

## Leicestershire County Council

Strategic Financial Case for a Unitary Council

February 2014



Building a better  
working world

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# Executive Summary

## Introduction

In 2012, the LGA published a report investigating the future of local government funding, and highlighted “a likely funding gap of £16.5 billion a year by 2019/20, or a 29 per cent shortfall between revenue and spending pressures”.

This report explores the strategic financial case for establishing a Unitary Council for the County of Leicestershire. It has been developed to assess the potential for a Unitary Council to mitigate the significant financial challenges facing the current County and the District Councils, through tackling the inefficiencies inherent within the current two-tier local government model. This analysis tests the ability of a single Unitary Council to:

1. Deliver better value for money;
2. Provide greater value to Leicestershire’s Council tax payers;
3. Create stronger locality focus; and
4. Make a greater strategic impact.

## Better Value for Money

A single Unitary Council presents the opportunity to reduce the cost of maintaining 8 independent government organisations, each with their own management teams, infrastructure and bureaucracy, and to direct more funding into frontline services.

- The analysis suggests that this opportunity equates to a **saving of up to £31.4m per annum**, comprising:
  - £4.8m in senior management post reductions;
  - £1.3m in having fewer Members;
  - £1.3m in reduced election costs (once every 4 years);
  - £11m in back-office and property cost reduction;
  - £9.7m in middle management post reductions; and
  - £3.3m through integrating and redesigning services.
- The £3.3m service efficiencies are based on taking a whole systems approach to service redesign without artificial boundaries of two-tier government impeding innovation. The areas considered include: Waste; Culture, Leisure and Heritage; Regulatory; Planning and Development; Local Taxation and Benefits (excluding Housing Benefits); and Highways and Street Cleaning. On a baseline spend of £195.5m, the analysis has estimated potential efficiency opportunities equating to £3.3m (1.69%).

- A Unitary Council merger would generate a Net Present Value **saving of nearly £90m over 5 years**, which can be used to protect frontline services for Leicestershire residents.
- The cost of implementing the required changes is estimated to be **£12.8m**. With a forecast payback period of just over 1 year.
- The savings that have been generated from other Unitary authorities are illustrated in the table below:

Unitary	Savings Achieved
Shropshire	£20m pa
Durham	£22m in the first year, and £130m over the next three years
Cornwall	£25m pa
Wiltshire	£14m pa
Northumberland	£85m over three years

The analysis includes an appraisal of both a single-unitary council model, and a two-unitary council model. The second model would require not only the merger of district councils, but would also incur further disruption by splitting the current County Council's functions in two (e.g., children social care services, education, adult social care services, highways services). A two-unitary council model is less cost effective as management costs are increased as current County Council service management costs are duplicated, and district council services management savings are reduced. The financial impact of two unitary authorities over a single authority has been assessed at diminishing any potential savings by 39% (£12.2m).

## Greater Value to the Council Tax Payer

A single Unitary Council also provides the opportunity to share the reduced cost with tax payers, by harmonising Council Tax charges at the lowest level, Leicestershire households could benefit from a £7.7m share of the £31.4m that could potentially be achieved from implementing a Unitary Council.

Across the County, the current average Band D Council Tax charge for the County and District Council components would reduce by 3.1% (equating to just over £37 per annum). Of the 280,000 properties in Leicestershire, over 230,000 would see their Council Tax bill reduce by between 0.6% (in Charnwood) and 8.4% (in Oadby and Wigston). Residents in Hinckley and Bosworth would see no change, as they currently have the lowest Council Tax charge.

## Stronger Locality Focus

A single Unitary Council presents the opportunity to improve operational service provision and engagement at a local level, rather than thinking 'district' or 'county'. This is achieved through the:

- Elimination of municipal boundaries;
- Simplification of the delivery landscape; and

- Creation of greater local democratic accountability. Other Unitary Councils have adopted the following approaches to increasing the locality focus:

Unitary	Approach taken
Shropshire	Established 28 local joint committees
Durham	Established 14 area action partnerships
Northumberland	Adopted a combination of Councillor led area committees and community forums

Furthermore, the creation of the Unitary Council reflects the views of the community as expressed in the recent budget consultation, “Leicestershire’s Future”. The results of the consultation indicated that of the respondents:

- 70% of people wanted to reduce the number of public sector bodies in Leicestershire;
- 92% saw that working with partners is important;
- 71% agreed that there should be fewer council properties;
- 510 respondents commented that the number of councillors should be reduced;
- 338 respondents commented that either becoming a Unitary Council or shared services should be a priority.

## Greater Strategic Impact

A single Unitary Council provides the opportunity to design solutions to tackle complex outcomes more effectively through the reduction of the number of individual organisations that need to be involved in discussions, planning and delivery.

As a Unitary Council the ability to work cohesively across the Leicestershire economic area is strengthened through the removal of the arbitrary division between District and County responsibilities, and the artificial district boundaries. For example, it would provide the opportunity to create:

- A single planning authority;
- A single, integrated housing strategy; and
- Strategic planning for the area as a whole.

## Conclusions

In summary, a single Unitary Council model would provide the opportunity for efficiency and cost reduction, whilst also protecting the frontline services to the people of Leicestershire. It also creates an environment within which it is easier to prioritise collective local government resources and deliver better outcomes through:

- The simplification of delivery;
- The removal of boundaries and organisation silos;
- Greater integration across services; and
- Services which are more readily deployed and based within the locality.

There are a number of potential liabilities and risks that have been identified within this analysis. These would need to be evaluated in more detail if the case for a Unitary Council were progressed to a further stage including: employee pay harmonisation; service level standardisation; and designing an effective democratic structure.

# Section 1 Introduction and Background

## 1.1 Purpose of the Report

This report explores the strategic case for establishing a Unitary Council for the County of Leicestershire. The Unitary Council would replace the County Council and the 7 District Councils of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Melton, North West Leicestershire, and Oadby & Wigston.

The strategic case has been developed to assess the potential for a Unitary Council to provide the opportunity to address the significant financial challenges facing both the County and the Districts.

The strategic case has been prepared using only publicly available data, and using published analysis. The analysis does not take into account the level of efficiencies that the councils may have already planned within individual services. If the case is to be developed further then the assumptions need to be tested and validated in consultation with the County and District Councils.

## 1.2 Area Overview

Leicestershire has a population of 641,000 residents, excluding the City of Leicester. The county has a County Council and 7 District Councils. The County Council is responsible for Leicestershire's large universal services, such as maintaining highways, passenger transport, disposing of the county's waste, education, libraries and museums. It is also responsible for targeted services to vulnerable adults and children, through social care services in partnership with a range of other local public service agencies and local communities. The District Councils are responsible for administering local taxation and benefits, providing leisure and housing services and collecting domestic waste. Due to the different reach and role of District and County Councils, there is a significant variance in their size.



Council	Members	Population	FY13/14 service expenditure <sup>1</sup>
Leicestershire County	55	641,600	£681.56m
Blaby District	43	93,500	£11.87m
Charnwood Borough	54	163,300	£19.86m
Harborough District	37	82,700	£11.75m
Hinckley & Bosworth District	34	104,400	£13.28m
Melton District	29	48,700	£7.92m
North West Leicestershire District	38	90,500	£11.52m
Oadby & Wigston District	26	58,500	£7.05m
<b>Totals</b>	<b>316</b>	<b>641,600</b>	<b>£764.80m</b>

<sup>1</sup> CLG, Revenue Account Budget FY13/14 (<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-authority-revenue-expenditure-and-financing>)

## 1.3 Local Government Funding Projections

In 2012, the LGA published a report investigating the future of local government funding, and highlighted “a likely funding gap of £16.5 billion a year by 2019/20, or a 29 per cent shortfall between revenue and spending pressures”. The analysis below illustrates how these pressures impact on Leicestershire, both for the County and the District Councils, based on available published data.

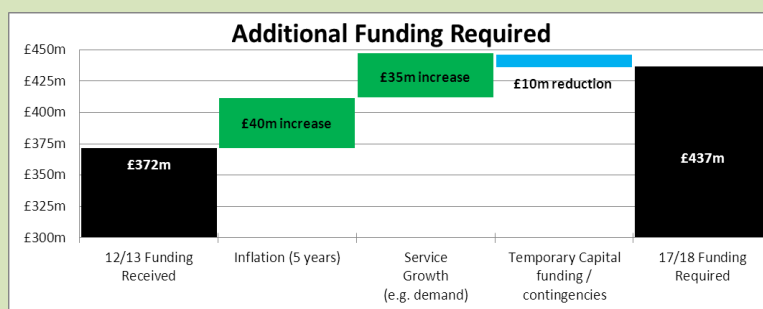
### 1.3.1 Funding Projections for the County Council

The County Council forecasts the need to save £110 million over the current and next four years:

#### Funding required

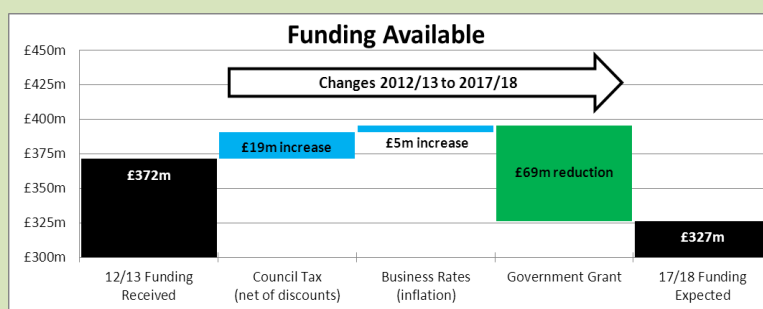
In 2012/13 Leicestershire County Council received £372m from its main sources of funding.

To maintain services currently provided to our residents, at existing levels, it is estimated that funding needs to increase over the next 5 years by £65 million to £437 million.

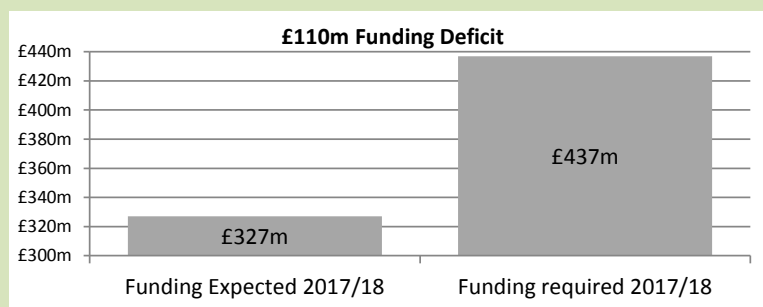


#### Funding expected

However, because of the reduction in funding available, Leicestershire County Council will only expect to have £327 million available.



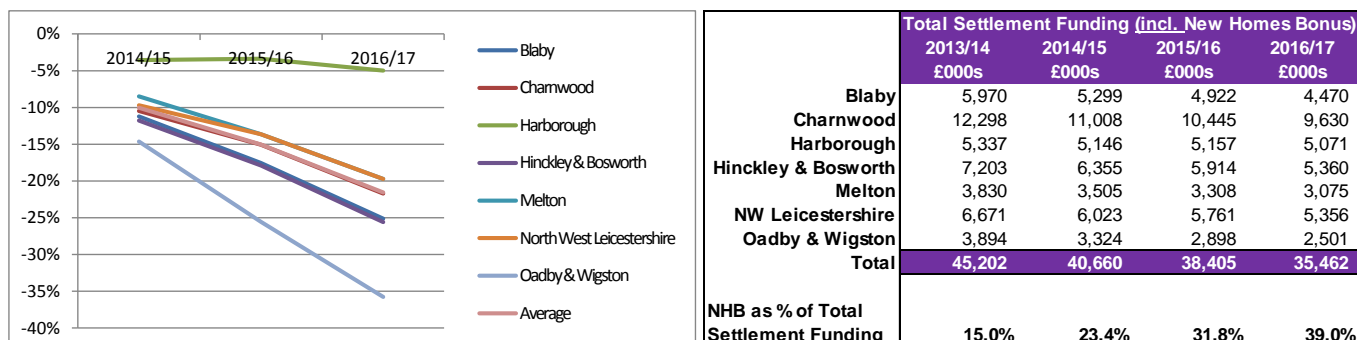
**This leaves a £110 million gap** which Leicestershire County Council will have to meet by reducing expenditure or increasing income



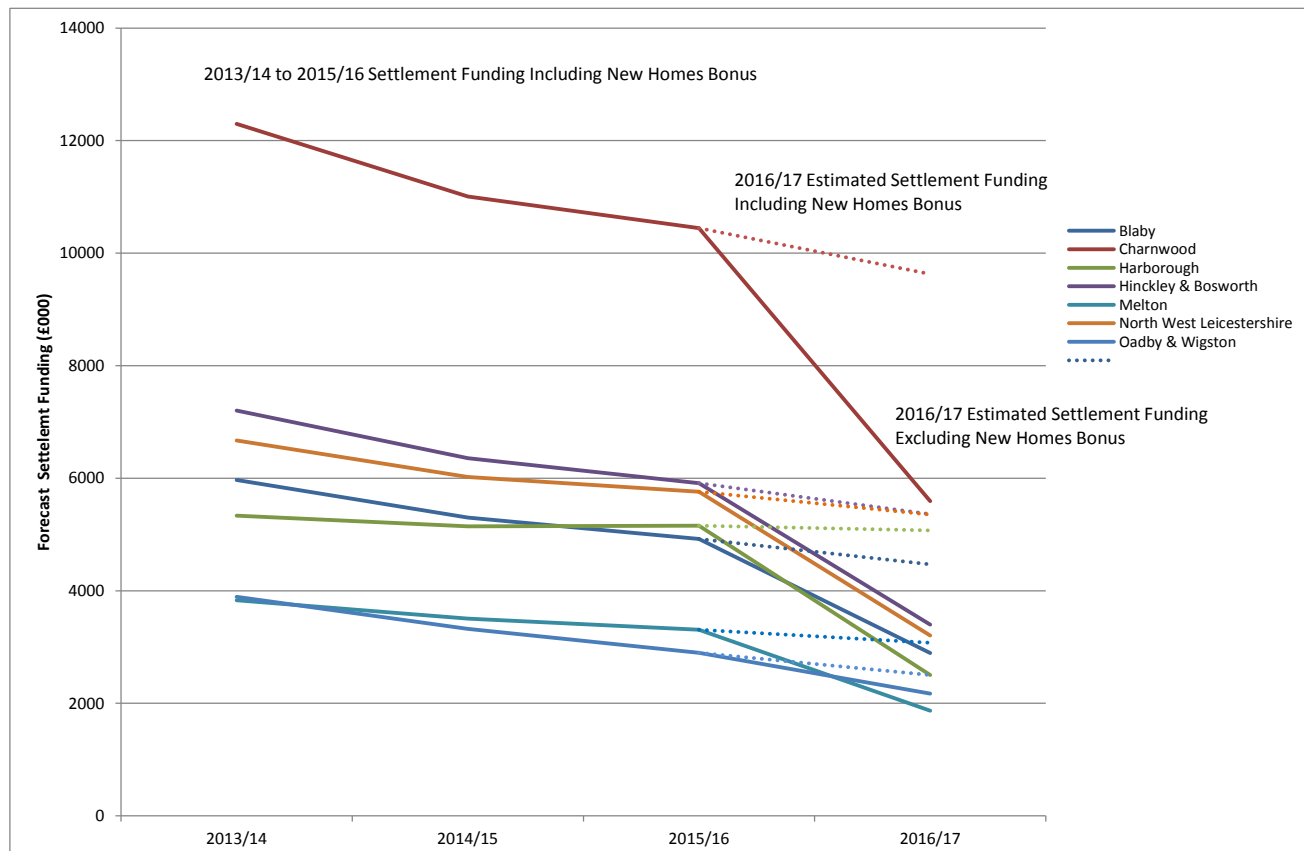


### 1.3.2 Funding Projections for the District Councils

Based on published data available from DCLG the following funding projections illustrate the level of financial pressure that the District Councils will face over the next four years. The table below shows the change in the settlement funding assessment (SFA) that is anticipated for the District Councils. The funding for 13/14, 14/15 and 15/16 is based on published data, and 16/17 view is based on the average funding reduction across the Districts from the previous three years.



The New Homes Bonus (NHB) forms a significant percentage of the settlement funding. Therefore, if the NHB were removed or reduced from 2016/17, District Council income would be significantly affected; as illustrated in the graph below. It is understood that the future of the NHB is not assured, and will be subject to review later this year. Furthermore, it is anticipated that if it continued, it is likely to be reviewed following the next election. With this in mind, it would be prudent to model the potential impact of this income being lost, as follows:



These projections do not take into account other factors such as inflation, and the growing demand. These are additional pressures that will exacerbate the financial challenge, and the LGA forecast that these pressures will continue to escalate, with increasing reliance on Districts using reserves to mitigate the funding reductions. The LGA assert that “District councils are approaching the limit of how much can be saved without impacting on frontline services”. This strategic case explores whether the creation of a Unitary Leicestershire Council would be in a better position to counter current and future financial pressures, through tackling the inefficiencies inherent within the current two-tier local government model.

## 1.4 Exploring the Potential of a Unitary Council

A Unitary Council consolidates County and District Council functions into a new single Authority. The concept of the Unitary has a long history. In 1997, for example, the City of Leicester, along with the County of Rutland became unitary councils. More recently, in 2009, a further round of local government reorganisation saw the creation of numerous Unitary Authorities to replace two-tier local government in Cornwall, Northumberland, County Durham, Shropshire, Wiltshire, Bedfordshire and Cheshire.

Broadly, Unitary Councils have been seen as a mechanism to improve value for money by reducing the overhead costs of running several councils, improve service delivery through greater integration of services, and improve the effectiveness of local political leadership. Importantly, the aim has been to eliminate the artificial focus on municipal boundaries, creating an efficient organisation that focuses on needs of “natural communities” (i.e. communities and areas that citizens associate with).

The effectiveness of Unitary Councils to significantly reduce costs without reducing services was analysed by Deloitte in May 2011, in their report, “Sizing-Up: Local Government Mergers and Service Integration”. The report compared the reduction in service costs for the 2009 Unitary Councils (looking at pre- and post-merger points) with those remaining as two-tier areas. The analysis used published CLG data and asserted that the incremental value for money benefits of Unitary Councils can be clearly demonstrated. The period covered 24 months of revenue spend data, and identified that, for example:

- Housing benefit administration costs reduced by £8.2m (27.4%) for the new Unitary Authorities, but increased by £33.6m (6.2%) for the non-unitary;
- Corporate and Democratic costs reduced by £51m (30%) in Unitary Authorities, while non-unitary councils saw an increase of £92m (5.5%); and
- Waste Collection and Disposal costs reduced by £6.0m (2.4%) in Unitary Authorities, but increased by £14.4m (0.5%) on average for the others.

More recently, EY has undertaken its own analysis of the performance of the 2009 Unitary Councils, having the benefit of a longer term data set. EY has also been able to interview key stakeholders, to gain their perspective of how the change delivered value, and also key learning points from the challenges they faced. Given that Unitary Councils have been in existence for some time, and that there is evidence of the savings and benefits that have been achieved by those

most recently created, it would seem a good time to explore the potential for a Unitary Council for Leicestershire, from both a strategic and financial perspective. This is the focus of this report.

## 1.5 Unitary model options

The experience of 2009 highlighted two models for unitary local government, namely:

- Single unitary Council merging all previous county and district operations - e.g., Cornwall, Wiltshire, Durham; and
- Two unitary Councils taking on previous county and district operations split geographically - e.g., Cheshire West and Cheshire East, Bedford Borough and Central Bedfordshire.

While the decision to split or retain historic county areas was dominated by political debate, it is important to focus on an objective assessment of the criteria that should influence the approach to shaping or scoping a potential unitary model. There are four key considerations, namely the requirements to:

- Reduce the cost of being in business - by eliminating the duplicated overhead costs of running numerous councils, including political, management and facilities costs;
- Improve service efficiency - by integrating services and creating scale to achieve better value through procurement and service delivery;
- Improve local political engagement and leadership - by removing the middle-tier of local government (i.e., district level), and ensuring that elected Members are closer to parishes, towns and communities; and
- Ensure that the Council's geographic area resonates with citizens and is perceived as being legitimate, based on a recognised geographic identity and pride. This is often described as a 'natural community', which is influenced by history and cultural identity, socio-economics, and demographics.

At a strategic level, it is proposed that if a unitary model were to be further explored for Leicestershire, it would only seem relevant pursuing a single-unitary model as follows:

Reduce the cost of being in business	A single model would be the most cost effective in reducing indirect costs. <b>Having two unitary Councils would reduce savings by £12.2m per annum</b> (equating to a 39% reduction against a single unitary Council)
Improve service efficiency	While county-wide commissioning is recognised as the most effective, most service delivery would continue to operate at a local level (i.e., sub-district). Therefore, a single unitary model would seem optimal.
Improve local political leadership	The aim is to get closer to communities (e.g., using the Local Joint Committee model at Shropshire) and therefore, there is no perceptible difference between the options.

Retain or establish a geographic identity that has legitimacy with residents

Due to the nature of Leicestershire's socio-economic structure, with major communities surrounding market towns, residents tend to associate primarily with their local town or village, or with Leicestershire as a county, rather than having an association with a sub-Leicestershire region.

Section 3.1 and 3.2 includes an appraisal of the financial impacts of having a single or two-council unitary model.

## Section 2 Case for Change

### 2.1 Introduction and Overview

Local Government is beset with financial, demographic and operational pressures.

In June 2012, the Local Government Association (LGA) published a report that modelled all future sources of council revenue (e.g., grants, local taxes, fees and charges, investment income and the drawdown of reserves) to the end of this decade, with assumptions that offset grant cuts against the potential for growth in other revenue sources. The LGA has also modelled future service spending demand, assuming that efficiencies could make it possible to reduce spending in real terms over the whole decade.

The report states that: *"The demand forecasts err on the side of caution. On these assumptions, the model shows a likely funding gap of £16.5 billion a year by 2019/20, or a 29 per cent shortfall between revenue and spending pressures"*.

Whilst local government cannot reverse the demographic pressure on services, nor change the financial settlement from Government, Councils across Leicestershire can act together and influence the demand on its resources and affordability of its services, by reconfiguring services and managing demand through collaboration, redesigning and changing its role in fulfilling services.

Acting together, however, will require a break from the current two-tier structure to create the scale of change required. The current two-tier structure contains some inherent weaknesses which have the potential to reduce the impact of change. The limitations of the current structures include:

<b><i>Cost of being in business</i></b>	Given the funding predictions, can the cost of 8 separate councils continue to be sustained, or considered value for money?
<b><i>Duplication of delivery and responsibility</i></b>	Is it really effective and best use of resource to have one authority responsible for Planning and another for Highways?
<b><i>Ability to align resources to outcomes</i></b>	Is it really optimal to have one authority responsible for Social Care and another for Social Housing?
<b><i>Ability to operate strategically</i></b>	Can strategic decisions be made effectively when potential partners need to negotiate with two-tiers of local government?
<b><i>Customer service</i></b>	Is the division of responsibility clear to our communities?

The inherent weaknesses in terms of operational cost, and the impact on joined-up working and efficiency in service delivery should not be understated. However, perhaps of more concern is that the current arrangements are sub-optimal; they do not support the required direction of travel. The current arrangements do not make it easy to plan strategically for economic growth, to pool budgets and collectively own outcomes, to deliver within a locality based model, or to maximise the commercial opportunities of an economic area to generate revenue. The two-tier working model diminishes the strategic impact on Leicestershire as a place.

This sentiment is echoed in the Lord Heseltine review, "No Stone Unturned: in Pursuit of Growth", which states: *"England has 353 principal authorities. Some of these are single unitary authorities, others operate in tiers of district and county councils. The number of different councils doing similar things remains costly and confusing."*

By coming together as a new Unitary to replace a single County Council and 7 District Councils will provide the opportunity to develop a greater strategic focus to:

- i. Tackle the **operational costs of being in business** to reduce exposure to financial pressures;
- ii. Generate economic growth through a **focus on Leicestershire as an economic area** aligned to natural communities;
- iii. Improve outcomes through the **simplification of service delivery** and a focus on locality, needs, prevention, and intervention;
- iv. Attract social investment through the **development of commercial acumen**; and
- v. Strengthen the **focus on "locality" through service delivery models**, and strengthened local democratic accountability.

These opportunities are explored in more detail below.

## 2.2 Better Value for Money

A new Unitary Council could reduce the revenue cost of local government in Leicestershire by £31.4m per annum.

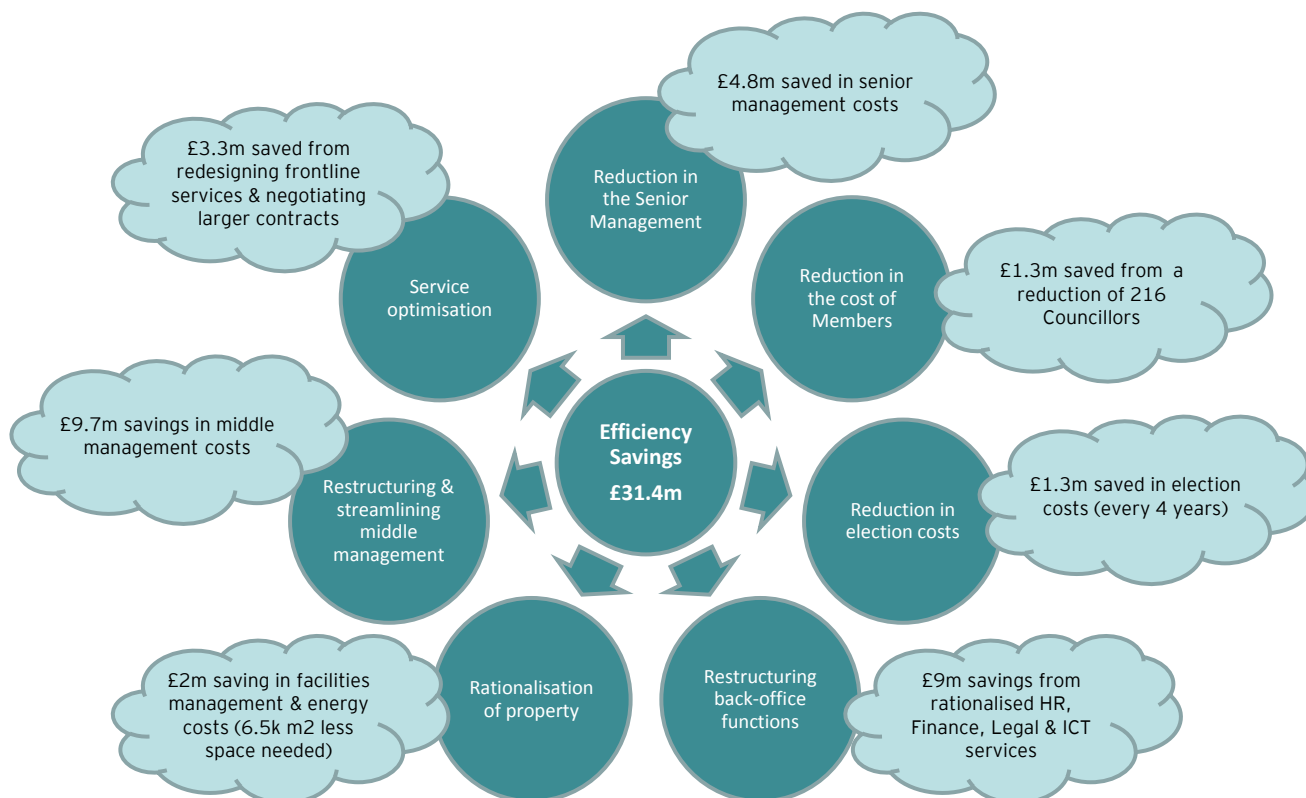
### 2.2.1 Efficiencies

As set out in the previous section the financial challenges are significant for both the County and the Districts, and the potential within the constraints of the current structure to address these challenges is limited. The creation of a single unitary presents a number of opportunities to reduce costs and increase operational efficiency. A summary of the types of efficiencies is described in the table below:

Category	Description and Examples
<i>Reduction in the senior management</i>	Is there a requirement to have 8 chief executives, and 19 Directors?
<i>Reduction in member numbers and associated costs</i>	Is there a requirement to continue to have 316 members across the Leicestershire area? Can the support costs to the democratic process be reduced?
<i>Reduction in election costs</i>	Is there an opportunity to rationalise the election process and the associated support costs?
<i>Restructure the back office functions</i>	<p>Can the councils consolidate the back office functions, and converge on systems, infrastructure, process and reduce resources?</p> <p>While there is a small ICT shared service partnership in the county, a Unitary Council service for Leicestershire would deliver greater savings.</p>
<i>Rationalisation of property and assets</i>	Is there a requirement to maintain all current council offices? With the merging of services there will be an opportunity to rationalise corporate property and assets.
<i>Restructuring and streamlining middle management</i>	Consolidation of services will enable responsibilities currently sitting across District and County to be amalgamated into roles and teams facilitating a reduction in management.
<i>Service optimisation</i>	<p>A number of the key services can be optimised through the consolidation into a single service, and the removal of silos across delivery resource. Efficiencies would typically be achieved by:</p> <ul style="list-style-type: none"> <li>• Consolidation and convergence of business applications;</li> <li>• Procurement and contract management;</li> </ul>

- Removing duplication in activity;
- Harmonising the delivery of service (e.g., waste collection).

The analysis has explored all of these potential opportunities for Leicestershire and the potential for savings is summarised in the diagram below. The financial assumptions that support this analysis are outlined in Section 3, "Financial Case", of this report.



Through the creation of a Unitary Council there is scope to drive better value for money through the levers outlined above. In addition, there is also the opportunity to harmonise Council Tax across the county, reducing household Council Tax costs.

### 2.2.2 Harmonisation of Council Tax

There is currently significant variation in Council Tax levels across the County. A new Unitary Council would need to harmonise Council Tax levels across Leicestershire. There are a number of approaches that could be taken to this.

By harmonising Council Tax charges at the lowest level, Leicestershire households could benefit from a £7.7m share of the £31.4m that could potentially be achieved from implementing a Unitary Council. This £7.7m reduction in Council Tax charges would need to be implemented in phases, alongside the achievement of efficiency savings.

Across the County, the current average Band D Council Tax charge for the County and District Council components would reduce by 3.1% (equating to just over £37 per annum). Of the 280,000



properties in Leicestershire, over 230,000 would see their Council Tax bill reduce by between 0.6% (in Charnwood) and 8.4% (in Oadby and Wigston). Residents in Hinckley and Bosworth would see no change, as they currently have the lowest Council Tax charge. The table below illustrates the current District and County Council Tax charges for an average Band D property, versus the potential Unitary Council Tax charge, and the associated impact per Band D property, per annum across current District areas:

	Blaby	Charnwood	Harborough	Hinckley and Bosworth	Melton	NW Leics	Oadby and Wigston	County Average
Current County Council charge	1,063.00	1,063.00	1,063.00	1,063.00	1,063.00	1,063.00	1,063.00	1,063.00
Current District Council charge	137.78	102.62	150.06	95.96	150.48	158.58	202.6	133.15
Current total two-tier charge	1,200.78	1,165.62	1,213.06	1,158.96	1,213.48	1,221.58	1,265.60	1,196.15
Proposed Unitary Council charge	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96
Saving per annum (£)	-41.82	-6.66	-54.10	0.00	-54.52	-62.62	-106.64	-37.19
Saving per annum (%)	-3.5%	-0.6%	-4.5%	0.0%	-4.5%	-5.1%	-8.4%	-3.1%

For completeness, the table below illustrates the potential total Council Tax bill for the average Band D property based on a Unitary Council model, with the addition of all other local public service charges, including Parish Councils, which would not change:

	Blaby	Charnwood	Harborough	Hinckley and Bosworth	Melton	NW Leics	Oadby and Wigston	County Average
Proposed Unitary Council charge	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96	1,158.96
Police Authority	173.87	173.87	173.87	173.87	173.87	173.87	173.87	173.87
Combined Fire Authority	58.38	58.38	58.38	58.38	58.38	58.38	58.38	58.38
Special Expenses and Parishes (Average)	75.12	73.17	52.83	57.64	54.68	61.69	0	58.97
Proposed total charge per annum	1,466.33	1,464.38	1,444.04	1,448.85	1,445.89	1,452.90	1,391.21	1,450.18

## 2.3 Greater Locality Focus

In addition to the opportunity to drive better value for money, the consolidation of services will also provide the platform to create a greater locality focus. This is achieved in a number of ways including i) the elimination of municipal boundaries, ii) by the simplification of the delivery landscape, and iii) by a greater level of local democratic accountability.

**The elimination of municipal boundaries:** the creation of a Unitary Council will lead to the removing of the municipal boundaries. This provides the opportunity for services to be focused on the needs of natural or whole communities rather than artificially created communities. This creates a greater locality focus because:

- Better outcomes for communities can be delivered, as a result of commissioning services strategically across a place (and not determined by municipal boundaries), and to provide an integrated and targeted response at a locality level;
- Natural communities can act together to influence service delivery; and
- Services can target the specific challenges of specific communities, families and individuals, rather than a generic and partial response.

**The simplification of the delivery landscape:** the creation of a Unitary Council will reduce the number of delivery partners, and will remove the artificial separation of delivery resource. Furthermore, the move to Unitary is not about the consolidation of services to centralise control, or to centralise delivery. The move to a Unitary is about creating an environment that is sympathetic to the integration across services, and to the development of services more readily deployed and based within the locality. It will create a greater locality focus because it will facilitate:

- Multi-agency, co-located teams working within specific communities, being more responsive and having more targeted, and innovative approaches; and
- Pooling of budgets to achieve better outcomes and a greater ability to redirect investment from one part of the system to another.

**Greater local democratic accountability:** the creation of a new Unitary Council provides the opportunity to directly involve local communities in shaping the way that the new Council works from the outset. The Unitary would seek to introduce decision-making and consultative structures aligned to the principal natural communities of the Council, which exist beneath current district level. The geography could be designed in consultation with local communities and partner agencies at the design stage for the new organisation.

Furthermore, by the creation of local area committees, Unitary status represents an opportunity to transform the relationship with local people, engaging and empowering communities. During the formation of the local area committees, communities are invited to vote on the key issues and priorities that the areas committee is required to tackle. In addition devolved budgets are provided which enables real action and accountability.

Furthermore, the local area committees can be used to drive community-led initiatives to improve their quality of life and support each other (e.g., community owned mutuals to provide Youth Services; community interest companies to run libraries as community services).

At present, there is the potential for issues to fall between the district and the county, and not get resolved. A new Unitary Council would have end to end accountability for all local government decisions and services; such that inaction could not be excused by organisational constructs.

The most recent tranche of Unitary Councils have created greater locality focus in the following ways:

Shropshire Council	<p>Shropshire has established 28 local joint committees to encourage public participation in decision-making. The committees were also set up to be responsible for scrutinising local service delivery, and calling council officers, councillors or representatives of other service providers to account where necessary.</p> <p>Unitary, town and parish councillors sit on each committee. Partners such as health and police, local businesses and community groups can also be co-opted, although they do not have voting rights.</p> <p>One of the strengths of the new committees is that they are backed up with delegated budgets, ranging this year from £17,000 to £71,000, depending on population. Committees can use these funds to commission services, or invite local groups to submit bids for particular projects.</p> <p>The fact that each committee has a lead officer drawn from the senior ranks of the council is an additional indication of the commitment placed by the unitary in the new structure.</p>
Durham County Council	<p>In Durham, where the unitary replaced a county and seven districts, the council has also put partnership working and delegated budgets at the heart of its new approach. It launched 14 area action partnerships to give people a greater voice in local service provision, each with a basic budget of £150,000 topped up with locality allowances for each councillor.</p> <p>These partnerships recognised that an authority of this size will have to engage with local communities, and improve on what was there previously. The board of each partnership is made up of seven councillors, seven representatives of partner organisations and seven members of the public.</p> <p>Communities have been given the chance to vote on potential issues for their local partnership to tackle. Priorities varied by area, but street cleanliness, support for voluntary organisations and activities for young people all scored highly.</p>
Northumberland County Council	<p>Northumberland County Council has opted for a combination of Councillor-led area committees and community forums to get local people involved. They were established as a way to give local people a chance to express their concerns and shape the priorities.</p>

## 2.4 Greater Strategic Impact

The stimulus for economic growth is derived from a number of interrelated factors such as: entrepreneurship, confidence, employment levels, education attainment and skills, a clear sense of identity, socio-demographic composition, infrastructure, transport, housing, environment, leisure and sport facilities.

The arbitrary division between District and County responsibilities, coupled with artificial district boundaries reduces the ability to work cohesively across the Leicestershire economic area. For example across Leicestershire there is:

- No single Planning Authority;
- No single or integrated housing strategy; and
- No strategic planning for the area as a whole.

In addition, there is also a well understood relationship between economic success and improved health and wellbeing outcomes. These outcomes are more likely to be improved if Leicestershire as an area is able to plan coherently where to put leisure facilities, where to focus housing development, where to develop transport links and infrastructure, and where to target investment.

The consequences are that Leicestershire may not be making the most of the collective commercial influence, or using to full effect all of the commercial levers available to stimulate economic development. The misalignment between existing municipal boundaries and the patterns of modern economic activity give rise to the distortion of strategic discussions as a consequence of conflicts of interest.

Furthermore, the Unitary Council model could provide an opportunity to attract additional investment in the form of social investment, due to the simplification of the delivery landscape. With fewer local partners involved in agreeing commissioning decisions, the ability to shape new strategies to achieve improved outcomes, and therefore, attract social finance could be significantly increased.

## 2.5 Conclusions

As set out above the creation of a single Unitary Council presents an opportunity to:

- Deliver better value for money - by tackling the operational costs of being in business **saving £31.4m per annum;**
- Provide greater value to the Council Tax payer - potentially sharing the reduced cost with tax payers, by **reducing Council Tax bills by over £7.7m per annum;**
- Create **a stronger locality focus** - improve operational service provision and engagement at a local level, rather than thinking 'district' or 'county'; and

- Make a **greater strategic impact** – designing solutions to tackle complex outcomes will be quicker and easier through reducing the number of individual organisations that need to negotiate and agree.

Fundamentally the creation of the Unitary Council provides the opportunity to accelerate the strategic direction of local government and reflects the views of the community as expressed in the recent budget consultation Leicestershire's Future. The results of the consultation indicated that of the respondents:

- 70% of people wanted to reduce the number of public sector bodies in Leicestershire;
- 92% saw that working with partners is important;
- 71% agreed that there should be fewer council properties;
- 510 respondents commented that the number of councillors should be reduced; and
- 338 respondents commented that either by becoming a UA or shared services should be a priority.

In summary, a single Unitary Council could provide the opportunity for significant efficiency gains and cost reduction. It also creates an environment within which it is easier to deliver better outcomes, easier to measure the improvements, and easier to reinvest the savings.

However, there are a number of potential liabilities and risks that would need to be anticipated and evaluated in more detail if the case for unitary were progressed to a further stage:

- **Pay and conditions harmonisation** – the new Council would need to establish new role descriptions and associated pay structures for all its employees. This could lead to potential harmonisation costs. This process would be similar to the 'single status' process.
- **Asset condition** – while the quantum of accommodation required by the new unitary will be less than that used by the current county and district councils, there may well be the requirement to invest in assets that need to be retained. This could only be assessed through a more detailed due diligence analysis.
- **Service level standardisation** – the current variation in costs across district services is likely to be due to a range of variables, including delivery model, service design and service level standard. It will be important to ensure that service level variability is known and managed. Typically, the commitment would be to adopt the 'highest service levels' across the county.
- **Improving democratic accountability** – this analysis is not proposing a detailed solution, as that would need to be developed through significant consultation. Potential models would include a stronger role for parish and town councils, and the creation of active locality forums shaped around natural areas of association (e.g., areas around market towns, and extended rural village communities that are distant from market towns).

## Section 3 Financial Case

### 3.1 Summary

Local government in Leicestershire has been making significant strides to reduce costs over the past 8 years, with the pace accelerating following the 2010 Spending Review. However, the financial pressures facing local government in Leicestershire over the coming 5 years are even greater. Councils across England are openly declaring the need to significantly refocus their organisations, reducing frontline services in order to balance their budgets.

The analysis illustrates that Unitary Local Government in Leicestershire could significantly mitigate this pressure on frontline service budgets. By reducing the cost of maintaining 8 independent government organisations, each with their own management teams, infrastructure and bureaucracy, there is the opportunity to direct more funding into frontline services. Below are the financial headlines:

- A Unitary Leicestershire Council has the potential to achieve estimated ongoing annual savings of up to **£31.4m**, comprising:
  - £4.8m in senior management post reductions;
  - £1.3m in having fewer Members;
  - £1.3m in reduced election costs (once every 4 years);
  - £11m in back-office and property cost reduction;
  - £9.7m in middle management post reductions; and
  - £3.3m through integrating and redesigning services.
- A Unitary Council merger would generate a Net Present Value **saving of nearly £90m over 5 years**, which can be used to protect frontline services for Leicestershire residents;
- The payback period is forecast to be just over 1 year;
- The cost of implementing the changes is estimated to be **£12.8m**, largely relating to management severance costs. The process of optimal integration has been forecast to take 3 to 4 years, as follows:
  - Year 1: Senior Management & Democratic change;
  - Year 2 & 3: Service & middle management restructuring, redesign of support services / infrastructure & rationalisation of assets;
  - Year 4: Full service integration and contract harmonisation.

This option returns a significantly higher saving than opting for a two-council unitary model. Splitting Leicestershire into **two local authority areas would reduce the saving by £12.2m** per annum (amounting to a 39% reduction in benefit). Furthermore, it is likely that a two-council model would be significantly more costly to implement as 50% of the current County Council's staff would need to be accommodated elsewhere in the county, with the potential need for a new HQ if existing convenient accommodation could not be found.

## 3.2 Option appraisal – one or two unitary councils

EY has undertaken an analysis of both a single-unitary council model, and a two-unitary council model. The second model would require the merger of the councils, and would also incur further disruption by splitting the current County Council's functions in two (e.g., children social care services, education, adult social care services, highways services). A two-unitary council model is less cost effective as management costs are increased as current County Council service management costs are duplicated, and district council services management savings are reduced. Below is a summary of the comparison of forecast annual savings against FY2013/14 base budget:

	Two Unitary Councils	Single Unitary Council	Saving difference	Difference
Corporate Savings	£000s	£000s	£000s	%
Senior Management Team	1,800	4,800	- 3,000	-63%
Democracy (reduced members)	600	1,300	- 700	-54%
Democracy (elections every 4 years)	1,000	1,300	- 300	-23%
Corporate (Finance/HR/Legal/Admin)	5,600	7,000	- 1,400	-20%
Corporate (Accommodation)	1,400	2,000	- 600	-30%
Corporate (ICT)	1,000	2,000	- 1,000	-50%
<b>Sub-total corporate savings</b>	<b>11,400</b>	<b>18,400</b>	<b>- 7,000</b>	<b>-38%</b>
<b>Service Specific Savings</b>				
Mid-Tier Management	4,900	9,700	- 4,800	-49%
Operational service efficiencies	2,950	3,340	- 390	-12%
<b>Sub-total service specific savings</b>	<b>7,850</b>	<b>13,040</b>	<b>- 5,190</b>	<b>-40%</b>
<b>Total Savings</b>	<b>19,250</b>	<b>31,440</b>	<b>- 12,190</b>	<b>-39%</b>

### 3.2.1 Key variables

The financial impact of two unitary authorities over a single council has been assessed at diminishing any potential savings by 39% (£12.2m):

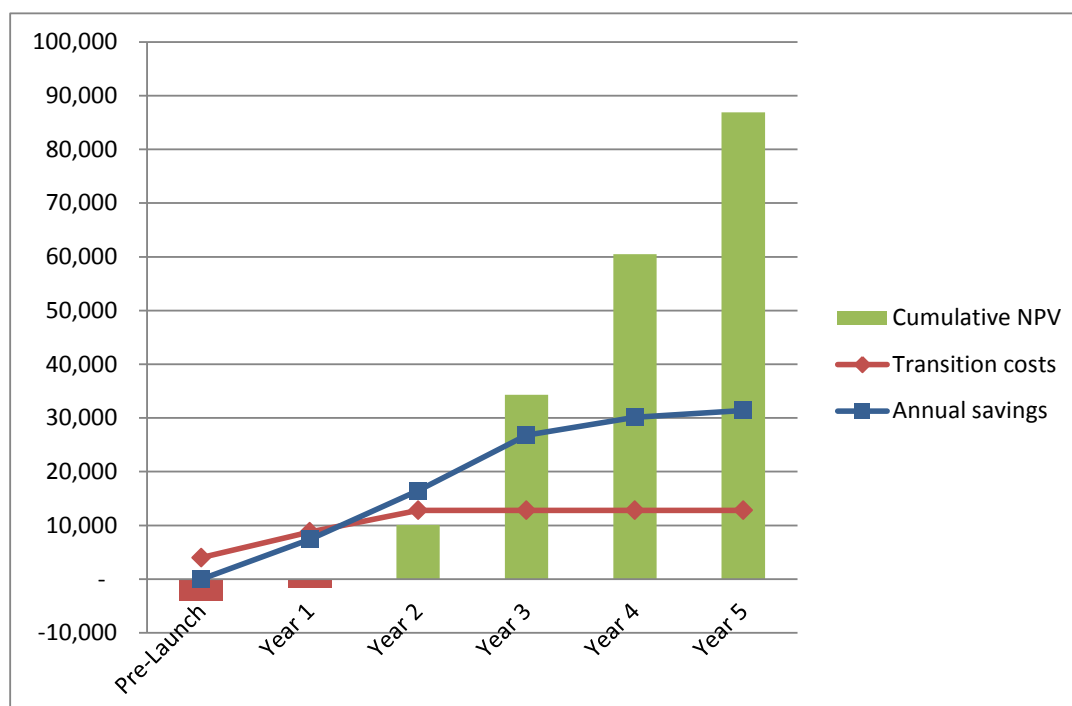
- The extra cost associated with two senior management teams over a single senior management team would diminish potential savings in this area by 63% (nearly £3m);
- Significant savings in mid-tier management associated with a single unitary council would be expected to be reduced by 50% (£4.8m), as a result of a second council that would need the same level of middle management resource;
- The increased number of members required for two authorities, and their associated allowances also weakens the economies that could be achieved by 54% (£700k). This is based on the assumption that each authority would have 75 members (still amounting to a Member reduction of over 50% across Leicestershire) and the special responsibilities allowances will be double across two organisations compared to one. There will also be an increase in associated election costs and democracy support of approximately £300k;

- The accommodation required by two organisations over a single unitary council has been estimated to diminish by a conservative estimate of 30% (£600k), based upon a proportional reduction in facilities costs based on FTE reduction. In reality, it could cost significantly more to re-align the current property portfolio to accommodate two unitary councils;
- The savings expected to be achieved from consolidation of IT services into a single unitary council are expected to diminish by 50% (£1m) in a two unitary option, as a result of increased infrastructure, hardware and contract costs associated with two organisations over a single council;
- Additionally, it has been calculated that the consolidation of other corporate services (HR/Finance/Legal/property etc.) into two organisations rather than a single organisation would reduce possible savings by a conservative estimate of approximately 20% (£1.4m);
- Any efficiency from frontline service area optimisation that could be achieved through creation of a single unitary council would also be likely to be diluted by a two unitary option. An analysis of this has indicated a potential reduction in saving of approximately 12% (£390k);
- There would also be increased transitional costs related to training, communications, inductions and implementation for creation of two new organisations.



### 3.2.2 Option 1 - Single Unitary Model

Below is the profile of implementation costs, revenue savings and net impact over a 5 year period:



These savings and cost items are illustrated further in the table below (in £000s):

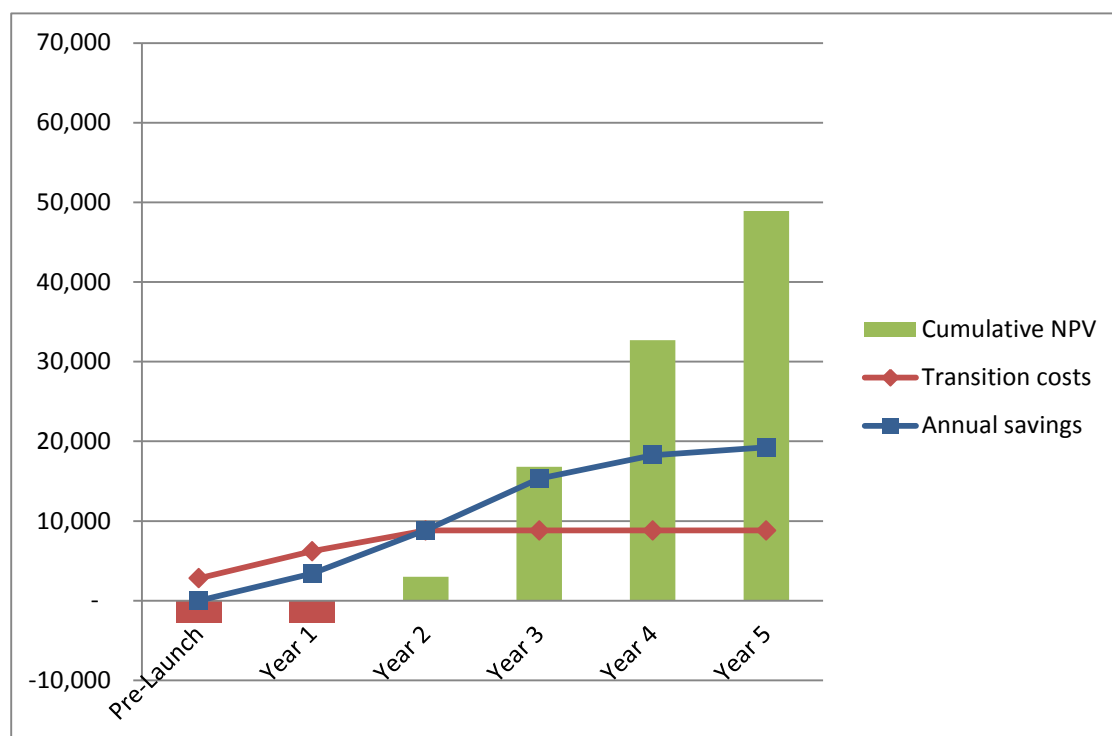
NPV & Payback calculation						
	0	1	2	3	4	5
<b>Savings</b>						
Democratic & corporate mgt		6,100	6,100	6,100	6,100	6,100
Elections		1,300	-	-	-	1,300
Corporate services (finance, property, ICT, etc)		-	5,500	11,000	11,000	11,000
Middle management & professional roles		-	4,850	9,700	9,700	9,700
Frontline service optimisation		-	-	-	3,300	3,300
<b>Total savings</b>	-	7,400	16,450	26,800	30,100	31,400
<b>Costs</b>	-4,000	-4,800	-4,000	-	-	-
<b>Net saving (cost)</b>	-4,000	2,600	12,450	26,800	30,100	31,400
Discounted net present saving (cost)	-4,000	2,500	11,600	24,200	26,200	26,400
<b>Cumulative NPV</b>	-4,000	-1,500	10,100	34,300	60,500	86,900

NPV (in year 3) 34,300

Discounted Payback 1 year 1 month

### 3.2.3 Option 2 - Two-Unitary Council Model

Below is the profile of implementation costs, revenue savings and net impact over a 5 year period:



These savings and cost items are illustrated further in the table below (in £000s):

NPV & Payback calculation						
	0	1	2	3	4	5
<b>Savings</b>						
Democratic & corporate mgt		2,400	2,400	2,400	2,400	2,400
Elections		1,000	0	0	0	1,000
Corporate services (finance, property, ICT, etc)		0	4,000	8,000	8,000	8,000
Middle management & professional roles		0	2,450	4,900	4,900	4,900
Frontline service optimisation		0	0	0	2,950	2,950
<b>Total savings</b>	0	3,400	8,850	15,300	18,250	19,250
<b>Costs</b>	-2,800	-3,400	-2,600	0	0	0
<b>Net saving (cost)</b>	-2,800	0	6,250	15,300	18,250	19,250
Discounted net present saving (cost)	-2,800	0	5,800	13,800	15,900	16,200
<b>Cumulative NPV</b>	-2,800	-2,800	3,000	16,800	32,700	48,900

**NPV (in year 3)** 16,800

**Discounted Payback** 1 year 5 months

### 3.3 The Baseline in Leicestershire

Below is a summary of the base expenditure and resources of Leicestershire's councils:

Council	Members	Population	FY13/14 service expenditure <sup>2</sup>	FY13/14 staff FTE
Leicestershire County	55	641,600	£681.56m	5,163
Blaby District	43	93,500	£11.87m	305
Charnwood Borough	54	163,300	£19.86m	373
Harborough District	37	82,700	£11.75m	231
Hinckley & Bosworth District	34	104,400	£13.28m	385
Melton District	29	48,700	£7.92m	180
North West Leicestershire District	38	90,500	£11.52m	566
Oadby & Wigston District	26	58,500	£7.05m	205
<b>Totals</b>	<b>316</b>	<b>641,600</b>	<b>£764.80m</b>	<b>7,408</b>

#### 3.3.1 Net Expenditure by Service

Below is a summary of local government expenditure by major service, based on published data from the Department of Communities & Local Government (FY2013/14):

Net Service Expenditure By District	Leicestershire	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	NW Leicestershire	Oadby & Wigston	Districts total	Total
Corporate, Democratic & Support	6,880	2,800	2,948	2,518	1,718	1,242	1,029	1,506	13,761	20,641
Revenues & Benefits administration	375	1,360	2,913	1,239	1,441	730	1,342	1,053	10,078	10,453
Housing Support & Homelessness	0	1,366	1,461	837	1,301	449	353	113	5,880	5,880
Culture, Leisure & Heritage	13,532	597	2,057	1,351	870	941	1,945	877	8,638	22,170
Regulatory	1,523	777	1,489	921	1,342	745	1,088	427	6,789	8,312
Community Safety	2,600	294	273	198	687	224	477	15	2,168	4,768
Planning & Development	14,899	1,431	1,799	1,097	1,442	737	1,344	864	8,714	23,613
Waste Services	35,084	1,774	3,006	1,970	1,868	1,532	1,981	1,004	13,135	48,219
Highways & Street Cleaning	77,001	1,046	3,053	899	1,779	257	1,573	1,054	9,661	86,662
Social Care, Education & Other services	529,664	426	863	720	830	1,058	383	137	4,417	534,081
<b>Totals</b>	<b>681,558</b>	<b>11,871</b>	<b>19,862</b>	<b>11,750</b>	<b>13,278</b>	<b>7,915</b>	<b>11,515</b>	<b>7,050</b>	<b>83,241</b>	<b>764,799</b>

<sup>2</sup> CLG, Revenue Account Budget FY13/14 (<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-authority-revenue-expenditure-and-financing>)

The cost of being in business<sup>3</sup> is illustrated in the table below and is shown as a percentage of the total Revenue Account Budget (FY13/14):

Summary Revenue Account Data for Leicestershire (FY13/14)	Total revenue account budget	Cost of being in business	as % of Total Net Budget
Leicestershire County	681,558	6,880	1%
Blaby District	11,871	2,800	24%
Charnwood Borough	19,862	2,948	15%
Harborough District	11,750	2,518	21%
Hinckley & Bosworth District	13,278	1,718	13%
Melton District	7,915	1,242	16%
North West Leicestershire District	11,515	1,029	9%
Oadby & Wigston District	7,050	1,506	21%
<b>Total for the Districts</b>	<b>83,241</b>	<b>13,761</b>	<b>17%</b>
<b>Total for Leicestershire</b>	<b>764,799</b>	<b>20,641</b>	<b>3%</b>

The above analysis demonstrates that the district councils are spending a disproportionately high level of their net budget on running their council. This is not a reflection of their relative efficiency in absolute terms, as running a council attracts a core basic cost, regardless of size.

This analysis excludes the Housing Revenue Account (HRA) in terms of potential savings from synergies or otherwise. Whilst benefits may well exist, any savings would be ring-fenced to benefit social housing tenants within the HRA and could not be used to contribute to a new Unitary Council's general fund.

In addition, due to the implementation of benefit reform and the universal credit, 'housing benefits' administration costs and potential efficiencies have been excluded.

<sup>3</sup> The "cost of being in business" is based on the sum of "Corporate & Democratic Core" and "Central Services" from the DCLG Revenue Account Budget FY13/14 analysis

### 3.4 Savings Assumptions: Senior Management and Corporate Resources

The table below provides a summary of the corporate savings, the rationale, assumptions and indicative annual value.

These savings have been based on publicly available data and have not been validated by officers from the District Councils.

#### 3.4.1 Democratic and Corporate Management Savings

Data used to support the estimation of savings includes:

- Actual Member numbers and allowances sourced from County and District published data;
- Actual roles and salaries sourced from published financial statements; and
- An estimated unit cost per member per election event calculated and extrapolated using information published by Charnwood, Hinckley and Bosworth, and North West Leicestershire.

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
Senior Management	Reduction in senior posts	<p>Assumption that the new council will need a single Chief Executive rather than 8 (reduction of 7 FTEs at £0.9m)</p> <p>Assumption that the new council will need 5 Directors (reduction of 14 FTEs at £1.4m)</p> <p>Assumption that the new council will require 18 Heads of Service (reduction of 36 FTE at £2.5m)</p>	£4.8m
	Additional unquantified benefits and potential savings opportunities	<ul style="list-style-type: none"> <li>• Pooling of expert resource</li> <li>• Retention of talent</li> </ul>	

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
Democratic Costs	Reduction in the number of members and reduction in allowances	<p>Assumed that the number of Members for the new Unitary Authority is 100 (rationale is outlined in annex A). This would see a reduction of 216 Members. Cost savings relate to:</p> <ul style="list-style-type: none"> <li>• Basic allowance</li> <li>• Special Responsibilities</li> <li>• Travel and Subsistence</li> </ul>	£1.3m

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
	Reduced election costs	Unit cost applied to reduction in number of members from 316 to 100. This saving relates to every election event and cannot be spread per annum.	£1.3m (every 4 years)
	Additional unquantified benefits and potential savings opportunities <ul style="list-style-type: none"> <li>• Greater political accountability and clarity</li> <li>• Reduced perceived uncertainty regarding the role and influence of Members across a two-tier system</li> </ul>		

### 3.4.2 Corporate Resources

The baseline for the data was established using the following sources:

- A baseline total FTE in districts was established from gathering data in 2013/14 budget books, where available. An estimate of the split of FTE across support service areas was profiled using Hinckley & Bosworth FY2013/14 budget book resource profile, extrapolated for all other districts proportionate to their size and taking into account any known outsourcing arrangements;
- An estimate of current district FTE split by grade and average salaries at these grades was profiled using pay grade data from Blaby, Charnwood, Hinckley & Bosworth and North West Leicestershire and % FTE split by grade from Hinckley & Bosworth and North West Leicestershire. This was assumed to be generally representative of all districts and provided an estimated baseline cost for FTE in the districts by 2 distinct grades (created by averaging pay grades into two categories - operational staff and management/professional staff);
- ICT spend baseline came from a corroboration of CIPFA statistics for Leicestershire districts in FY2011/12 and comparative analysis of district council ICT spend from two other counties;
- Accommodation baseline cost using actual square metre (sq. m) against cost per square metre benchmarks from Total Office Cost Survey (TOCS) from 2010.

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
FTE (Finance / HR / customer / legal / admin / property)	Reduction in FTE	<b>Democracy:</b> Assumption that the new council democracy staffing would be equal to current democracy staff at the county level. Reduction of 17 roles.  <b>Finance/HR/Legal/Property/Admin:</b> Assumption that these support functions will operate at the same level of efficiency as	£7.0m

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
		County functions, supporting new frontline services. This would result in a reduction of 185 roles.	
	Additional unquantified benefits and potential savings opportunities		
	<ul style="list-style-type: none"> <li>Ability to optimise the quality of internal support services, improving resilience, advice to managers and corporate governance.</li> </ul>		

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
ICT	Rationalisation of resources	Assumed unit cost of ICT services will match that of current Unitary Authorities, based on CIPFA data. This was further corroborated by evaluating ICT service spend between individual districts and savings achieved through shared services with county councils.	£2.0m
		<p>Achieved for example through:</p> <ul style="list-style-type: none"> <li>Consolidation of applications</li> <li>Consolidation of help desk</li> <li>Rationalisation of infrastructure</li> <li>Purchasing power with suppliers</li> </ul>	
	Additional unquantified benefits and potential savings opportunities		
	<ul style="list-style-type: none"> <li>Ability to attract and retain high calibre ICT professionals to support frontline service innovation and transformation</li> </ul>		

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
Accommodation	Reduction in space required	There are a number of options for assessing the potential accommodation savings. For the purposes of the strategic case a saving figure has been estimated based on a proportionate reduction in sq m from estimated total FTE reduction (this equates to a 6.5k sq.m reduction). Benchmark unit cost per sq m used consistent with baseline. TOCS 2010 office cost survey for new / old buildings in Leicestershire area.	£2.0m
		Additional unquantified benefits and potential savings opportunities	
	<ul style="list-style-type: none"> <li>Retain a better quality estate across the county, dispose of high cost properties</li> </ul>		

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
	<ul style="list-style-type: none"> <li>Facilitate the reconfiguration of services into locality models</li> </ul>		

### 3.4.3 Middle Management and Professional Roles

The baseline has been established using the following data sources:

- An estimation of the current FTE levels has been developed based on the resource profile for Hinckley & Bosworth. This profile was extrapolated across all other districts, proportionate to their size.
- The baseline pay bands have been developed based upon the average of pay grade data from Blaby, Charnwood, Hinckley & Bosworth and North West Leicestershire<sup>4</sup>. This has been amalgamated into 2 bands (management / professional & operational).

Type of Saving	Description	Rationale/Assumptions	Indicative Annual Value
Middle Management & Professional Roles	Reduction in FTE	<p>Assumed 34% of total FTE (excluding senior management posts) in managerial and senior professional roles based upon available published role profiles.</p> <p>Estimated reduction of 230 FTEs for new Council. This equates to a 3% headcount reduction against current total FTE.</p>	£9.7m
	<p>Additional unquantified benefits and potential savings opportunities</p> <ul style="list-style-type: none"> <li>Redesign the organisation structure and management roles to reflect the needs of a new organisation, its values and its target culture</li> <li>Ability to attract and retain high performing talent across key services, supporting innovation and change</li> </ul>		

<sup>4</sup> Using publicly available data from district council published reports



### 3.5 Savings Assumptions: Frontline Service Optimisation

In addition to the corporate savings there is potential within each of the services for efficiencies through service optimisation. The efficiencies are based on taking a whole systems approach to service redesign without the artificial boundaries of two-tier government impeding innovation. Specifically, savings should be achievable through procurement scale and contract management, convergence of systems and processes, better use of assets and shift patterns. Whilst these have not been quantified in detail, assumptions have been applied to current baseline expenditure based on available case study and benchmark data, to estimate the potential savings, as follows:

Council	Saving %	Baseline spend (£m)	Forecast annual saving (£m)
Waste	1.8%	£48.20	£0.87
Culture, Leisure & Heritage	1.95%	£22.20	£0.43
Regulatory	3.9%	£8.30	£0.32
Planning & Development	2.4%	£23.60	£0.56
Local Taxation & Benefits (excluding Housing benefits)	10.0%	£6.50	£0.65
Highways & Street Cleaning	0.5%	£86.70	£0.46
<b>Totals</b>	<b>1.69%</b>	<b>£195.50</b>	<b>£3.30</b>

The baseline information is from DCLG's "Revenue Account Budget FY2013/14" for Leicestershire's Councils..

#### 3.5.1 Waste

It is assumed that a 1.8% reduction could be achieved through service optimisation using a number of opportunities:

**i. Moving to a single waste collection service**

Better shift management, reduction in the number of vehicles, consolidation on to a single contract, unification of collection methods, reduction in team management but perhaps less opportunity across the team. Requirement to retain local knowledge.

Evidence from other case studies indicates considerable savings can be achieved.

- Dorset Waste Partnership - £1.4m p.a.
- Somerset Waste Partnership - £1.5m p.a.
- East Sussex - £30m over 10 years
- East Kent Waste - £30m over 10 years

- |   |   |
|---|---|
| ii. <b>Reduction in the collection cost per head</b>    | There is considerable variation in the cost of collection per head, ranging from £36 to £13. Whilst some of this variance may be due to geography and local context, there is an assumption that the service could reach the benchmark unity cost per head of the Shropshire Unitary Council. |
| iii. <b>Unification of pay</b>                          | Eliminating the variation in pay across the Districts which will increase the retention of staff in teams.  |
| iv. <b>Greater market presence and commercial clout</b> | Through joint procurement, savings could be achieved through standardisation of specifications, reduced number of procurements and leveraging a greater volume of spend.  |

### 3.5.2 Culture and Leisure

Councils across Leicestershire currently have a wide range of leisure facilities, some provided through cost efficient delivery models and some through sharing sites with other agencies. A prudent saving of 1.95% could be further achieved through the benefits of exploiting a county-wide approach to delivering these services. However, the analysis would suggest that further benefits could be achieved to benefit Leicestershire residents, improving service standards to ensure that the highest level in the county is consistently achieved throughout.

### 3.5.3 Regulatory

It has been assumed that a 3.94% saving against current budgets can be achieved. This is primarily allied to using a more efficient delivery model across Leicestershire for the delivery of regulatory services, ensuring greater integration across historically two-tier functions.

- |   |  |
|---|--|
| i. <b>Creation of a Single Building Control Service</b>         | There is an opportunity to create a single Building Control service. This would be the consolidation of seven services into one.   |
|   | There will be efficiencies through a reduction in senior management posts, in sharing facilities, integration of local teams, and scheduling of work.  |
| ii. <b>Integration of pest control and environmental health</b> | Efficiencies can be achieved through the integration of pest control and environmental health, which are currently fragmented across the two-tier structure. This will enable the integration of roles, teams and functions. |

### 3.5.4 Planning

It is assumed that a 2.4% reduction against net budgets could be achieved through service optimisation as a result of creating a single planning authority. This equates to a saving of **£0.56m**:

- |   |  |
|---|--|
| i. <b>Creation of a Single Planning Authority</b> | <p>The efficiencies of a single planning authority include the reduction in the number of local plans produced leading to efficiencies in the consultation process, and elimination of inefficiencies resulting from the 7 plans being unaligned.</p> <p>Professionalisation of the planning service leading to attracting greater expertise and retention levels, leading to better quality decisions and fewer appeals. There will also be some efficiency in the planning policy process.</p> <p>There will be efficiencies in closer and more co-ordinated working between the Highways Authority and the Planning Authority.</p> <p>An ability to plan more strategically across the area and to direct resources where there is greatest need.</p> |
| ii. <b>Business Application Consolidation</b>     | <p>A single planning authority will facilitate the consolidation of planning case management systems, and building control. The support and maintenance of these systems can range from between £20 - 50k per annum.</p>   |

### 3.5.5 Local Taxation & Benefits

There is currently a significant variance in the unit cost and performance of this administrative and support function across the County.

It has been assumed that the unit cost of local taxation collection and benefits administration could be harmonised to achieve the current upper quartile performance across Leicestershire district councils. If this performance improvement were achieved, total savings of £2.042m could be realised, which is partly due to a reduction in managerial costs. As the analysis has tackled management savings separately, the non-managerial efficiency savings would equate to **£652k** per annum.

Furthermore, the analysis does not include any savings associated with housing benefits due to the national implementation of the "Universal Credit" and welfare reform, led by DWP.

- |   |   |
|---|---|
| i. <b>Creation of a Single Revenues &amp; Benefits team</b> | <p>Achieving an efficiency level equating to current upper quartile performance, through integrating teams and distributing workloads to improve productivity</p> |
| ii. <b>Business Application Consolidation</b>               | <p>Consolidation of the IT systems, resulting in reduced support and maintenance costs. This is taking account of a number of outsourced teams.</p>               |

### 3.5.6 Highways & Street Cleaning

It has been assumed that a 0.54% saving could be made against current service expenditure for open spaces and street cleaning through service efficiencies. The opportunity areas include asset management (e.g., plant rationalisation and vehicles), procurement (consolidating contracts, rationalise suppliers), integration of contract management teams, combining roles such as parking with environmental enforcement, better shift management and scheduling.

## 3.6 Implementation Costs

Implementation costs have been developed on the basis of the following assumptions and include:

- The cost of redundancy is based on removing 57 of the most senior posts at an average cost of £50k, and the remaining 500 posts at an average cost of £16k. This assumption is in line with published data and averages across the public sector from the "CIPD/KPMG 2008 LMO Survey";
- The approach and cost estimates for the implementation project team, Member induction, corporate branding and professional services is largely based on the experience from Shropshire;
- The ICT costs are based on the integration and replacement of core service systems (e.g., housing, planning, local taxation, regulatory services);
- Professional service costs are based on an average of the costs incurred during the implementation of Unitary Councils in 2009;
- The implementation team costs reflect a 3 year delivery timescale:

	Total	Year 0	Year 1	Year 2
Redundancies/Pensions	£10.90m	£2.85m	£4.025m	£4.025m
IT costs and New System Training	£1.00m	£0.50m	£0.50m	
Implementation Programme team	£0.50m	£0.30m	£0.20m	
Professional services	£0.25m	£0.15m	£0.10m	
Corporate Communications & Branding	£0.10m	£0.10m		
Staff Induction	£0.10m	£0.10m		
Member Induction	£0.02m	£0.02m		
<b>Total Transitional Costs</b>	<b>£12.87m</b>	<b>£4.02m</b>	<b>£4.825m</b>	<b>£4.025m</b>

## Section 4 Learning from Others

### 4.1 Summary learning from the 2009 Unitary changes

Officers from two of the most recent Unitary Councils were interviewed to understand their experience during the design, implementation and integration of the Unitary council. The interviews identified that there was considerable commonality across the experience of the two councils and a number of themes have emerged.

#### *Savings levels*

For each councils interviewed:

- The anticipated level of savings were achieved;
- The initial estimate of savings was prudent and there was scope for more savings.

#### *Savings achieved*

##### ***Shropshire***

- Planned savings of £20m p.a. The actual saving was approximately £20m in the first year. However, there are additional savings that will be realised doubling the figure.

##### ***Durham***

- The savings achieved were £22m per annum as anticipated in the business case. However, more significant savings were achieved after the initial year amounting to £130m over three years.

#### *Savings opportunities*

Areas that typically delivered savings included:

- Back office rationalisation and consolidation and convergence on one set of back office services;
- Staff reductions through management streamlining;
- Reduction in democratic costs;
- Consolidation of IT and accommodation;
- Procurement and contract management;
- The creation of a single senior management team;
- The merging of a number of other professions across the county.

#### *Implementation costs*

The implementation costs were typically:

- Planning costs prior to the restructure;
- Resourcing costs to implement;
- Communications, branding and marketing costs;
- Redundancy costs after the merger;
- One council incurred additional costs through the

reinvestment of savings to generate support;

- For two of the councils these costs were covered by reserves and the payback period was between 1 and 2 years.

### *Key challenges*

The key challenges that the council encountered were typically:

- A perception of a democratic deficit at a local level. One council introduced area action partnerships, and strengthened the role of the Parish Council. Another of the councils felt that they needed a localist agenda, which was achieved through town and parish councils. Also the same council introduced a system of area committees initially. However, these were later disbanded as they were not deemed necessary;
- Agreeing an approach to the harmonisation of council tax, one council harmonised to the highest level over a number of years, but others have harmonised down;
- Agreeing an approach to the harmonisation of pay and conditions;
- There was a concern that local access to services would be reduced if the District offices providing local services were rationalised. In Shropshire, there was a focus on retaining physical presence in key towns and not pulling back into one location. There is a delicate balance of pulling some areas into the centre and devolving some to local level;
- Convergence of services;
- Prior to merger, not all the councils were supportive of the move to Unitary local government and, in some cases, actively resisted the change.

### *Strategic opportunity*

The creation of the Unitary provided an opportunity to work strategically across the area as a whole:

- Greater economic impact and ability to work as an economic region;
- Strategic planning and housing development;
- Health and social care integration through creation of co-terminus boundaries with health bodies;
- Integration of waste services;
- Strategic commissioning of outcomes;
- Integrated tax collection/benefits administration provides a more co-ordinated view reducing fraud and error.

## 4.2 Cornwall, Wiltshire, and Northumberland

In addition to the interviews undertaken, there are a number of other case studies identified including:

### **Cornwall Unitary Council (pop. 535,399) 123 councillors**

Before reorganisation, Cornwall had 6 Districts and a County Council. The combined number of members went down from 300+ to 123. The change to unitary avoided the need to make extensive service cuts. Total savings of around £25m per year are estimated to have been achieved.

### **Wiltshire Unitary Council (pop. 461,480) 98 councillors**

Before reorganisation, Wiltshire had one County Council and 5 District Councils. It was decided to create one unitary authority. It has 98 members. It is estimated that, in the first year, around £14m was saved and many vital services were preserved.

### **Northumberland County Council (pop. 310,600) 67 councillors**

The last County Council elections were held in 2008 and, the following year, the six District Councils were abolished. The new unitary authority has 67 members. Savings of £85m have been reported over a three year period.

# Annex A Estimating Council size

## Context

The Boundary Commission recognises that there is a wide variation in council size across England, not only between the different types of local authority (i.e. metropolitan and shire district councils, county councils and London boroughs), but also between authorities of the same type. The Commission also recognise that local government is as diverse as the communities it serves, providing services, leadership and representation tailored to the characteristics and needs of individual areas. The aim of the Boundary Commission, in an electoral review, is to recommend electoral arrangements, including a council size, which is right for the local authority in question.

In deciding the most appropriate size for the Council, a number of factors have been taken into account including:

- Ratio of Electors per Councillor;
- Leicestershire in comparison with all single tier authorities outside London;
- Specific characteristics of Leicestershire; and
- The guidance from the Boundary Commission.

## Ratio of Electors per Councillor

The total Electorate in Leicestershire is estimated to be 521,011. The table below sets out a range of options for the size of a new Unitary Council, and the corresponding number of electors per councillor. These ratios serve as a comparator with other Unitary Councils.

No. of Councillors	Electors per Councillor
85	6,130
100	5,210
115	4,531
130	4,008
145	3,593

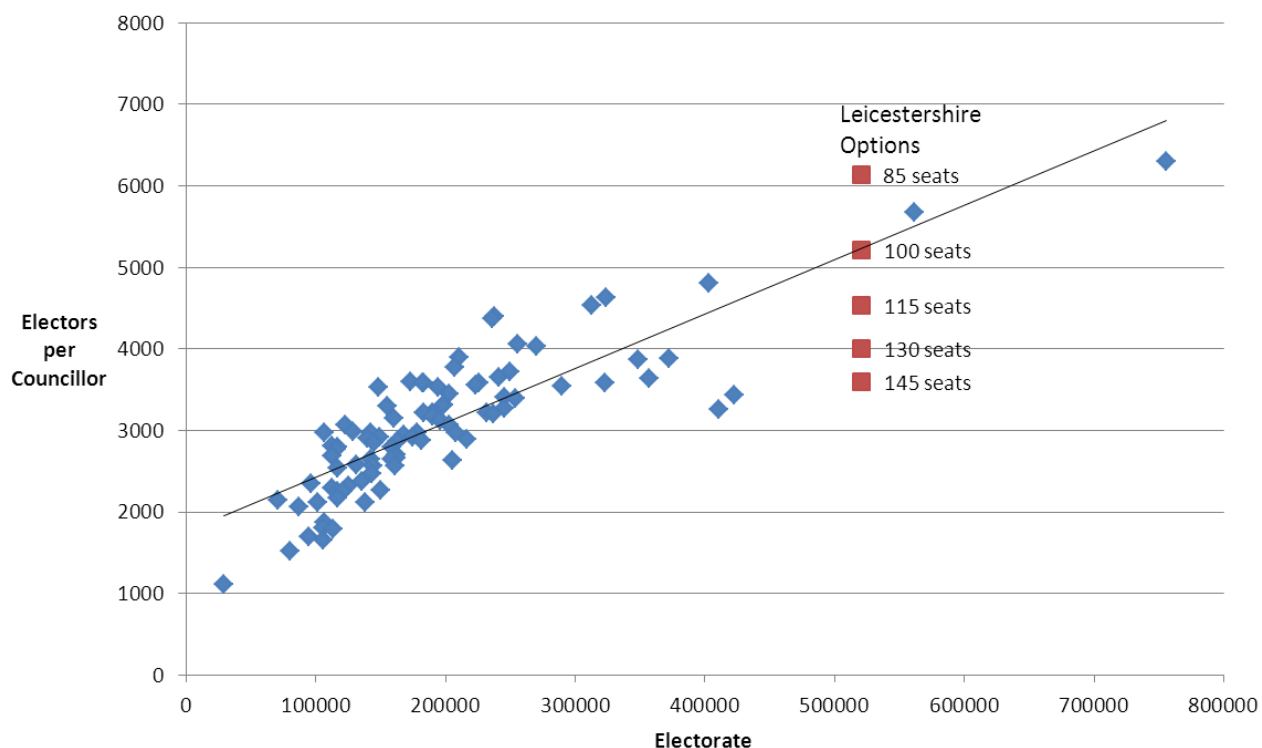
## Comparison with all Unitary Councils outside London

The comparison with these councils would suggest that a Unitary Leicestershire Council would have a similar size to Leeds, with approximately 100 Members.

Rank	Authority Name	Council Size	Total Electorate at 16/10/2012	Electors per Councillor	Authority Type
1	Durham	126	410,425	3,257	Unitary County
2	Cornwall	123	422,912	3,438	Unitary County
3	Birmingham	120	755,932	6,299	Metropolitan District
4	Leeds	99	561,340	5,670	Metropolitan District
5	Wiltshire	98	356,678	3,640	Unitary County
6	Manchester	96	372,688	3,882	Metropolitan District
7	Liverpool	90	322,631	3,585	Metropolitan District
8	Bradford	90	348,408	3,871	Metropolitan District
9	Sheffield	84	403,248	4,801	Metropolitan District
10	Cheshire East	82	290,088	3,538	Unitary District



Furthermore, an analysis of these councils demonstrates that the ratio of electors to Councillors increases with electorate size. The chart below illustrates this. A line of best-fit further suggests that a council size of 100 would be appropriate:



## Characteristics of Leicestershire

Leicestershire is a relatively small geographic area, compared to some of the other recently converted unitary counties, with a significant number of larger towns and good transport infrastructure which potentially lends itself to a higher ratio of electors per member.

Rank	Authority Name	Council Size	Total Electorate at 16/10/2012	Electors per Councillor	Area (Hectares)	Authority Type
1	Northumberland	67	249,483	3,724	501,300	Unitary County
2	Cornwall	123	422,912	3,438	354,594	Unitary County
3	Wiltshire	98	356,678	3,640	325,535	Unitary County
4	Shropshire	74	237,000	3,203	319,731	Unitary County
5	East Riding Of Yorkshire	67	270,185	4,033	240,763	Unitary District
6	Durham	126	410,425	3,257	222,605	Unitary County
7	Herefordshire	58	143,097	2,467	217,973	Unitary District
8	<b>Leicestershire</b>		<b>521,011</b>		<b>208,289</b>	
9	Cheshire East	82	290,088	3,538	116,637	Unitary District
10	Cheshire West & Chester	75	254,210	3,389	91,664	Unitary District

## **Boundary Commission Guidance**

The Boundary Commission has suggested that they would want to look closely at proposals involving council size over 100. They recognise that effective and efficient operation of the council is a key consideration.

## **Conclusion**

The comparative analysis of Unitary Councils, the characteristics of Leicestershire and Boundary Commission Guidance indicates that a target council size would be approximately 100 Councillors.