.

1.1.2.3 The report also draws on information contained within our previous reports of 19 November 2008 and 20 January 2009

2. Context and Background

2.1 Terms of Reference for the Further Review

2.1.1 The terms of reference are reproduced under Appendix A.

2.2 How we approached and undertook the Further Review

2.2.1 Task B

2.2.1.1 Received from Boundary Committee 11 copies of responses from respondents within Suffolk County to the further consultation undertaken by the Boundary Committee during April 2009.

2.2.1.2 Read all responses and extracted any parts that referred to affordability onto individual pro-formas similar to those published within our report "Detailed Comments on Responses and Copies of Responses", 20 January 2009. We have not attached copies of the full response on this occasion.

2.2.1.3 The completed pro-formas have been compiled into a separate document for the Suffolk County area.

2.2.1.4 Recurring points and issues raised have been summarised within this report under paragraph 3.2 below

3. Summary Outcomes of the Reviews

3.1 Task A

3.1.1 No new or revised submissions were received in respect of the Suffolk County area.

3.1.2 The outcome remains as previously reported in our earlier reports.

3.2 Task B

3.2.1 The following are the key issues which come from the representations.

Issue raised	Comments in response
➢ Concerns and reservations about the 'in aggregate' approach to affordability.	➢ The IFCs have recorded their reservations and risks concerning the application of the "in aggregate" approach.
➢ Concerns about the comparability of data contained within the published synopses and that data may be misinterpreted.	➢ The role of the IFCs was to advise the Boundary Committee whether or not a submission met a threshold that indicated whether or not it was likely to achieve the affordability criterion. The only ranking indicated was Low, Medium or High risk.
➢ Figures used based on out of date data.	➢ The IFCs have recommended that the Secretary of State seeks assurance about the financial position of constituent authorities before making a final decision on implementation
➢ Financial standing of local authorities has changed.	➢ The IFCs have recommended that the Secretary of State seeks assurance about the financial position of constituent authorities before making a final decision on implementation
➢ Planned savings that would have been achieved regardless have not been compared.	➢ The Securing the Future efficiencies were considered by the IFCs as part of their review of the Suffolk single unitary and the Suffolk two unitary submissions.
➢ 'Securing the Future' programme would have been achieved anyway.	➢ Since the process used was solely to determine whether or not a submission was likely to meet the affordability criterion, it was not necessary to bring Securing The Future savings into account for the Suffolk Unitary and Ipswich and Felixstowe submissions which demonstrated that they were likely to meet the affordability criterion with or without inclusion of the efficiency savings.. The Suffolk Rural submission was unlikely to meet the affordability criterion without including the Securing the Future savings so these were included but at a significantly reduced level. This is reflected in the IFCs Detailed Reports published on 19 November 2008. This further illustrates that figures used were not directly comparable

➢ Lack of comparison between the proposed models and the current structure of local government.	➢ The base financial data was obtained in respect of all constituent authorities that made up any proposed new unitary. Lead officers did, therefore, make assumptions demonstrating with the assistance of business plans the savings that were likely to be achieved by a new unitary authority.
➢ Support for a mandatory approach to the aggregation/pooling of costs.	➢ It is not known whether or not the Secretary of State has powers for this to be mandatory.
➢ Boundary Committee should consider and consult on a 3 unitary pattern for Suffolk.	➢ No advice from IFCs needed

3.3 Other Issues the Committee should take into account

3.3.1 Issues from Responses

3.3.1.1 In reviewing the responses, we found issues that were for the Boundary Committee itself to consider, and we have listed these below. Some of these we have given some advice on in our review of Task B:

Synopses using non comparable figures likely to lead to the wrong conclusions
'In aggregate' and related powers of Secretary of State
Deteriorating financial situation of authorities
Affordability of East Suffolk option not considered
Support for two unitary authority option
Support for three unitary pattern and opposition to Suffolk Rural option
Opposition for single unitary option
Mandatory sharing of savings and reserves
Support for single unitary option

4. Likelihood of a Submission achieving the Affordability Criterion

4.1 Suffolk County – Single Unitary submission

Criterion 1	Transitional Costs overall likely to be more than offset by Savings in the payback period	**YES**
Criterion 2	Payback period, likely to be no more than 5 years	**YES**
Criterion 3	Capital transitional costs likely to be fully funded	**YES**
Criterion 4	Other transitional costs likely to be financed as defined by Secretary of State (Balances likely to be at or over prudent level each and every year)	**YES**
Criterion 5	All costs incurred to be met locally without increasing Council Tax on average	**YES**
Overall Risk Assessment (in terms of the extent by which each criteria are met)		**LOW RISK**

4.1.1 Other risks to be considered

4.1.1.1 There are no additional risks other than those shown in the body of the report for Suffolk County that need to be drawn to the Committee's attention.

4.2 Suffolk Two Unitary Pattern – Ipswich & Felixstowe and Suffolk Rural 'in aggregate'

		Ipswich & Felixstowe	Suffolk Rural
Criterion 1	Transitional Costs overall likely to be more than offset by Savings in the payback period	**YES**	**YES**
Criterion 2	Payback period, likely to be no more than 5 years	**YES**	**YES**
Criterion 3	Capital transitional costs likely to be fully funded	**YES**	**YES**
Criterion 4	Other transitional costs likely to be financed as defined by Secretary of State (Balances likely to be at or over prudent level each and every year)	**YES**	**YES**
Criterion 5	All costs incurred to be met locally without increasing Council Tax on average	**YES**	**YES**
Overall Risk Assessment under in aggregate analysis (in terms of the extent by which each criteria are met)		**MEDIUM**	

Note – on an in aggregate basis we take the view that overall the risk assessment must revert to the higher level of the two submissions

4.2.1 Other risks to be considered

4.2.1 The in aggregate approach requires transfers of savings and balances from one organisation to another. Each organisation will have it own aims and objectives. There may need to be special powers or arrangements to ensure such sums are available to meet such transfers.

4.2.2 However, for Suffolk our analysis is that each of the two unitary submission would be likely to pass all the affordability criteria on their own, so that it should not be necessary to consider an 'in aggregate' approach.

Appendix A – Remit from the Boundary Committee

A1 The IFCs are asked to consider the representations on affordability and advise the Committee of the following:

A2 Task A: To advise the Committee on the likelihood of the further draft proposals being likely to meet the affordability criterion in the light of the representations received.

The Committee expects that each individual representation is addressed in turn. It is expected that the response provided will reflect the level of detail that the respondents have provided.

- The Committee also requests that the original IFCs summarise the representations and submit a summary report on how, together, the representations considered have, if at all, affected the outcomes of the reports presented to the Committee previously.
- The approach used by the IFCs to considering this advice should be summarised in this outline report.

A3 Task B: Advice to the Committee on the general questions that have been received not directly related to the workbooks.

- There may be financial questions within the responses that are sent to the Committee that do not directly relate to the workbooks. The IFCs are requested to provide a separate commentary on these issues. The review team of the Committee will direct the original IFCs as to which aspects of the representations it requests particular commentary on. The original IFCs are asked to provide commentary on any other issues raised in representations that the review team do not specifically highlight but which are relevant to the Committee's consideration.
- The IFCs are not expected to provide any comments that do not relate to financial information.

A4 **Process –** The review teams of the Committee will forward to the IFCs all representations on affordability that are received by 14 May 2009.

A5 The IFCs are requested to provide a report to the Committee by 10 June 2009 in advance of its meeting on 15 June 2009, subject to the complexity of the representations received. The report should include any other matters that the Committee should take into account in reaching its conclusions.