

Bids by Norwich City Council for Unitary Status**Corporate Director (TM)****Summary:**

This report invites members to formulate a response to the consultation being conducted by the Department of Communities and Local Government (CLG) on bids being made by Norwich City Council for unitary status.

One of these bids would take in part of South Norfolk. Although officially ruled out of contention by CLG this bid based on extended boundaries is still being promoted by the City Council in that hope that the Secretary of State will use powers in the Local Government and Public Involvement in Health Bill to extend its boundaries either before unitary status is confirmed or soon after.

Conclusions:

The governance of an area, whether city, suburb, market town or village is necessarily complex and cannot be carried out by a single agency in isolation even if it is a unitary council. The overall governance arrangements for Norwich and the rest of Norfolk need to address a broad agenda and wider area.

Central Government set a number of criteria by which bids for unitary status should be judged. Its own civil servants scored the Norwich bid as marginal on most of them. Indeed it is the second lowest scored bid of all those that have been carried forward into the second consultation round.

Financial figures submitted for a Norwich City unitary council itself may or may not be realistic. However, it is clear that the costs of the local government in the remainder of Norfolk will increase if Norwich City becomes unitary. During transition from the present arrangements to the new ones, the disruptive effect of either bid on citizens and the services from which they benefit will last for some time, to the detriment of South Norfolk residents.

In time the service delivery problems may or may not be solved and cost effective arrangement may or may not be devised. What would remain would be the problems of managing the sub regional issues that reflect the realities of life as it is actually led. These extend beyond the existing and proposed future boundaries of Norwich.

The existing proposals consider the City in isolation and should

be rejected. CLG should be urged to resist the current bids and allocate more time for the preparation of a more sensible submission, including agreed arrangements for the whole County, which would also address the substantial sub regional issues.

- Recommendations:**
1. That South Norfolk Council reaffirms its opposition to proposals by Norwich City Council to be granted unitary local government status.
 2. That the Council authorises the Chief Executive, the Leader of the Council and the Leader of the Opposition to write to the Secretary of State, making clear this Council's objections to the isolated bids by Norwich City Council and seeking time for the preparation of new structures for Local Government in Norfolk including agreed arrangements which address substantial sub-regional issues. Further, until such a reorganisation can be arranged, the CLG should allocate to the Norfolk authorities sufficient resources to address the requirements of the "Improved 3/2 tier Agenda"
 3. That the Council authorise the Chief Executive, the Leader of the Council and the Leader of the Opposition to lobby the Minister either in conjunction with Broadland District Council or separately.
 4. That Scrutiny Committee be asked to look in detail at the Norwich City case and report to Cabinet on the matter in time for a final response within the consultation period.

Cabinet member(s): Mr J Fuller	Ward(s) affected: All
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1. Background

- 1.1. The White Paper "Strong and Prosperous Communities" published by the Department of Communities and Local Government (CLG) on 27 October 2006 included an invitation to "all councils in England" to submit proposals for improving the government of their area.
- 1.2. Among the options, a Council could bid for unitary status, taking all the powers and responsibility of the two tiers of principal authorities.
- 1.3. Norwich City Council submitted a "core" case based on its existing boundaries, together with another "non-compliant bid" taking in 12.7% of South Norfolk's population and 62.5% of Broadland's population.
- 1.4. The City Council asked Norfolk County Council, Broadland and this Council for a range of financial and non-financial data to assist in developing the business case. South Norfolk Council co-operated fully.

- 1.5. The request from Norwich City specifically named six South Norfolk parishes (Bawburgh, Colney, Costessey, Cringleford, Easton and Trowse). However, the City Council has been made clear that the boundaries for a "Greater Norwich Unitary" would be determined by the Boundary Committee and could include more or fewer parishes and they had asked about.
- 1.6. The Local Government and Public Involvement in Health Bill passing through Parliament gives the Secretary of State the powers to review council boundaries, so this is a real risk for South Norfolk and Broadland. Such reviews are enormously costly, disruptive and distracting.
- 1.7. In recent years there has been a number of improvements in inter-authority working in Norfolk and there are more opportunities to do so in future. This includes the provision of joint services like building control and also much closer sub-regional working on planning and housing. This would all be put at risk if a struggle for power and territory dominates local government in the area in the next four years or so.

2. Evaluation of the Impact on South Norfolk Council

- 2.1. South Norfolk Council's officers have examined the likely impact of Norwich City's proposals, on South Norfolk Council.
- 2.2. For the transition, we have noted that a significant amount of work would be required to transfer case files and histories from South Norfolk systems to Norwich City systems. Initial estimates suggest this could cost somewhere between £0.5m and £1m. Added to this would be the cost of redundancies (if any) relating to staff that would be surplus to SNC requirements but could not be made to transfer to Norwich. (In practice these are expected to be very few in number.)
- 2.3. There would be a permanent change to the staffing and operation of South Norfolk Council. Some front line staff (eg refuse crews, council tax and benefits staff and planners working on development control) would transfer to Norwich City and the cost of employing them would not longer fall on SNC. The Council has no leisure centres, car parks, depot, tourist information centres or offices in the six parishes to transfer so all the staff involved with those sorts of facilities would stay with South Norfolk. The Council has so few people in each specialist role that it would be very difficult to reduce their number by 13%. We estimate that of the 500 or so staff we now have, about 26 would transfer to Norwich City, reducing our salary costs by £450,000 per year (at 2007/8 prices).
- 2.4. Other cost savings would arise as a result of the transfer of 13% of the population. Given the mixture of relatively prosperous parishes (eg Colney and Cringleford) and less prosperous ones (eg Costessey) the pattern of demand would be fairly typical of South Norfolk Council's overall demand so we estimate that demand led costs would fall by 13%. Taking all these factors together, we estimate a reduction in the Council's costs of about £1.5m at 2007/8 prices (minus 9.21%).
- 2.5. If this reorganisation followed normal practice, we would be expected to transfer a proportion of our liabilities and assets to Norwich City Council. The main

liability is that part of the pension fund which relates to the staff to be transferred. The only built assets South Norfolk Council has in the six parishes are an un-staffed hostel for homeless people and a caravan park for Travellers run by the County Council. The loss of these two key resources would reduce this Council's effectiveness in helping homeless people and travellers.

- 2.6. In addition, we would expect to have to transfer a proportion of our financial reserves, including the LSVT receipts which would dramatically reduce the income available from interest.
- 2.7. The fact that the main recycling facility and a part of the land fill on which the Council now depends would now be out of the district would have a marginal impact on costs relative to the grant we get for this, but it is not likely to disrupt our recycling efforts. The future of the recycling centre itself, which is owned by a subsidiary of the County Council but is located in what might become the new Norwich Unitary, is open to speculation.
- 2.8. If the bid based on extended boundaries were to succeed, there would need to be some re-organisation of most of South Norfolk Council's other services to take account of the reduced population and area, which could well harm service quality and performance for several years.
- 2.9. The amount of revenue support grant and NNDR is likely to fall by about 12.75% and the net effect of all these reductions is to leave the balance to be funded by the South Norfolk council tax down by about 4.76%.
- 2.10. Given that the tax base itself would fall by just over 13%, the resulting council tax increase **"for those left behind"** would be about 9.51% (almost £13 per year at Band D on 2007/8 council tax).
- 2.11. In terms of the pursuit of the Council's own and the LSP's objectives if the wider bid succeeds, the most significant implication would be that South Norfolk Council would not secure the benefit of all the affordable housing that has been negotiated or might reasonably be expected to result from negotiations with developers in the Cringleford (188 affordable homes) and West Costessey (182 affordable homes) area. There are no other developments promised for other sites in South Norfolk that would contribute so much.
- 2.12. South Norfolk Officers have not attempted to quantify the impact on the County Council and that Council will be making its own response to the Secretary of State. All other things being equal, with the loss of the Norwich population, demand for County Council services will fall but its revenue will fall by more and the net effect will be an increase in unit costs which can only be paid for by service cuts or increases in the Council tax precept. These impacts will be felt in all parts of South Norfolk, especially the more remote villages where unit costs are already high. There are many unanswered queries about future arrangements affecting South Norfolk residents including "cross border" schooling, specialist care and the operation of the Park and Rise system.

3. Popular Support

- 3.1. The City Council has made a number of very positive presentations, which have gone down well with most City audiences but some have expressed concern that the educational performance of the new, smaller unitary authority would be more impressive than that of the existing County Council.
- 3.2. The results of a MORI study comprising interviews with City residents together with small sub samples from Costessey and some of the Broadland parishes were ambiguous. Forty-one percent of respondents favour a unitary council and 25% were against, with 26% neither agreed nor disagreed and 8% not knowing.
- 3.3. South Norfolk's own study of public opinion showed even less support for the idea of a unitary Norwich taking in part of South Norfolk. The reaction of most of the parish councils in South Norfolk and Broadland is to oppose Norwich's bid for unitary status on both the existing boundaries and on enlarged boundaries.
- 3.4. The citizens of South Norfolk and Broadland have expressed very high levels of satisfaction with their councils and the services they provide. The citizens of Norwich, taking part in identical surveys conducted under the auspices of the Audit Commission, are far more critical of the City Council and its services.

4. How do the Norwich City Bids match up to the criteria set out by CLG

- 4.1. Central Government set out a number of criteria and these are set out below in italics. The South Norfolk response is in normal type.
- 4.2. *Any proposal for unitary status must represent good value for money and show how that can be met from the resources normally available to local authorities governing the area covered by the bid.*

The Norwich bid is based hypothetical savings to be "driven out" not only from existing City Council services but from County Council services which the City aims to take over. Norfolk County Council's present costs of services are not unusually high for a council of its type so there must be some doubt about this. The bid does not show how diseconomies of scale would be addressed.

- 4.3. *It must be supported by a cross section of partners and stakeholders.*

The City has listed some partners and stakeholders who support its bid. Other partners including all the other principal authorities in Norfolk (with the possible exception of Breckland) and most parish councils oppose the bid. They have been asked to restate their position now that CLG has included Norwich on its shortlist. None of the public opinion studies have revealed much support for the bid.

- 4.4. *It must provide for strong, effective and accountable strategic leadership.*

Although there is much rhetoric about leadership in the bid, it is impossible to anticipate the quality of leadership which would apply in a council which is likely to be struggling to deliver a wide range of services with meagre resources. The

Audit Commission in its recent review of the council's Use of Resources has been quite critical of Norwich City's performance.

- 4.5. *It must deliver genuine opportunities for neighbourhood participation, empowerment and equity.*

Again the bid contains both rhetoric and wishful thinking about what a "yet-to-be-elected" council might seek to do, but the evidence in recent years is that the City Council has terminated the approach it did make to giving "citizens power".

- 4.6. *The transitional costs must be more than offset over a payback period of no more than five years by savings, in addition to the "Gershon" savings that all councils must make.*

Norwich has estimated the transitional costs as between £18m and £30m. The arithmetic showing how these costs will be met is hard to follow and not entirely convincing.

- 4.7. *Capital transitional costs must be financed directly from revenue, use of capital receipts or prudential borrowing.*

The arithmetic of the Norwich bid is hard to follow and not entirely convincing. The Audit Commission has been directed to scrutinise these figures closely.

- 4.8. *All costs incurred as a result of reorganisation must be met locally without raising council tax.*

The arithmetic of the Norwich bid is hard to follow and not convincing.

- 4.9. *The Government has made it clear that it will accept no liability for any miscalculation or cost overrun in the final outturn. The Government will not accept that any additional, unforeseen costs of restructuring should be recovered from council tax payers and that therefore, any unforeseen costs will need to be financed from other sources."*

With the best will in the world, forecasting the cost of such a radical change several years in advance is difficult. This is clearly a very large risk that will fall on City residents and any others taken into the City or reliant upon it for services.

- 4.10. *The Government will not accept any reduction in the quality of service or cuts in services as a result of the proposals.*

Apart from cultural services, Norwich City's performance on most indicators is inferior to those of Broadland and South Norfolk, and indicators of public opinion suggest that Norwich citizens are less satisfied with their council services than those of Broadland or South Norfolk. Even if the new unitary councils manages to raise the standard of services in the City, there is a risk that citizens in any parishes taken in from Broadland or South Norfolk may experience a deterioration in service.

- 4.11. *The financial case must include worked examples of how the new authority could align council tax levels for residents from different constituent areas but this*

would be subject to capping.

It is difficult to understand how parishes taken in from Broadland and South Norfolk which have a lower council tax level before transfer, could continue to be protected against higher levels of council tax obtaining in the City area.

- 4.12. Although officers have used their best endeavours to understand the detail of the Norwich proposals, further examination by Scrutiny Committee could help refine the detail of the Council's final responses to the CLG consultation.

NOTE:

A table comparing the performance of Norwich City, South Norfolk and Broadland Councils, updated with information released very recently, will be available at the Council Meeting.