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Our Ref: JT/AR/VB

15 January 2010

Dear Sir/Madam

### **Local Government Review: Devon**

I write in response to the Boundary Committee's advice to the Secretary of State on unitary local government in Devon published on 7 December 2009. This letter represents the unanimous and cross party views of the Council.

The Council strongly objects to the Boundary Committee's recommendation for a Unitary Devon authority and I am urging the Secretary of State to conclude that the appropriate response to the report is to take no action. The scale of a Unitary Devon would result in the creation of a large authority, both in population terms and geographically, which conflicts with current Government policy to bring local government closer to the people it serves. The Council's view has been shaped by an extensive public engagement process during the various consultation periods requested by the Boundary Committee, and reflects the views of the vast majority of the public and local stakeholders. I am concerned that the views expressed by a significant majority of people do not appear to have been taken into account as the Boundary Committee is persisting with advocating a unitary solution for the whole of Devon, which most respondents have already rejected.

As an initial part of the process the Boundary Committee invited the submission of concepts. Only the County Council and Torridge District Council proposed a single Devon unitary as a concept. During the first consultation process, Torridge District Council subsequently indicated its concerns about the Unitary Devon proposal. Devon County Council are no longer supporting a change to local government. Effective change requires a committed champion. This is recognised by the Boundary Committee in relation to concerns about the future success of a Unitary Rural Devon option in the absence of an active champion.

When assessing the Boundary Committee's recommendation against the five criteria established by the Secretary of State, the Council believes that the proposal fails sufficiently to meet the criteria to justify the scale of strategic risk and disruption which would result from the proposed change.

In terms of attracting a broad cross section of support, the Council believes that there is very limited support for the proposal in South Hams. This appears to be a view held in many other areas of Devon. The majority view of local people is that local government in Devon is not broken and does not need fixing. The report's appendix states that 61% of responses favoured retaining the current two tier structure, whereas only 14% favoured a Unitary Devon. A general overview of the Boundary Committee's website suggests that over 90% of the general public in Devon have suggested that they do not want a Unitary County and approximately 80% of Town and Parish Councils have expressed a similar view. It is disappointing that despite the early pledge that local views would be taken into account, the Boundary Committee has published a proposal that does not reflect the view of key stakeholders across Devon. Indeed, the final report provides an analysis of the responses received during the two rounds of consultation. Whilst acknowledging that a greater proportion of all respondents prefer the retention of the status quo, the report's statistical evaluations focus predominantly on those responses that support some form of unitary structure. In some cases these responses are based on very small numbers of replies, eg, Charts 7, 8, 9 and 10 where the analysis is based on sample sizes of only 111, 57, 110 and 44 responses respectively.

It is interesting to note that in paragraph 5.15 of the report, which assesses a two unitary pattern for Devon, that "it was particularly significant to us that a number of parishes that would be inside the boundaries of the Exeter and Exmouth unitary authority opposed this proposal". Based on paragraph 5.19 and the Committee's conclusions, it is clear that the strong local view influenced the Boundary Committee's rejection of this pattern of local government. Unfortunately this commendable local responsiveness appears to be applied inconsistently, because similarly strong objections from the majority of parishes across Devon to the unitary Devon proposal were not given a comparable weight by the Committee.

It should also be remembered that when the first consultation was launched the Boundary Committee insisted that respondents should only concern themselves with the unitary alternative that they would prefer to see. It was not until well on in to the consultation that the Department of Communities and Local Government confirmed that the public were entitled to express a preference for the status quo, if that was their view. By the time this clarification was issued many parishes and other respondents had already lodged their views on the basis of incorrect advice and therefore the level of support for the status quo may be under estimated by the Committee.

With regard to strategic leadership, the Council's view is that a new unitary needs to be large enough to have strategic influence but small enough to connect with local people. The proposal for a Unitary Devon would create an authority which is so large that, rather than improving strategic outcomes for the people of Devon, it will result in a democratic deficit, and create diseconomies of scale as the distance between the centre of the organisation and front line delivery increases. A single Devon council will not be sufficiently sensitive to the separate and distinct economies within Devon or respond to locality issues. Proposals for Spatial Boards, quasi-judicial sub-boards and Community Boards are examples of how the scale of a Unitary Devon option requires a series of additional structures to secure a connection back to local communities from a remote centre.

There is no evidence in the Boundary Committee's report that a Unitary Devon would more effectively achieve strategic leadership and respond to the challenges in our area than any of the unitary concepts initially submitted at the request of the Boundary Committee. Indeed all locally promoted options have been dismissed without any robust examination in any of the Committee's various reports.

Community engagement is a key issue for the Government. The unitary proposal would damage existing levels of local representation and reduce the ability of local people to influence events in their area. The further communities are away from the local authority centre delivering their services and collecting their Council Tax, the more disconnected people feel. Not only would a large Devon Unitary be inaccessible by virtue of its remoteness, large organisations are inaccessible because they have complex organisational structures which makes it difficult for local people to find out who is responsible for what and who makes the decisions.

A major objection to the Boundary Committee's proposals for our area is the democratic deficit. Currently South Hams residents have one councillor for every 2,000 people at district level, supported by eight county councillors. The County Council area of 2,500 square miles is larger than Greater London, Kent and Surrey combined. Assuming 100 members are proposed for Unitary Devon with a population of approximately 750,000, it would result in one councillor per 7,500 of population. This would result in the people of Devon having the worst level of local representation in the country. The scale of the workload for a councillor in a large sparsely populated unitary area, engaged in the range of issues affecting a unitary authority, while also undertaking the time consuming but essential local representative role, would result in the need for full time professional councillors. This would undermine the diversity and range of individuals able to become councillors and result in a failure to achieve a representative cross section of the community. If Devon's representation was comparable to the new Cornwall Unitary Council (123 seats), it would need to comprise of around 175 Members. There must be doubts that a council of this size could operate effectively.

The delay caused by the Boundary Committee's failings may encourage the Secretary of State to make short term expedient decisions, for example in relation to a rapid review of electoral representation to enable the establishment of the new pattern of local government by April 2011. As an example, establishing two members for each existing County ward will not be in the long term interests of democratic accountability and local engagement.

The Boundary Committee has relied on theoretical community governance arrangements to address the concern about how local people can influence the delivery of local services in such a large unitary authority. The suggestions referred to in the report are not binding on any new authority which is established and I am not aware of any examples of successful implementation of Community Boards elsewhere in the country. The Council is surprised that the final report states that the Committee is encouraged that the Community Board model is being piloted in Devon (paragraphs 4.33 and 4.35). Our experience is that progress of the pilots has been very limited across the County and they have not achieved anywhere near the aspirations set for them through the review process. Indeed the Council concludes that the Community Boards will create another tier of local government without any clear benefit. The Boards will also exclude the involvement of the majority of rural parishes within the hinterland of the town that the Community Board is based on. At a time of financial constraint, discretionary arrangements such as Community Boards may never be implemented by a new authority.

In terms of value for money, there is no clear evidence that the larger the authority, then the more efficient it is, particularly local government organisations of the scale proposed. Indeed beyond a certain size, which varies according to the service being delivered, it has been shown that the opposite occurs and the organisation becomes less efficient. There has been little focus by the Boundary Committee on this particular criterion in the various reports. Clearly value for money is not the same as affordability and there will be a cost to

effective democratic representation in the recommendation which does not appear to have been taken into account.

Affordability is a key concern for stakeholders and the Council supports the drive to reduce costs. However there has not been financial comparisons of the savings which could be achieved from alternative patterns of local government based on other concepts submitted, or indeed more rigorous shared service delivery under the current system. While cost is important, an equal criterion for the review is community engagement and local accountability. The Council's view is that the Boundary Committee's conclusion should not simply be based on creating the superficially easiest, expedient and cheapest solution.

The financial model used to underpin the recommendation to the Secretary of State is based on a number of general estimates. High level assumptions have been made about future service delivery, service access arrangements and the size of the workforce. Rural sparsity could increase costs if a strongly centralised pattern of service delivery is established rather than a local delivery approach as currently provided. There are huge risks around the estimates, for example the Boundary Committee suggest that major changes to replace or harmonise IT systems for Unitary Devon will only cost £2.5 million. Our experience of large scale IT projects suggests that this is very optimistic.

Headline financial information may initially appear attractive but the financial information used by the Boundary Committee is based on historic assumptions, such as population figures from 2001, which significantly underestimates the population across Devon by nearly 50,000. The Committee used outdated financial information, for example financial estimates which were formulated in late 2006 to inform the 2007/2008 budget estimates. They are out of date figures and not relevant to service demands that we now are confronting in a sustained recession, especially when our income, other revenue streams and reserves are much reduced.

The modelling undertaken assumed that some of the aggregated reserves and the disposal of assets would be used to offset some of the costs of transition. In the intervening two years both the level of reserves and the value of many assets has reduced considerably. It was also envisaged that in-year revenue savings over and above other annual efficiencies (eg, Gershon) would also be used to offset costs of transition.

Costs of transition to a single Devon unitary council based on the 2007 data were originally assessed to be £74.3 million to achieve savings estimated to be £96.8 million after 3.5 years. These assessments assumed that financial arrangements for local government in Devon would remain as they were in 2007. The savings forecast, if achieved, represents only 1.2% of the current aggregate annual expenditure on local government in Devon, in other words a significant risk for relatively little projected benefit.

Costs of transition in Cornwall are now widely reported to have at least trebled to £60 million. There is no sign that the new council is beginning to recover any efficiency savings from the change as it faces a very significant first year budget deficit. A Budget Monitoring Report considered by Cornwall Council's Cabinet on 11 November 2009 noted "the projected full year variations from the budget were unprecedented but this was undoubtedly influenced by the transition".

Of perhaps most importance is that the modelling outcome is not binding on any successor authority and is not intended to be the basis of a budget for the new council. No stakeholder can therefore rely on the Boundary Committee's conclusions on affordability or value for money.

The Secretary of State must seek an update to the financial model and risk assessment before any final determination on the structure of local government in Devon. The Boundary Committee's report states (paragraph 4.5) "We are satisfied, on the basis of the financial data provided to us by local authority finance officers, our Independent Financial Consultants' conclusions on them (which we accept) ..., that a move from the current two tier structure to a single unitary authority for the area will be *reasonably likely* to generate savings". The Independent Financial Consultants acknowledge the changing economic circumstances in their report and also recommend that the Secretary of State seeks assurances about the financial position of local authorities before making a final decision on implementation. It is also important to note that the Boundary Committee received the further report from the Independent Financial Consultants in June 2009, however this key report was not made public until 7 December 2009.

Given the significance of the decision that depends on this advice, both in sustaining high quality public service delivery and the process of democracy itself, the public would rightfully expect to see greater confidence in the change achieving these savings. Entering a period of austerity with severe limitations on public expenditure, confidence in this outcome is vital. The people of Devon are therefore being asked to take a massive leap of faith that the new structure will be more effective.

I hope that this letter has persuaded the Secretary of State not to implement the Boundary Committee's recommendation. However, my Council also objects to any two unitary option (such as a unitary Exeter/Exmouth and a unitary rural "rump" authority). While Exeter City Council has promoted their original proposal, there has not been a promoter for either of the Boundary Committee's two unitary options, including the Boundary Committee itself!

Any form of large scale Rural Devon unitary created as a consequence of establishing an Exeter based unitary would result in many similar concerns to those outlined in this letter in relation to a unitary "whole" Devon option. Such an authority would serve a population of approximately 550,000 people across a large rural area with a dispersed population. Of particular concern is the affordability of a pattern of local government which results in some form of Exeter unitary and the significant level of risk is clearly set out by the Boundary Committee's Independent Financial Consultants.

Shared services would deliver savings without compromising local democracy or risking the upheaval which will occur from setting up a unitary pattern of local government. The existing pattern of local government relies on local councillors who are committed to their local area and replaces them with a more expensive system of representatives from organisations to sit on Spatial and Community Boards. There is no evidence that previous reorganisations to create unitary councils have resulted in the predicted savings having been achieved. Experience of other large scale reorganisations has shown that actual costs are much greater than anticipated.

Assumptions within the financial model indicate that the County Council would be a continuing authority with the district councils abolished. The establishment of a new unitary should be an opportunity to create a new culture with a comprehensively reviewed supporting structure and budget to set and achieve the new organisation's priorities. Without a significant cultural shift, which is a real risk in a continuing authority, there is a fear that savings will only come from 'district' rather than 'county' services where we believe that further considerable savings would be made under 'Shared Services'.

There is an enthusiastic commitment to 'Integrated Devon' by all councils across Devon and much had been achieved to improve services and reduce costs. Recent examples of

integrated two tier working include civil parking enforcement and concessionary fares. Much more was planned but has been held in abeyance in the last few months due to the boundary review process. Devon County, South Hams, Teignbridge and West Devon Councils all have good reputations and could build on existing high performance and customer satisfaction through a variety of cluster arrangements. The integrated arrangements already implemented are working and if they were to continue, there would be a huge saving in transition costs and inevitable disruption which would arise from the Boundary Committee proposals.

Despite the ongoing uncertainty, South Hams District Council and West Devon Borough Council have established a shared management team to reinvigorate and accelerate the shared services agenda between the two authorities. Following the appointment of the shared Chief Executive, a range of joint services, including building control, revenue & benefits, corporate improvement/policy, human resources, procurement, tourism and environmental health have been put in place and a joint strategic planning & economy service and housing & community development service is being set up. The 'pilot' work being achieved in the south of the county would be easy to replicate in the east and north to secure quick, non disruptive, low risk wins.

The Council is not only concerned about the Boundary Committee's proposal but also about the process to date. Effective public consultation has been prejudiced for a number of reasons. Confusion has been caused about whether there is the opportunity for consultees to comment on other more appropriate patterns of local government in Devon, including any of the concepts previously submitted, or indeed the retention of the status quo.

The DCLG's intervention on 13 August 2008 suggested that the retention of the status quo should be part of the assessment, if representations are received promoting the retention of the existing pattern of local government. The Boundary Committee acknowledge the scale of support for the current system of local government in Devon but has not conducted a comparison between the relative merits of the existing structure and the Committee's proposals.

The Boundary Committee's publication in March 2009 of almost identical proposals to those published in July 2008 undermined continuing local interest in the process and appeared to ignore the initial views expressed. Publication of the Boundary Committee's recommendation on 7 December 2009, with only a 6 week period to make representations to the Secretary of State until 19 January 2010, has further undermined the opportunity for local engagement, with 2 weeks of this period "lost" because of Christmas and New Year. The Government's Cabinet Code of Practice suggests there should be 12 weeks for consultation. It is hoped that the possible lack of response to the new consultation round is not perceived by the Secretary of State as support for the Boundary Committee's proposal.

In summary, the Council has no confidence in the Boundary Committee's recommendation. High quality services and good overall performance by many Devon councils is in jeopardy for the sake of theoretical benefits and savings that are unlikely to be realised and are not locally supported. In the same week of publication of the Boundary Committee's recommendation, the latest Comprehensive Area Assessment results were published by the independent Audit Commission. Overall the Devon area has received a favourable assessment with two green flags for domestic violence services and the response to climate change and no red flags for poor services. South Hams District Council was praised not only for delivering high quality services at low cost but also for doing well on the issues which local people think are important. It seems ludicrous that this sustained high quality

performance might be at risk for reasons of questionable justification and dubious service benefits. Indeed a local paper (the Herald Express) "Opinion" column on 9 December 2009, in its comments about the CAA outcomes in two tier Devon compared to unitary Torbay, states:

*"It .... raises the question why we need more change in Devon with the Boundary Commission promoting one single authority for the County when the system is already apparently working so well".*

Furthermore, South Hams District Council performed better than the County Council in the recent Place Survey about satisfaction. Our Council believes that this is evidence that the more remote the authority, the lower the level of customer satisfaction.

In the absence of a clear case for either a Unitary Devon or a two unitary pattern of local government and the Boundary Committee's reluctance to consider the Rural South Devon and Dartmoor option, promoted by South Hams and West Devon Councils, then **this Council would strongly recommend retention of the status quo**. This involves the authorities in Devon at all three tiers working together to improve services and reduce costs under the 'Integrated Devon' banner. Considerable progress had been made and costs would have continued to be reduced without undermining local democracy and without recourse to disruptive reorganisation.

The Council hopes that the matters raised in this letter will be given careful consideration by the Secretary of State. Furthermore, the Council requests on-going discussion with the appropriate Minister prior to any decision being made to explore the Council's concerns relating to both the Boundary Committee's recommendation, the process followed and, more positively, to discuss more appropriate ways of improving services and reducing the cost of local government in Devon. We would also be pleased to highlight lessons from our experience of Shared Services, which could be shared with authorities across the country.

I would be grateful if you could acknowledge this letter has been received within the deadline for making representations. The Secretary of State is also urged to make all representations received available to the public.

Yours faithfully

Councillor John Tucker  
Leader of the Council