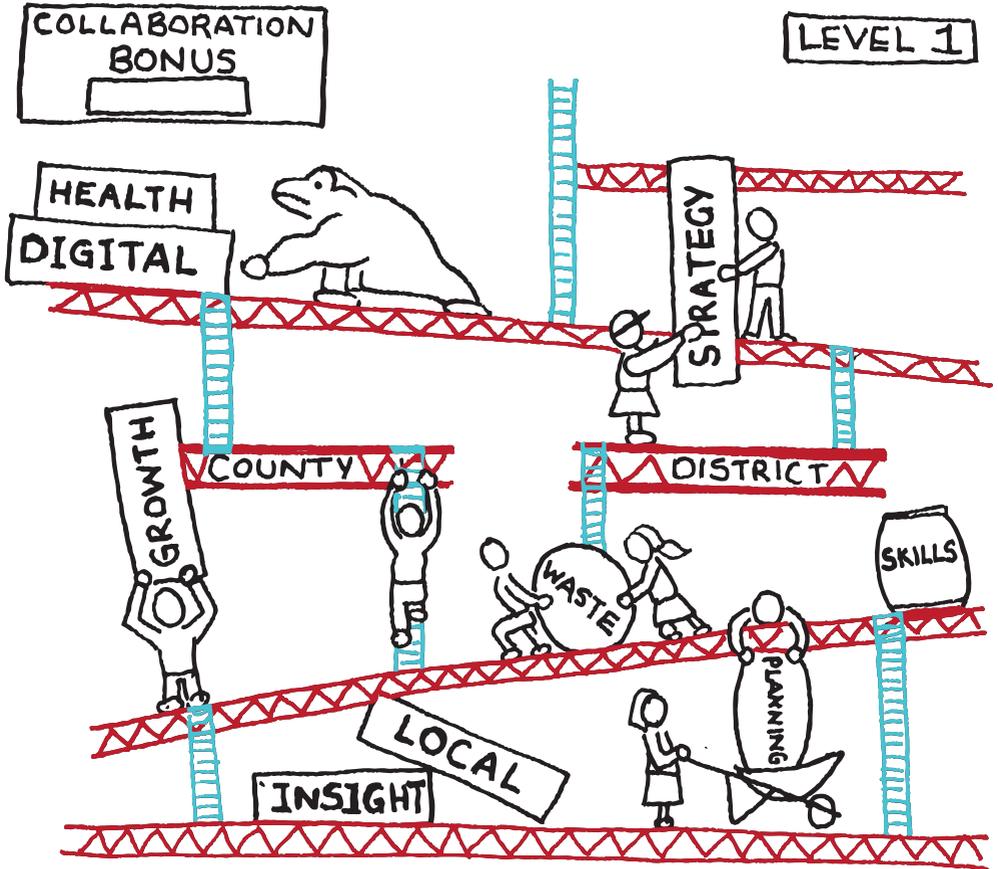


AS TIERS GO BY

A COLLABORATIVE FUTURE FOR COUNTIES AND DISTRICTS

Simon Parker and Claire Mansfield



New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

© NLGN October 2014

All rights reserved

Published by NLGN

Hub Westminster, 80 Haymarket

1st Floor, New Zealand House

London, SW1Y 4TE

Tel 020 7148 4601 . Email info@nlgn.org.uk . www.nlgn.org.uk

CONTENTS

ACKNOWLEDGEMENTS	4
FOREWORDS	5
1 INTRODUCTION	8
2 THE TWO TIER CHALLENGE	13
3 GRASPING THE COLLABORATIVE OPPORTUNITY	22
4 COLLABORATIVE VISIONS	35
5 CONCLUSION & RECOMMENDATIONS	40
METHODOLOGY	43
ABOUT PwC	44

ACKNOWLEDGEMENTS

We would like to thank the many organisations and individuals that have given their time and insight to this research through our survey and conference session. In particular, we thank all of those that took the time to speak to us in Staffordshire County Council, Newcastle-Under-Lyme Borough Council, Suffolk County Council, Waveney District Council, North Yorkshire County Council and Selby District Council. We would also like to thank Chris Bally, James Blake, John Courouble, Jim Graham, Alastair Gordon, Andrew Muter and Andy Robinson for their comments and guidance.

Our colleagues at NLGN have also contributed greatly to this work, and we thank them for their support, especially our interns Theo Barry-Born, Nina Delany and Freddie O'Farrell. And of course we would like to thank PwC, particularly Niamh Sands and Mike Wallace.

Any mistakes or omissions are, of course, our own.

Simon Parker and Claire Mansfield

NEW LOCAL GOVERNMENT NETWORK

FOREWORDS

Cllr Paul Carter, Leader, Kent County Council

As the Leader of Kent County Council for almost 10 years, I know from hard experience that any discussion about the future of two tier local government is wrought with political danger, and not just from Eric Pickles' famous pearl-handed revolver.

The mutual suspicion a mere whisper of two tier reform creates amongst county and district councils will never be fully appreciated by our metropolitan colleagues!

Yet structural reorganisation is no silver bullet for two tier areas struggling to meet increased demand from changing demographics, such as meeting the social care needs of an older population; pressure on school places from immigration or ensuring that the infrastructure for new housing is in place so we create sustainable new communities.

Unitary local government is no panacea to solving these difficult problems in metropolitan areas, and there is no reason why it would be a magic bullet in two-tier areas.

For that reason the next government, of whatever political persuasion, is likely to rule out any further forced reorganisation of local government. This is absolutely right.

It is in this context that this report from NLGN is a very welcome, and very necessary, contribution to what should be a far broader debate about the significant part of the local government sector which covers half the population of England.

That is not to say I agree with every aspect of this report. For instance, I'm yet to be convinced that legislation is required to underpin collaboration.

The importance of increased collaboration and integration with other public sector partners, such as health providers and commissioners, is as vital as any collaboration across two tier local government.

And I'm a 'glass half-full' person on the extent to which county and district councils already collaborate on a day-to-day basis.

Collaboration and working relationships between county and district councils are like an iceberg. What is seen by most is just the tip just of the iceberg, the political noise and tensions inherent in any relationship. But below the waterline is a huge mass of constructive interpersonal relationships and local networks that work together, often unseen and quietly, for the mutual benefit of local residents.

The central point made in this report however is absolutely the right one. The immediate future of two tier local government is very much in its own hands, and each two tier area is going to have to come up with its own version of what good collaboration looks like.

Collaboration is also vital to the bigger picture for two tier areas. The local government agenda is far too dominated by the city-region debate. The risk is that two tier areas could be left behind in the devolution debate. This must not be allowed to happen.

Greater collaboration can showcase two tier local government at its best, and should be the springboard for greater devolution from Westminster and Whitehall.

I am absolutely convinced that bringing two tier collaboration increasingly above the waterline can only prove mutually beneficial to both county and district councils alike.

Mike Wallace, Director, PwC

Sitting with a blank sheet in front of them, few would devise the mosaic of districts, counties, unitaries and mets that makes up local government in England today. But it's that messy reality that's the starting point as councils search for solutions to deal with their financial pressures and continue to deliver for their residents.

For two tier areas in particular, parking the debate on unitaries (for now) as this paper does, extends the realm of the possible when it comes to district-county collaboration. With centrally imposed local government reorganisation off the table, two tier areas must create their own models of collaboration, combining the capacity and capability of both tiers and clearly focus on delivering the best outcomes for residents, efficiently and effectively.

From the 'virtual unitary', to the more basic 'collaborate and survive', together districts and councils have an opportunity to innovate and deliver sustained improvements in services, significant changes for citizens and financial savings.

Different models of collaboration will have their own pros and cons and current organisational boundaries will shape the landscape of trust and relationships that collaboration has to build upon.

Models for collaboration need to be looked at through the lens of tackling the wider issues confronting councils – increasing demand driven by shifting demographics, the impact and opportunity new technologies offer and a continuing difficult financial outlook. Establishing a shared vision for the outcomes you want to achieve together and embedding an understanding of the purpose of collaboration will be key.

We welcome this report from NLGN, setting out a range of collaborative visions for overcoming the challenges of two tier working without going back to the drawing board. Greater two tier collaboration won't be a panacea to the predicament that local government, and the wider public sector, finds itself in, but for counties and districts it's a good place to start.

1 INTRODUCTION

The two tier system of local government has been controversial ever since its inception, charged by its critics with being cumbersome and inefficient. Three major waves of reorganisation have already seen the original 46 counties created in 1972 almost halved so that only 27 two tier areas are left standing. Many in local government would like to finish the job and create a series of all-purpose unitaries across the country. By doing so, they argue, they can reduce the cost of back office services and integrate fragmented waste and planning functions, resulting in better outcomes and significant savings.

At a time when both counties and districts are facing deep budget cuts, some regard the case for reorganisation to be self-evident. But the route to top down unitarisation appears to have been blocked politically for the foreseeable future. Eric Pickles famously declared that he had “a pearl-handled revolver waiting in my drawer for the first civil servant who suggests another local government reorganisation”.¹ Labour has shown a similar lack of enthusiasm for forcing change. For central government, the political effort required to deliver unitaries across England appears to outweigh the potential for improved outcomes and financial savings to individual shires.

With most parts of the country unable to reach political consensus about voluntary reorganisation, the debate has reached an impasse. This report seeks a way forward.

We argue that, for the foreseeable future, two tier areas must focus on reforming their services through collaboration with one another and with the wider public sector. The case studies presented here clearly demonstrate that impressive levels of collaboration are possible when two tier areas build shared visions and strong relationships. Some areas are approaching a breakthrough that will enable them to deliver better services at significantly reduced cost.

¹ Conservative Home, (2008), [online] <http://www.conservativehome.com/localgovernment/2008/12/eric-pickles-th.html>

Two tier areas need to stop seeing collaboration as being either impossibly difficult (it isn't) or as a poor second best to a reorganisation that may never come. Instead, we need a new focus on the power of collaboration to unlock transformation in areas such as health and social care, vulnerable people, digital provision and economic growth. Counties and districts are likely to deliver far better outcomes and far greater savings by working together to focus on the needs of citizens, than by playing beggar-thy-neighbour politics.

In this report, we distinguish between two types of collaboration: the transactional, and the transformational. Transactional collaboration aims primarily to make short term savings through sharing back office functions. The service itself might not change a great deal, but the act of managing it as a single entity can cut management overhead. In a collaborative world, these savings are best delivered through horizontal integration between districts, and separately between counties and other large organisations such as health trusts and police forces.

Transformational collaboration, in contrast, involves a fundamental redesign of the way services are delivered in order to deliver better outcomes. In so doing, it is also highly likely to deliver savings by, for instance, reducing duplication and medium term demands. Transformational approaches include programmes such as the government's 'Troubled Families' initiative which brings together services from districts, counties and other public service partners. These opportunities are best grasped by vertical collaboration between the two tiers and wider public sector partners.

The arguments for transactional collaboration are well rehearsed and there is clear evidence that counties and districts know how to deliver on it. Some districts believe that they are reaching the limits of this approach. This report focuses instead on the opportunities for transformation, which we believe will deliver far greater benefits in the medium term. Our research suggests there are three key opportunities for transformation:

- 1. Economic growth:** where counties and districts must collaborate to align district powers over housing and planning with the strategic county role in infrastructure.
- 2. Service integration:** where collaboration between counties, districts and other public services can help to support the elderly and vulnerable to live independently, reducing demand for expensive social care support.
- 3. Digital transformation:** where two tier areas work together to drive forward the digital transformation of public services, creating shared infrastructure for customer contact and self-service access. This can also help achieve wider service transformation.

We do not pretend that this sort of joint working is an easy option. Our case studies show that collaboration relies on mature, trusting relationships between political leaders and officers of different tiers. Even when this is in place, transformational initiatives need to start small and build up over time. These may never deliver the same savings as unitarisation, but they will make it easier to grasp the much more substantial savings on offer from transforming the interface between health and care, reforming customer access and transforming support for the old and vulnerable.

If ministers are serious about collaboration, then they need to do more to support it. The first thing they should do is clarify their intentions. If they are not going to reorganise, they must take this option off the table for at least a parliament. Many councils are holding out against collaboration either because they think they can get a better result through unitary status or because they fear that sharing services might undermine a future unitary bid. The renewed debate about the English question is only fuelling this speculation. It wastes huge amounts of time and effort.

We recommend the creation of a new generation of county combined authorities, which would be required to develop a joint plan for improving outcomes through service integration. It would be for two tier areas to develop the detail of the new form of governance and the contents of the plan, but the demand for a new combined authority would certainly catalyse a conversation and force councils to explain why not integrating is the best option for their places.

While we do not think the unitary option should be permanently taken off the table, our assumption in this report is that, for the foreseeable future, England's shires will continue to have a diverse set of governing arrangements. Counties and districts are extremely diverse even before we take into account the existence of parishes and community groups with devolved powers. A single, top down solution is never going to work well for everyone. Traditional two tier working will survive in some areas, collaborative approaches will thrive in others, and some will likely be reorganised over the next decade.

Just as importantly, it seems likely that public service governance as a whole will evolve considerably over the coming years, with new relationships with health and other agencies emerging to share back offices and transform outcomes. It would take a brave gambler to bet that district councils will have been abolished by 2020, but a braver one still to lay money on the status quo.

SUMMARY OF RECOMMENDATIONS

- 1. Central government must make its intentions clear:** the Secretary of State for Communities and Local Government should take the earliest opportunity to either support top-down reorganisation of two tier areas or take it off the table for a full parliament.
- 2. Create combined authorities and integration plans:** ministers should heavily encourage two tier areas to develop new joint authorities bringing all local services together with a duty to publish a plan for delivering better outcomes through integrated working.
- 3. Target innovation funds at collaboration:** ministers should ensure that any future innovation funding is targeted at least in part on the challenges faced by two tier areas. A large fund could be created by top-slicing a small amount of the budgets from all agencies in a two tier area and using this to support collaborative initiatives within that area.
- 4. Counties and districts should collaborate, regardless of whether or not unitarisation is the ultimate goal :** assuming that ministers are prepared to rule out reorganisation, good risk management suggests

that two tier areas should collaborate in the short term even if they have longer-term aspirations for structural change.

The report is structured into four sections.

- The first examines the case for change in two tier areas, highlighting the scale of the spending challenge, the potential savings from unitary status and the potential for collaboration without reorganisation to provide an alternative route to change.
- The second section identifies and examines three key practical opportunities for collaboration and shows how leading councils are grasping them together.
- The third section moves beyond specific opportunities for integration and looks at wider models of governance for collaboration.
- The conclusion makes recommendations for the next government and for local authorities.

2 THE TWO TIER CHALLENGE

The financial challenge facing local government as a whole is well-established; it has been estimated that the sector faces a £12.4bn spending gap by the end of the decade.² Some 89 per cent of chief executives and leaders believe that some local authorities will face financial crisis in the next five years.³ But this gap is experienced differently in two tier areas. This is starkly illustrated by the LGA's future funding projections, which suggest that the average district will face only a 6 per cent funding gap by 2020/21, while the average county must close an 18 per cent gap. While some small districts face huge challenges in maintaining their viability, in aggregate the greater challenge is plainly for the upper tier.⁴

Counties can spend as much as 70-80 per cent of their budget on social care services, and face steeply rising demand with around one-in-five of their residents aged over 65.⁵ This means the remaining county services – such as education and highways – are taking the brunt of the cuts. The result is heavy pressure for counties to evolve into something akin to a single purpose health and care authority, with a side-line in highways and waste disposal and residual interests in areas such as libraries.

District councils do not suffer from the same scale of rising demand pressure caused by the ageing population, but with far smaller budgets to start with, they must grapple with preserving their vital place shaping functions such as culture and leisure in the face of cuts which look small in cash terms, but make up a large proportion of their spend.

This adds up to a picture where both districts and counties are under huge pressure, but the two tier split makes it harder than it might otherwise be to grasp potential solutions. For instance, it is arguably harder to use digital technology to transform public services when each council is implementing its own plan, rather than developing plans for all services to be reformed at once across a two tier area.

2 LGA, (2014), *Future Funding Outlook 2014*, [online] <http://bit.ly/Vfojvp>

3 PwC, (2014), *The Local State We Are In*, [online] <http://www.pwc.co.uk/local-government/publications/the-local-state-we-are-in-2014/index.jhtml>

4 Ibid

5 County Councils Network, (2014), *Our Plan for Government*, CCN, London

UNITARY: THE CASE FOR AND AGAINST

Some councils have proposed that they should be reorganised to help address these spending pressures. Unitary status clearly does save significant sums of money if it is done on a large enough scale. The councils that were reorganised in 2009 estimated that the move would net them an average of £16m each.⁶ In practice, it appears that these savings have been substantially exceeded, with new unitary counties reporting gains that range from £14m to nearly £40m a year (Figure 1)⁷ in comparison with previous two tier arrangements. The average saving for each reorganised area is slightly more than £25m. The size of the financial dividend appears to be closely related to the number of districts that were abolished (Figure 2).

FIGURE 1 Reported savings from reorganisation⁸

Unitary	Average Savings per Annum ⁹	Number of Districts
Shropshire	£20m	5
Durham	£38m	7
Cornwall	£25m	6
Wiltshire	£14m	4
Northumberland	£28.3m	6
Buckinghamshire¹⁰ (not yet reorganised: based on 2014 study)	£20.7m (potential)	4
Leicestershire¹¹ (not yet reorganised: based on 2014 study)	£31.4m (potential)	7

⁶ Graham, J., (2014), *Public Interest Debate – Unitary Local Government for Warwickshire*, Warwickshire County Council, UK

⁷ Leicestershire County Council (2014), *Strategic Financial Case for Unitary Council*, Ernst and Young, UK

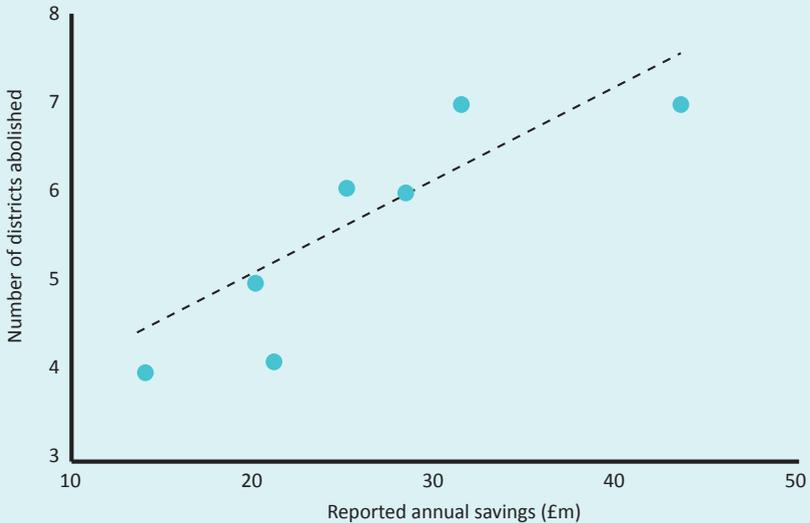
⁸ Leicestershire County Council, *ibid*

⁹ Where councils reported a single figure for savings over two or three years, we have taken the average as representing the annual saving.

¹⁰ Buckinghamshire Business First, (2014), *Cutting the Cost of Local Government*, [online] <http://www.bbf.uk.com/research-and-reports/unitary-authority-research>

¹¹ Leicestershire County Council, *op cit*

FIGURE 2 Relationship between reported savings and number of districts abolished¹²



As this suggests, the savings from reorganisation appear to come primarily from reducing duplication between district councils. For instance, Leicestershire's recently published case for unitary status rests heavily on reductions in the number of councillors and elections, fewer senior and middle managers and the creation of a single back office. All of this would require the council to spend significantly less, for example, on salaries, elections and property. Only £3.3m of the county's estimated saving of £31.4m comes from service integration and redesign.¹³

The average reported saving across the seven counties listed (Figure 1) is £25m when compared to the costs of the previous two tier arrangement, although it should be noted that the current two tier areas tend to be larger and to include more districts and might therefore expect to realise bigger

¹² Leicestershire County Council, *ibid*

¹³ Leicestershire County Council, *ibid*

savings. Lancashire, for instance, covers 12 districts and two unitaries.¹⁴ If we accepted that savings are driven by horizontal integration between district services, then the figures below would suggest that each abolition saves about £4.5m. On this basis, reorganising all of the remaining 27 two tier areas as county unitaries on their existing boundaries would save between £680m-£904.5m.¹⁵

The upper end of this range is probably very optimistic. Some large counties would need to be broken up into at least two unitaries, reducing the likely saving. It should also be noted that these figures are largely based on data from the late 2000s, a time when councils employed many more staff and, critically, before most districts had started to share their managers and integrate their services.

The past decade has seen the emergence of a wide range of shared management arrangements at district level, often starting with joint chief executives for two or more districts and then moving on to full integration of the officer corps. This can save significant sums of money. For instance, Babergh and Mid Suffolk have delivered £1.6m in annually recurring savings while Cotswold and West Oxfordshire have delivered £2.06m and Redditch and Bromsgrove have saved £2.45m.¹⁶ These savings are obviously not as large as might be expected from full unitarisation, but they are certainly significant.

This means that some of the savings that might have been realised in 2009 have already been taken by districts, and suggests that the overall saving from reorganisation may be considerably smaller than anticipated in at least some two tier areas.

If the financial benefits of unitary status are so clear, why hasn't it happened yet? In political terms, the fact that district councillors make up a major part of the Conservative Party's electoral field force clearly plays a role. Likewise

¹⁴ That said, very large unitary counties may build in diseconomies of scale by making it harder for the council to engage with communities. Big, remote organisations often find it harder to tailor services to the needs of local people.

¹⁵ The lower figure is based on the average saving of £25.3m applied to the 27 remaining two tier areas. The higher figure is based on the average saving per district applied to all 201 remaining district councils.

¹⁶ Council estimates of recurring annual savings, obtained by email.

there are pockets of Labour controlled district councils that would be lost through unitarisation.

In addition, it is important to remember that the case for district councils is often grounded in places rather than efficiency. In parts of the country like St Albans, the local council is viewed as an expression of an ancient community that often feels it belongs more authentically to its town or village than to its county. This sense of community ownership of some district councils is underlined by the ratios between politicians, residents and staff. A small district might have one councillor for every seven officers and 2,500 residents, whereas in a large county the same ratios might rise to 1:300 and 1:16,000 respectively.¹⁷ The district focus on universal services means that they play a more visible role in the lives of many people, and the best of these councils see themselves as a portal to all local public services which helps capture and solve local issues. This explains why one of the key barriers to reorganisation is often local opposition.

But this is not the whole story, there are at least three practical considerations which make reorganisation a very difficult proposition for ministers.

The first is the timescale. The 2009 round took nearly two-and-a-half years to complete, including a substantial amount of parliamentary time and six court hearings, mostly brought by districts fighting for their survival. While the process was highly flawed, requiring the passage of an act of parliament to correct official errors, we should bear in mind that the Department for Communities and Local Government's (DCLG) capacity has been reduced significantly over the past few years. The idea that it is ready to run a rapid process of reorganisation should be approached with caution.¹⁸

The second is up-front costs. In the short term, reorganisation costs councils money. Data from the 2009 wave of new unitaries suggests that the upfront cost is an average of around £15.5m, broadly in-line with Leicestershire's estimate of £12.2m.¹⁹

¹⁷ Goodwin, D. (2011) 'An Entrepreneurial Future for Districts', in Goodwin (ed), *Delivering Distinctiveness*, NLGN, London

¹⁸ Chisholm, M & Leach, S., (2011), 'Dishonest Government: Local Government Reorganisation, England 2006–2010', *Local Government Studies*, Vol. 37, no. 1, pp 19-41

¹⁹ Graham and Leicestershire County Council, op cit

While these are cash expenditures which can be directly attributed to reorganisation, it seems likely that they underestimate the true costs for the organisation in terms of staff time and disruption. Research from the University of Cardiff estimates that the counties preparing for reorganisation between 2006 and 2008 raised their spending by £13 per head of population more than their peer authorities did. This equates to an up-front cost of between £17m-64m for each council. This money is a one-off investment for a permanent reduction in costs, and it could be borrowed by the predecessor county and paid back fairly rapidly over the first few years after reorganisation, but it nonetheless represents a substantial chunk of borrowing that could be spent elsewhere.²⁰

Finally, it has become apparent that reorganisation damages public service performance in the short term. Councils preparing for unitary status in 2006-8 saw a significant drop in scores on the comprehensive performance assessment. This is hardly surprising, as councils that are spending time focused on reorganisation have less capacity to focus on improving services.²¹ This might be an acceptable price to pay at a time when local government is well-funded, but it is harder to justify taking council eyes off the ball at a time when budget cuts require unprecedented organisational transformation.

A new or returning Secretary of State in 2015 could be forgiven for looking at such a long and difficult process of change and deciding to spend their political capital elsewhere, especially when many of the savings can be delivered without structural reform. Councils themselves seem to recognise this fact. Surveys suggest that both politicians and officers are becoming more sceptical about the potential for reorganisation in the next parliament. For instance, the proportion of chief executives who believe it will happen has dropped from 61 per cent in 2012 to just 38 per cent today.²²

²⁰ Andrews, R, and Boyne, G, (2012), 'Structural Change and Public Service Performance: The Impact of the Reorganisation Process in English Local Government', *Public Administration*, Vol. 90, no. 2, pp 297–312

²¹ Andrews, R, and Boyne, G, (2012), *ibid*

²² PwC, (2014), *The Local State We Are In*, [online] <http://www.pwc.co.uk/local-government/publications/the-local-state-we-are-in-2014/index.jhtml>

But this cannot be the end of the discussion. Counties and districts still have a pressing need to find a way to overcome their disagreements, save money together and improve outcomes for residents. If top-down unitary reorganisation is off the table, the only way forward is a radical acceleration of collaboration.

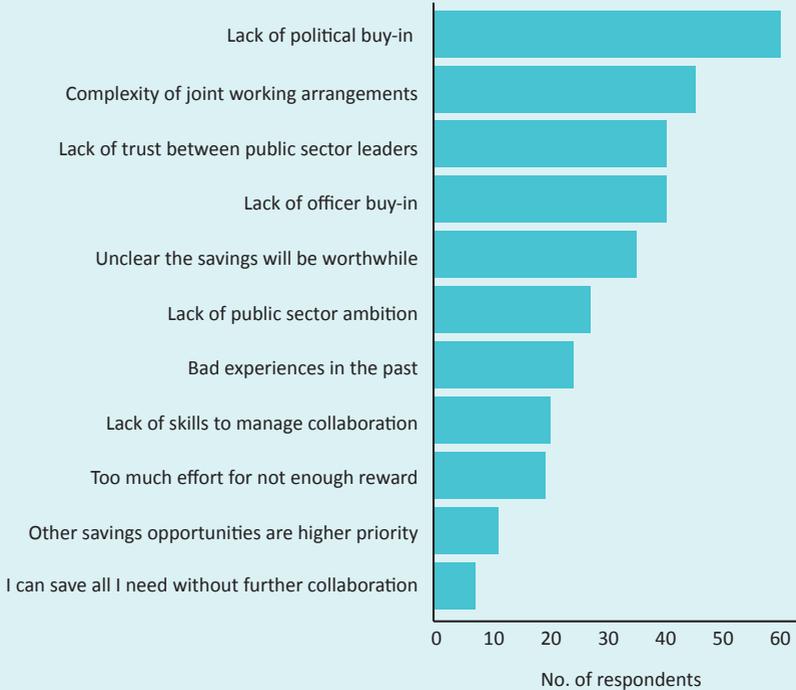
THE COLLABORATIVE OPTION

Two tier areas collaborate all the time – there are many one-off shared services arrangements between counties and districts. But more strategic forms of collaboration, such as the integration of entire services or economic strategies across whole counties, have historically proven elusive. The most significant recent attempt to drive change was the Labour government's two tier pathfinder programme, which challenged four two tier areas to make the same gains as new unitaries through collaboration. Evaluations of the pathfinder programme suggested that it took a lot of work and made slow progress.²³

Developments over the past four years suggest that austerity is succeeding where pathfinders could not. There has been a flourishing of bottom-up collaboration in some parts of the country. NLGN recently conducted research on collaboration with a two tier area including a survey of 75 officers and politicians. The results show how complex this terrain can be (Figure 3).

On the one hand, collaboration is tough. It can be hard to win buy-in from sceptical politicians and even when they can be won over, there is a real fear of complex and bureaucratic new approaches to governance and delivery. But on the other, the survey shows that around a third of those surveyed doubt that collaboration delivers savings, fewer than 1 in 10 believe they can deliver their savings without greater collaboration and very few of them have a better plan.

²³ PwC, (2010) *Form and Function: A comparative evaluation of new unitaries and two tier pathfinders* (interim report), Department for Communities and Local Government, UK

FIGURE 3 Key barriers to collaboration (n=75)

Some areas are starting to develop a deeply transformational approach to two tier working. Suffolk stands out: its unitary bid failed in 2010 and, since then, the county has prioritised a collaborative approach to change which is starting to deliver real benefits. The eight councils now work together closely to plan growth across their area, underpinned by a business rate pooling system which has helped to keep an extra £1.2m of income in the county. A shared estates strategy has delivered £12m of savings.

The county and districts have also instigated a number of service redesign projects which are beginning to improve outcomes. These include the Mildenhall Hub, a project which aims to co-locate leisure, further education, policing, health and other local government services in a single campus, and Lowestoft Rising, a

pioneering project which aims to integrate public and voluntary sector services to improve skills, redesign mental health services and build pride in the local area.

Suffolk's councils are now planning to step up the pace of change through a bid to the government's transformation challenge award which will fund shared transformation and intelligence units for the whole county, support the co-location and integration of all local services, and develop a new corps of local area coordinators to support voluntary action. Critically, the council is also planning a new approach to managing demand for social care by creating more community-based services for the vulnerable and integrating first response services such as housing, mental health and probation to ensure that people who need help get the right response and are supported to live as independently as possible. As well as improving the quality of services, Suffolk estimates the annual financial benefit of this work to be around £14m, based primarily on senior management savings and reduced building costs.

Lancashire County Council is planning to embark on a similar journey of what the council terms 'smart reorganisation', by which it means working on a voluntary basis with districts and other parts of the public sector to drive change. While the council is still working through how it will deliver this approach, chief executive Jo Turton is clear that: "There will be case-by-case opportunities to work flexibly with others to design and implement joint services by combining resources and reducing costs as a consequence of collaboration."

Cambridgeshire's councils and Peterborough City Council have also embarked on a programme designed to up the pace of collaborative change. Their public services board brings together chief officers from local government, health and the emergency services to develop plans for transforming services for vulnerable adults, to extend the troubled families programme and to support economic growth. The board emerged from a realisation that working more closely together was the only way to address the threat posed by austerity to public service outcomes.

Collaboration is not a silver bullet, but it is becoming clear that it offers two tier areas a way to seize opportunities to transform services that neither individual districts nor counties could achieve alone. In the next chapter, we consider three of these opportunities in detail.

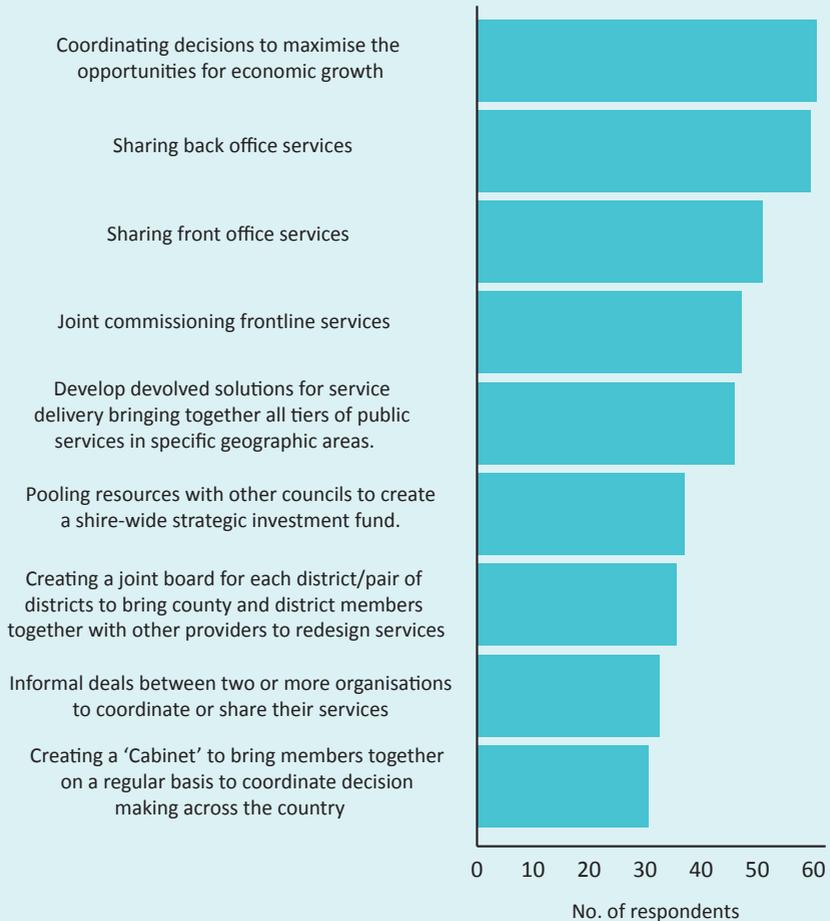
3 GRASPING THE COLLABORATIVE OPPORTUNITY

Many parts of the country recognise that the collaborative approach is the only option open to them in the short-to-medium-term. While there is certainly more efficiency to be had through shared back office services and management in some parts of the country, we have shown that these are driven primarily by district-level integration, and that this sort of integration is already happening. Rather than focusing on this sort of efficiency, two tier areas now need to turn their attention to more strategic projects which can improve outcomes and reduce long-term costs.

Our conference in London concluded by identifying three big opportunities for a collaborative approach. The three opportunities are as follows:

- **Economic growth:** where counties and districts must collaborate to align district powers over housing and planning with the strategic county role in infrastructure.
- **Service integration:** where collaboration between counties, districts and other public services can help to support the elderly and vulnerable to live independently, reducing demand for expensive social care support.
- **Digital Transformation:** there is a major opportunity for shires to work together to drive forward the digital transformation of public services, creating shared infrastructure for customer contact and self-service access. This can also help achieve the integration and wider service transformation outlined as the second key area.

These opportunities were also identified by our survey of politicians and officers in the two tier area we conducted research in last year. As can be seen in Figure 4, officers and politicians in this areas particularly identified economic growth as an area for collaboration. In addition to this, they felt that sharing back office and frontline services and joint commissioning and service integration also presented considerable collaboration opportunities.

FIGURE 4 Opportunities for future collaboration (n=75)

OPPORTUNITY 1: ECONOMIC GROWTH

Growth is an area where integrated two tier working is clearly beneficial to both districts and counties. The government's reforms to local authority finance over the past four years have changed the relationship between the tiers by granting districts the lion's share of new incentives such as business

rate retention and new homes bonus. While counties continue to have a key role in the growth agenda through their strategic infrastructure functions, their work with Local Enterprise Partnerships (LEPs) and the forthcoming devolution of transport funding, some have come to the conclusion that their role must change in a more collaborative direction.

As one county officer put it: “We have to accept that two tier working is now about finding ways of working with districts and boroughs on their terms.” Of course, it is equally the case that districts must put aside what is sometimes a very difficult set of historical relationships and recognise that they have a huge stake in maintaining the quality of libraries, roads and social care by supporting their county.

There is a growing recognition, particularly from some counties, that the only way to deliver sustainable growth is for the strategic vision for the counties and corresponding districts to be closely aligned. This means that counties and districts do not stand in each other’s way with contrasting priorities when attempting to grow the local economy. For example, and as is demonstrated by our case study of Staffordshire County Council’s District Deals, closer working can ensure that the district does not unexpectedly block planning applications. Conversely, agreed strategies and objectives make sure that county council services such as infrastructure do not prevent districts from attracting local investment.

CASE STUDY: STAFFORDSHIRE DISTRICT DEALS

Staffordshire County Council (SCC) is a commissioning authority and, as such, accepts that it is not necessarily the best placed organisation to deliver every service. As a result of this, it has recognised that in order for the county council to secure social outcomes such as healthier residents with better jobs, the authority needs to work with its district councils to ensure that these shared priorities are achieved through better partnership working. SCC believes that it has to align its strategic approach with the districts’ priorities rather than vice versa.

Over the last few years, SCC has agreed a number 'District Deals' with its districts. These first District Deals set out shared priorities for economic growth, by identifying specific projects which the county can deliver alongside and support the district or borough. The development of District Deals and their initial focus on economic development was a key component in the development of an enhanced form of partnership working with districts as equal partners, focusing on shared objectives which reflect both the county's and the district's objectives.

This means that the potential for District Deals is as extensive as either party wishes, for example the deals can cover a variety of different areas across Staffordshire such as: economic development; transport and infrastructure; culture and environment; skills and educational attainment; vulnerable communities; and procurement.

Each District Deal contains a number of economic priorities which both the district and county could agree benefit the local area. This in turn leads to specific investment and projects delivered jointly by the county and the district (examples are given at the end of this case study). Because the deals help to identify areas where both authorities can work better together, the development of the next generation of District Deals could see the areas and priorities covered expand into areas such as leisure services, community safety as well as continuing to enhance the local economic offer. In effect the deals are a mechanism for delivery which suits both the county and the district.

Importantly, the county council felt that it wasn't about the detail of each deal but the conversations that had been started between the county council and the districts. The county council had no specific agreement or target in mind when it began the District Deals, just to open conversations. This in particular may have helped the process to become a success. As there were no arguments about specifics, our interviewee reported that this increased trust between the districts and the county council.

Both councils felt that writing down the details of the agreement, was useful and increased trust. The District Deals codify in simple words the things that both councils are committed to and, to a great extent, 'take politics out' of the relationship. Critically the development of District Deals was set as part of a wider set of strategic objectives for each participant – furthering the separate but aligned aims of both the district and the county, it was and remains a deal between equals.

Newcastle-under-Lyme Borough Council felt that this was essential in being able to strike a deal with the county. Each district had a different deal with the county council and this was particularly important. It was remarked upon that SCC did not treat the districts as one entity, but understood and recognised that they each had different challenges and assets and the District Deals were tailored to meet these local dimensions.

Staffordshire County Council has had a District Deal with Newcastle-under-Lyme Borough Council since October 2012. This includes pledges such as:

- *Town Centre redevelopment and public realm improvements*
- *Investing in infrastructure and public transport*
- *Creating apprenticeship opportunities*
- *Increasing the use of joint procurement*

The District Deal process was a starting point for partnership working, based on shared priorities for specific locations. Whilst a single process of agreement cannot resolve all problems, there is a second round of District Deals being considered and the benefits of the enhanced partnership working can be felt in the improved role of the Staffordshire Strategic Partnership Board.

District Deals represented a starting point for progressing the joint working between county and district, however, its long term impact is a better partnership between county and district that enables delivery across an array of new shared policy priorities.

OPPORTUNITY 2: SERVICE INTEGRATION

Perhaps the most important of our three transformational opportunities is that of working together to radically redesign services around place, particularly for vulnerable people, older people and troubled families. This could take the form of pooling budgets and joining together to deliver a redesigned service or, as in the example we set out below, simply integrating services through greater collaboration, trust and relationships.

County councils, districts and wider stakeholders have different skill sets that they can all bring to improving services. Counties tend to hold the long-term strategic plan for a large area, whereas districts and community and voluntary organisations tend to be better placed to know the idiosyncrasies of a local area. As Lowestoft Rising demonstrates, two tier collaborative working can help to 'translate' countrywide initiatives and services to the local level.

While there are immediate savings to be made in property and management overheads, the primary motivation for integrating services has to be to focus on prevention and early intervention in order to create better outcomes for residents. This should help to handle the costs of upward pressure on demand. There are a number of considerations to note when integrating services in two tier areas:

- **Wider Integration:** In many cases, such as Lowestoft Rising, it is more beneficial to not only integrate district and county services, but also integrate with the wider community stakeholders and other public sector and business partners
- **Sovereignty:** It is important to many members that they can point to exactly who is in control of a particular service in order for accountability and risk to be properly determined. It is vital that time is taken to build trust and relationships between members and all stakeholders.
- **Time:** It is important that enough time and space is given to integrate services and allow partnerships to evolve. The key to successful collaboration is building relationships, and this cannot be enforced.

CASE STUDY: LOWESTOFT RISING

Lowestoft is a coastal town in Suffolk with an estimated population of 60,000. It faces a multitude of deep rooted social challenges. In recent years considerable resources have gone into tackling these and a wide range of individual interventions, actions, projects and support has been provided by a range of public sector agencies to the town. Whilst these have experienced some success, the town still faces significant long-term challenges.

'Lowestoft Rising' is a new approach to the delivery of public services. It developed from discussions between the major public sector partners active in Lowestoft – Suffolk County Council, Waveney District Council, Suffolk Police, the Police and Crime Commissioner's Office and Health East (the Clinical Commissioning Group for Great Yarmouth and Waveney). It is about addressing the root causes of the Lowestoft's social challenges rather than resourcing initiatives and services that only tackle the symptoms of the problems. The chief executive of Suffolk County Council has noted that:

"It is important to emphasise that this is an approach, not another initiative – it is about joining up public services, using the existing capacity, projects and initiatives, but making them more effective, to have more of an impact on the ground, to reduce demand for public services and make the money the public services spend in Lowestoft go further".

'Lowestoft Rising' is supported by a team of council staff and other community stakeholders that meet every six weeks and is driven by personal relationships. They are in the fortunate position that the leader of Suffolk County Council is a Waveney District Councillor and was Leader at Waveney up to 2011. In addition to this, the chief executive of Suffolk County Council was once interim chief of Waveney. This means they both know and understand the specific priorities of Lowestoft. However, relationships have been built up on all levels of the district and county councils. Initially, Lowestoft Rising

started by running events for the district council, county council, health services, police and other stakeholders to come together and discuss the challenges that they faced as a community.

Both councils have agreed to take a flexible approach to the governance of 'Lowestoft Rising' which focuses on establishing relationships which will support integration and collaboration. There is a Sponsoring Group (consisting of chief officers representing the five partners) which is responsible for providing the necessary leadership, strategic decision making and ensuring a corporate commitment to the ambitions of Lowestoft Rising. As noted, there is also a support team to lead on the initiative. The support team is responsible for leading the work streams agreed by the Sponsoring Group and engaging those from within partner organisations, and those external to the public sector, in the delivery of activity within Lowestoft. This group is responsible for communications and keeping up the momentum of Lowestoft Rising. There has been a deliberate attempt to limit the amount of structure put in place and to focus on getting the culture and networks right. The vision is about delivering what is right for the place rather than specifically to integrate services - that happens as a result of delivering better outcomes.

Because it has been done informally initially there has been engagement on all levels. They have deliberately stayed away from branding Lowestoft Rising externally, in order that it is not viewed as a one off project, rather Lowestoft Rising as a new way of working.

While the main motivation was not financial savings, it is expected that there will be efficiency improvements and financial savings. Better outcomes and earlier intervention should lead to less demand on services from residents. Those working within Lowestoft Rising believe that the key to their success has been not focusing on the finance. In addition to this, the energy of public sector staff in Lowestoft has made a real difference to the town. As many are also local residents, they don't just deliver services in the town, but want the town to flourish and prosper and use their local knowledge to make this happen.

EXAMPLE ONE

One of the key goals for Lowestoft Rising is to redesign drug, alcohol and mental health services. These are key issues which affect all agencies and partners in Lowestoft. Through greater collaboration (all the stakeholders sitting together to discuss specific cases) Lowestoft Rising has succeeded in reducing the number of street drinkers from thirty-five to four and the level of associated problems dramatically reduced, showing the power of proper joined up partnership working. Previously each organisation would have had their own response and treated the symptoms of the problems, while now they work collaboratively to try and tackle the root causes. While the focus of this work was to improve the lives of the street drinkers and associated problems for Lowestoft, these remarkable results have also been estimated to have made savings of nearly £58,000.

EXAMPLE TWO

Lowestoft Rising is also seeking to improve the town's disappointing levels of educational attainment. The county's 'Raising the Bar' scheme (which seeks to ensure that every child reaches their potential, is taught by a good or outstanding teacher, attends a good or outstanding school and is given the best preparation for life before and beyond school) brings the partner organisations together with the express purpose of improving educational outcomes, skills and job prospects in the town. Since work began, a huge amount has been achieved with support from the Lowestoft Rising team. In particular, Waveney District Council and other local stakeholders have been able to give specific local advice on how Raising the Bar can have a greater impact and reach out to a greater number of people. For example, a high school skills and employment event took place at a local high school, with full engagement from public sector partners and local firms, while an education summit at a knowledge hub for offshore renewables has seen a list for seven proactive recommendations agreed. Previously the initiative just wasn't working in Lowestoft. This was, in part, due to the geographical nature of the county (Lowestoft services can often feel isolated from the

organisational centre in Ipswich). However, the initiative is now owned locally and has been made 'real' and personalised for individuals and communities. A lot of that success is down to the district.

OPPORTUNITY 3: DIGITAL TRANSFORMATION

Digital transformation presents a significant opportunity for counties and districts to work together. Not only can combining data sets ease collaboration between the two tiers, but it can also greatly improve the customer journey for residents. A 2014 report found that, while 75 per cent of leaders and 61 per cent of chief executives were confident about their digital offer, only 29 per cent of the public agreed and 48 per cent stated that they would prefer more council services to be available online.²⁴ Digital services that allow citizens to seamlessly access everything provided in a local area have the potential to significantly increase citizen engagement and reduce customer contact and transaction processing costs for the organisations involved.

CASE STUDY: NORTH YORKSHIRE COUNTY COUNCIL AND SELBY DISTRICT COUNCIL - BETTER TOGETHER

In 2013 North Yorkshire County Council (NYCC) and Selby District Council (SDC) agreed that their organisations would collaborate for the benefit of both organisations and the public they service. The resulting Better Together Programme aims to bring about better customer services, provide greater resilience for communities, and open the way for financial savings in the future. The programme aims to make a positive impact and support better local outcomes for communities with a seamless delivery in front line services within a locality. The Customer and Community work stream is focusing on facilitating self-sufficient customers and resilient communities who are less reliant on public sector intervention and better placed to deliver for themselves. NYCC has made significant investment in the

²⁴ PwC, (2014), *The Local State We Are In*, [online] <http://www.pwc.co.uk/local-government/publications/the-local-state-we-are-in-2014/index.jhtml>

'stronger communities' agenda and both councils will benefit from significant returns in terms of community capacity and resilience.

The three main areas that Better Together addresses are:

- Integration and better utilisation of assets and the workforce.
- Co-investment opportunities with regard to the place shaping agenda.
- Scaling the collaboration to include other districts.

All of this is being supported by shared management arrangements – for example, the chief executive of Selby District Council is also the assistant chief executive (central services) of the County Council.

The previous delivery model sees services delivered separately to a shared customer base, using traditional channels, often from different buildings which may not be appropriate for the service in question. It is acknowledged that this is an inefficient and costly model, likely to result in failure to deliver essential services to the most vulnerable residents and can lead to duplication. This initiative aims to ensure that reducing public sector budgets are targeted in the most appropriate way to ensure effective and value for money services for all residents.

What particularly stands out in this project is the effort being made to combine the digital services of the county council and Selby District Council to realise these objectives. It has been recognised that there are opportunities for their customers to benefit from the digital economy and become empowered to self-serve and deliver outcomes for themselves and their communities. At present 70 per cent of North Yorkshire County Council's contact with residents is through a contact centre and 30 per cent is online. It is hoped that this ratio can be reversed and save the council £60m over the next 5 years. SDC's current level of online contact is 10 per cent, with an ambition for this to become the first channel of choice.

A new joint website is being redesigned so that residents have just one portal to access information and services. This website will not be branded as either the county council or the district council, as officers and members acknowledge that the average resident neither knows nor cares who provides the service and simply wants easy access to the service.

This new end-to-end services for citizens will be co-designed with customers and communities around the achievement of shared outcomes. It uses the key enabling infrastructure (CRM, website and building assets) to deliver services in collaboration with partners. The work will have five key interrelated elements, three of which will explicitly use the digital platform, these are:

1. Targeting ‘intelligent’ services to customers

Selby District Council and North Yorkshire County Council have worked together to map the customer journeys for the website. The communications teams have worked closely together (meeting monthly) and have shared customer insight work with each other. Adding the district data to the counties has been vital in understanding how to target services and market and influence what each of the councils do. New customer profiles will be established and these will be analysed alongside other business intelligence to predict future customer behaviours and develop different approaches to shape and reduce future service demand in a key service area.

2. Digital Empowerment

Building on the new CRM/website project customer self-service will be developed with supporting back office processes in key service areas. The aim is to shift the way customers engage with the councils through the development and implementation of new digital engagement platforms and to provide access using a “digital by default” model within two years. Through comprehensive marketing, communications and support the councils will assist customers to shift channels although traditional channels will still be available for certain customers and situations (e.g. vulnerable people). The new digital platforms

will mean customers can find relevant information, advice and guidance about services and request and track services. There will also be new social media platforms to put customers in contact with each other to help build community resilience.

3. Community Hubs/Networks

'Community Hubs/Networks' is the working title for a concept of community delivery which is likely to have a physical presence but could be virtual through the prevention officers/navigators (above). Provision in the hubs/networked facilities will be designed based on differing local needs identified through customer intelligence. It is possible that in the future other community and voluntary organisations will be integrated into the website and this will be particularly useful in the community hubs/networks.

4 COLLABORATIVE VISIONS

If two tier areas are going to make the most of their collaborative potential, they need to build shared visions and strong relationships to overcome the political barriers to change. The nature of two tier collaboration is that it requires a number of sovereign bodies to reach clear agreement, and this is much easier when all parties are working from a shared evidence base and can agree on the direction of travel. As part of our research, we wanted to understand where radical collaboration might eventually lead, with the aim of providing two tier areas with a jumping-off point for their own discussions.

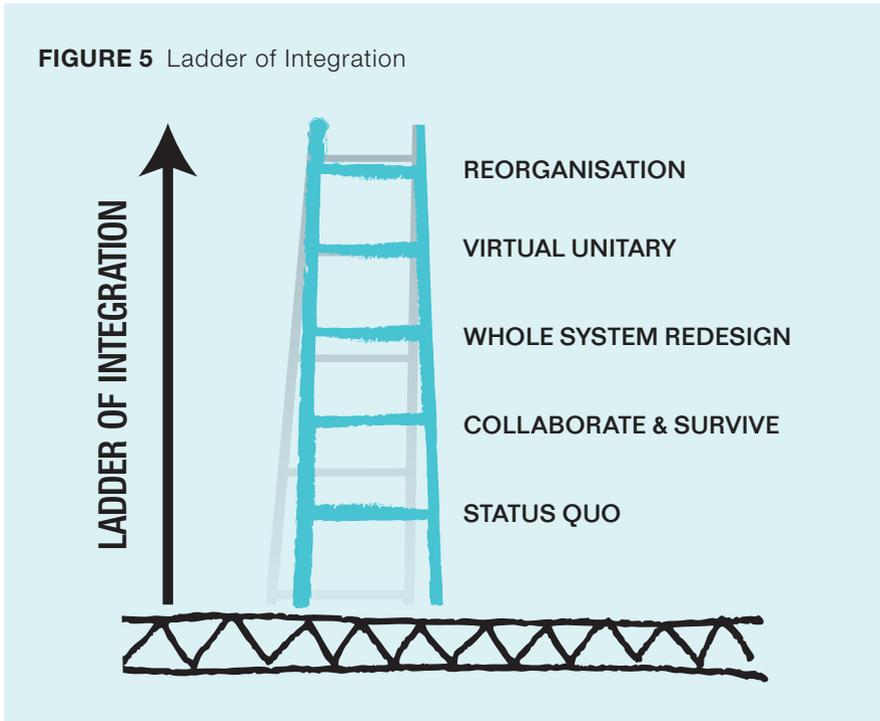
As two tier areas consider how they are going to collaborate, there are at least three broad directions in which they can travel. Below, we set out possible models of what future collaborative arrangements might look like. These were developed ahead of our conference on the future of two tier working and tested at that event, and subsequently tested further with a number of county and district officers. They were then re-written to incorporate feedback and highlight the likely real world benefits and drawbacks of each approach. They are intended to stimulate debate among shires about their potential operating models.

It is in the nature of idea types that they represent one very clear way of doing things, rather than a messy reality in which councils will combine elements of two or more different models. These models are not presented as being mutually exclusive.

- 1. Collaborate and survive:** shires work together in a piecemeal fashion to deliver just enough efficiency to survive. This model is primarily about financial savings.
- 2. Whole system redesign:** shires adopt a systems thinking approach and begin to redesign their services across boundaries on a collaborative basis, while respecting one another's sovereignty as standalone public bodies. This model will produce better outcomes and financial savings without necessarily requiring formal governance arrangements.

3. **Virtual unitary:** shires move towards a tightly integrated model where growth strategy and service commissioning are managed jointly. Sovereignty is voluntarily pooled into a formal county-wide governance structure.

Figure 5 demonstrates where each of these approaches would fit on a 'ladder of integration', where the bottom rung of the ladder denotes siloed working and further up the ladder represents greater integration.



MODEL 1: COLLABORATE AND SURVIVE

Many shire areas are likely to take the view that they will collaborate only as much as is necessary to protect their organisational integrity. This means that joint working between counties and districts is likely to be sporadic and piecemeal.

The likely result is that the two tiers will start developing in quite different directions. District councils will probably continue to focus on integrating back office and management overhead, perhaps going beyond integrating pairs of authorities and moving towards sharing legal or revenue services across whole shire areas. Counties will probably focus their efforts on back office and service integration with other large local organisations such as health trusts, blue light and universities.

In areas that adopt this approach, it seems likely that cross-tier integration will focus on growth and sporadic attempts to locally integrate services such as those for the vulnerable. There is no reason that a collaborate and survive shire could not form a joint committee as a forum to discuss economic development, although it seems likely that such a forum would take a long time to reach its decisions.

The benefit of this approach is that it does not threaten current governance structures. Because it is based on a series of coalitions of the willing, it allows every council to move at its own pace. The lack of clear and shared collaborative governance arrangements may make it easier for partners such as police and health to get involved in ad hoc arrangements for sharing and integrating services. But this lack of structure also means that collaboration will probably be piecemeal and patchy, and joint initiatives that take months to negotiate can be undone in weeks by a change of political leadership at one of the partners.

A further drawback of collaborate and survive is that it only really delivers major benefits for district councils. Counties have little financial stake in shared services between districts and little interest in one-off, ad hoc local collaborations that show no sign of being scalable across the whole area.

MODEL 2: WHOLE SYSTEM REDESIGN

Shires such as Suffolk and Cambridge are increasingly taking the view that their collaborative work needs to be driven by a whole systems redesign of services across both tiers and the wider public sector. In this model, councils still respect one another's sovereignty as independent partners, but have entered a consensual process of rethinking their services that will lead to better outcomes and may, over time, result in a different approach to governance.

In this model, shire areas will probably focus on the three big opportunities described earlier in this report. Growth could be managed through an economic prosperity board or combined authority underpinned by pooled business rates and perhaps some form of pooled investment fund created from elements of community infrastructure levy or new homes bonus. This will give every council in the county a stake in the whole area's growth.

A whole systems redesign will probably involve a lot more sharing of management and back office overhead between districts, but it would also involve working with the county to rationalise property usage and redesign services. It seems likely that areas which choose this route will have to develop the kind of shared transformation teams seen in Greater Manchester.

The key areas for change might be the development of new digital services and data sharing agreements which provide citizens with seamless access to all public services in the area. Another priority will probably be joint working at a very local level to reconfigure services such as housing, police and probation so that they can better support the elderly and the vulnerable.

This model would have to be underpinned by a heavy investment in building leadership capacity and strong capacity among the leaders and chief executives of local public services. Cultural ties, a shared commitment to the same outcomes and joint investment in transformation capacity would need to overcome organisational self-interest.

The key advantage of this approach is that it can drive substantive integration around some of the most important opportunities facing shire areas. If done well, it can also make it far simpler for citizens to access the right services quickly, with digital in particular offering an opportunity to make sure that there is no wrong door for anything the public needs. The principal downside of the model is that, while it would certainly improve outcomes, it does not necessarily deliver big savings. Indeed, there is a danger that the whole systems approach could result in a lot of talking but little action. It also has significant up-front costs in terms of capacity building and the development of digital services.

MODEL 3: VIRTUAL UNITARY

This model does not yet exist and we are not aware of any council that is attempting it. However, it seems possible that over time some two tier areas will seek to create a much more tightly integrated and governed approach to collaboration, which preserves individual districts but integrates many of their services under a single joint-commissioning structure.

The virtual unitary would require significant governance changes, probably including a federal county board of leaders supported by a similar board of chief executives. A range of specific services, such as housing, planning and waste might be jointly commissioned either by the county or, following the London Tri-borough model, by whichever authority is best at them.

District councils would have some power to tailor services to their local area, and the opportunity to slightly vary what they pay in return for a higher or lower service standard. Social care would be redesigned so that frontline services focused more on preventative work at district level.

This model would undoubtedly be very difficult to achieve in practice. It would require a high degree of member buy-in to new governance structures and the focus on leaders as a governing body for the whole shire might be seen as marginalising other councillors unless it was also supported by county-wide commissioning panels and scrutiny.

However, if this model could achieve a stable form of governance while maintaining a degree of district flexibility, it would undoubtedly provide a way to coordinate growth and service provision, saving money and improving outcomes. Unpublished modelling produced by one county suggests that such a model could save around a third of the cost of current district and borough services.

5 CONCLUSION & RECOMMENDATIONS

This report has shown that collaboration has the potential to support the viability of two tier areas by improving outcomes for citizens and reducing back office overheads. It has argued that, in the absence of a clear commitment to reorganisation from either major political party, collaborative approaches need to be a priority. And it has shown that these approaches can genuinely deliver substantial benefits in terms of outcomes and finances.

This being the case, we believe that both government ministers and the leaders of two tier areas need to take urgent action to increase radically the pace of collaborative working. Central government must introduce policy which helps to shift the default setting of the shires towards joint working. The first step is for ministers to clearly and unequivocally rule out reorganisation for at least a parliament, taking this divisive issue off the table and emphasising that collaboration is the only way forward.

But collaboration cannot be imposed from the top. Localities need to respond to policy changes by shifting their behaviour in a much more collaborative direction. This means investing in building relationships between counties and districts, and with the wider public sector. It means developing a shared evidence base and a clear set of shared outcomes. It may also mean the creation of shared transformation capacity.

Our first set of recommendations is for national policymakers:

1. Central government must make its intentions clear

The Secretary of State for Communities and Local Government should take the earliest possible opportunity to make a clear statement on reorganisation. If they wish to create new unitaries, they should set out a rapid timetable. If not, they should categorically rule out the possibility for the next parliament. This will send a clear signal to leaders and officers in two tier areas about the extent to which they should invest their efforts in collaboration. The remaining recommendations reflect

our assumption – based on their public statements to date – that ministers will choose not to reorganise.

2. Create combined authorities and integration plans

Assuming ministers do not want to reorganise, they must make it easier to overcome the political barriers to collaboration. Whichever party wins the next election should introduce a new bill which heavily encourages county areas to form combined authorities which could bring together counties and districts with others in their area to drive growth and integrate services. The new combined authorities would have a clear duty to consider the best way to improve outcomes through integration between and beyond tiers. They would have to publish a plan showing how they would achieve this and publicly report on progress. This measure would not dictate the form of collaboration in two tier areas, but it would force a debate about change without requiring structural reform. It would need to explicitly recognise the fact that some districts need to collaborate across county lines, particularly for managing economic growth.

3. Continue to target innovation funds at collaboration

Government innovation funds such as the Transformation Challenge Award have already been created to encourage shared services in two tier areas. Ministers should continue to provide a local innovation fund with a strong focus on collaboration, and the criteria for this fund should recognise the particular challenge of driving change in two tier areas. The government should consider the possibility of increasing the size of innovation funds for two tier areas by top slicing a small amount of the budget from all local agencies into a single pot to be spent on integration within that county area.

Our final recommendation is aimed at local practitioners.

4. Collaborate, regardless of whether or not unitarisation is the ultimate goal

Relying on reorganisation to balance the books is a very risky strategy for county councils. While it is true that ministers may change their minds in 2015 when they realise the full scale of the local financial challenge, it is at least as likely that they will not. In these circumstances, the pressing need to protect public service outcomes

from the pressure of cuts dictates that counties and districts should also pursue the collaborative option.

Our case studies suggest that the following approaches are critical for delivering collaborative solutions:

i. Focus on outcomes

It is important that districts, counties and their public service partners work together to develop a shared evidence base and pursue a shared vision for their area. Focusing on outcomes, rather than individual projects, ensures that both councils pursue a common approach to collaboration. In addition to this, while financial savings are important for both district and county councils, focusing solely on financial incentives can lead to mistrust between authorities. Shared and agreed outcomes give a common purpose to both authorities.

ii. Scale up Collaboration

Collaboration can only flourish if authorities spend time developing trusting relationships between officers and members of district and county councils. We recommend that in order to achieve this, (even if a 'virtual unitary' is the ultimate goal), collaboration is started on a small service-by-service basis and scaled up. A small group of officers and members successfully working together will demonstrate 'the possible' to colleagues. Collaboration will become something that is desirable, as opposed to enforced.

iii. Focus on Relationships not Structure

Following on from the previous points, we recommend that local authorities focus their energy on building relationships and agreeing common goals and outcome. While some degree of structure is clearly needed, it is important that work on collaboration is not stunted by technocratic discussions about structure. In all three of our case studies, structural change was limited and the focus was on building trusting relationships in order to achieve common goals.

METHODOLOGY

Our findings are based in part on a one-day conference NLGN and PwC held in July 2014 to examine the future of two tier working. This brought together around 30 senior officers and politicians from across the country to explore the potential of collaboration. The day allowed us to understand the financial and service challenges faced by shires, and to test and develop our scenarios for future collaboration.

In addition, the work has drawn on a literature review, a series of essays commissioned from county and district officers on the future of shire working, case studies, numerous conversations with senior officers and NLGN's experience of supporting collaboration initiatives in several two tier areas. Where relevant, we include anonymised findings from a piece of work we conducted in 2013 with a county and districts to explore the future of collaboration for their place.



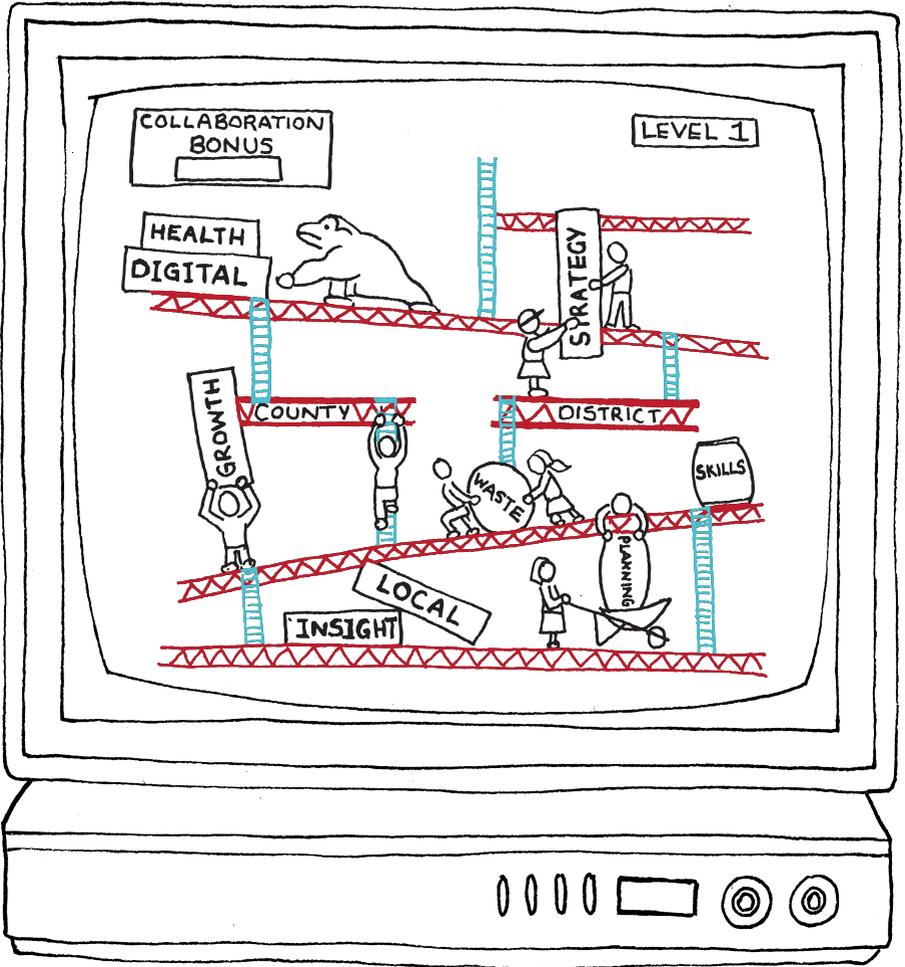
Prolonged austerity is leading to a fundamental redefining of the purpose of local government. Councils have a pivotal role to play as place leaders, collaborating with partners to achieve shared outcomes for their communities. What steps can councils take to transform innovative ideas into operational realities? How will digital technologies and data analytics reshape the relationship between councils and citizens?

At PwC we work with our clients to help deliver the outcomes they value. We focus on three things for government and the public sector: assurance, tax and advisory services. Working together with our clients across local government, health, education, transport, home affairs, defence and international development, we look for practical, workable solutions that make a difference in solving the pressing challenges that are being faced every day.

To find out more, see www.pwc.co.uk/localgovernment or contact Chris Buttress, lead local government partner on chris.buttress@uk.pwc.com / +44 (0)7730 733 779.

As well as bringing our insight and expertise to this sector, we contribute our thinking and experience to the public policy debate through our Public Sector Research Centre. Go to www.psrc.pwc.com and register for our latest research and analysis from across the globe.





The debate about local government reorganisation has reached an impasse. The political parties seem unwilling to impose change. So what next for two tier areas? This report seeks a way forward. It argues that collaboration between counties, districts and other public services is the only realistic way forward. Drawing on leading examples of joint working, it shows how this approach can improve outcomes and reduce costs. The report concludes with recommendations to local and central government for radically increasing the pace of change on two tier integration.

Supported by:



DG3 to insert
MS3 LPBW Logo

ISBN: 978-1-909781-05-4