

Options Analysis for Unitary Local Government in Lincolnshire

1. Analysis

1.1. Background

The administrative area of Lincolnshire County has a population of 736,665 people with 537,856 voters¹. Local governance comprises seven district councils and one county council with 290 district councillors and 77 county councillors² (Table 3), thirty two councillors are dual hatted (i.e. represent both district and county areas). On average each district councillor represents a population of approximately 2,500 people and each county councillor represent approximately 10,500 people.

Authority	Population MYE 2015	Electorate 2015	Members	Pop'n / Member 2015	Voters / Member 2015
Lincolnshire County Council	736,665	537,856	77	9,567	6,985
Boston Borough Council	66,902	44,705	30	2,230	1,490
East Lindsey District Council	137,887	103,412	55	2,507	1,880
City of Lincoln Council	97,065	60,209	33	2,941	1,825
North Kesteven District Council	111,876	83,805	43	2,602	1,949
South Holland District Council	91,214	68,255	37	2,465	1,845
South Kesteven District Council	138,909	104,620	56	2,481	1,868
West Lindsey District Council	92,812	72,850	36	2,578	2,024
<i>Lincolnshire County Area</i>	<i>736,665</i>	<i>537,856</i>	<i>367</i>	<i>2,046</i>	<i>1,494</i>

Table 3. Population of Lincolnshire by Authority

The current two-tier local government structure for Lincolnshire originated in 1974. Reforms in a number of other counties of England have since removed this two-tier structure in favour of unitary authorities.

The Local Government Association (LGA) within their 'Future Funding Outlook for Councils 2019/2020' demonstrated that the overall funding shortfall nationally will be £9.5bn. For Lincolnshire County Council alone the funding gap by the end of this decade could be as much as £75.5m.

In the light of all of these pressures, the creation of more unitary authorities is increasingly viewed as a means of improving the effectiveness of local government and increasing value for money. Unitary government offers significant benefits for residents, communities and businesses in Lincolnshire. Other local authorities who have made this transition have identified a variety of opportunities, including cost savings, service improvements and growth.

¹ Population Estimates by single year of age and sex for local authorities in the UK mid-2015, Office for National Statistics, published 23 June 2016.

² This will reduce to 70 in the County Council elections in May 2017 reflecting the Boundary Commission review

Appendix A - Baseline Analysis

There have been a number of studies on methodologies for the size of a (unitary) council. The latest thinking suggests a size of between 300,000 and 800,000 population should be considered³. Clearly, this results in two possible permutations when considering Unitary Authority options of the Lincolnshire County geography. This paper considers these two permutations and also a third scenario which falls short of that population base: -

- Scenario 1. A single unitary authority across the administrative geography of Lincolnshire County Council with a population of 736,665 people
- Scenario 2. Two unitary authorities across the administrative geography of Lincolnshire County Council, each of approximately 368,000 people
- Scenario 3. Three unitary authorities across the administrative geography of Lincolnshire County Council, each of approximately 245,000 people

For each of the scenarios a high-level options appraisal has been undertaken looking at the benefits that could result, both from organisational and financial perspectives.

The non-financial high-level analysis takes into account the many studies that have been carried out on unitary models and the publically available business cases for local government reorganisation in rural shire county areas. The findings are summarised for each scenario in line with their impact on service users; the practicality of the reorganisation; implementation challenges; and financial sustainability.

The evidence base on which the financial assumptions are made has been gathered from publicly available data, using 2015/16 data sources wherever possible. The financial baselines, which exclude Housing Revenue Account funds for District Council with housing stock, can be found in Tables 4 & 5, below.

Gross Service Expenditure by District (£'000)	Corporate and Democratic Core	Central Services to the Public	Housing services	Cultural & Related services	Planning Services	Environmental & Regulatory services	Highways & Transport services	Other Costs	Totals
Boston	1,021	2,680	22,402	3,189	1,761	4,249	606	-	35,908
City of Lincoln	1,387	1,681	37,835	6,595	4,514	7,344	2,983	423	62,762
East Lindsey	2,747	3,013	49,108	6,882	5,729	9,211	1,724	87	78,501
North Kesteven	2,798	1,942	21,075	5,532	4,351	5,391	399	461	41,949
South Holland	2,577	1,652	20,832	2,647	3,962	4,868	260	3	36,801
South Kesteven	2,608	2,706	32,539	6,473	4,574	8,011	1,205	-	58,116
West Lindsey	1,901	1,843	25,523	1,228	3,910	4,964	270	17	39,656
Districts total	15,039	15,517	209,314	32,546	28,801	44,038	7,447	991	353,693
Lincolnshire CC	2,736	5,776	12,425	20,365	21,661	35,815	99,636	809,568	1,007,982
Lincolnshire Area	17,775	21,293	221,739	52,911	50,462	79,853	107,083	810,559	1,361,675

Table 4: Summary of Gross Expenditure by Service 2015-16

³Sajid Javid speech to CCN Conference 2016 <https://www.youtube.com/watch?v=CcKWK07-Xdl>

Appendix A - Baseline Analysis

Net Service Expenditure by Council (£'000)	Corporate and Democratic Core	Central Services to the Public	Housing services	Cultural & Related services	Planning Services	Environmental & Regulatory services	Highways & Transport services	Other Costs	Totals
Boston	999	835	1,139	1,633	794	2,745	-413	-	7,732
City of Lincoln	1,387	784	1,432	4,787	2,619	5,130	-1,793	113	14,459
East Lindsey	2,286	1,570	1,218	4,758	3,255	7,810	-1,409	87	19,575
North Kesteven	2,081	1,240	974	4,744	-1,145	3,715	-78	461	11,992
South Holland	2,169	784	136	1,804	2,244	4,070	-44	3	11,166
South Kesteven	2,161	1,230	779	4,148	2,509	5,553	-244	-	16,136
West Lindsey	1,878	1,198	1,034	405	2,054	4,407	-27	-108	10,841
Districts total	12,961	7,641	6,712	22,279	12,330	33,430	-4,008	556	91,901
Lincolnshire CC	2,729	4,401	11,725	15,796	17,963	34,592	89,394	363,639	540,239
Lincolnshire Area	15,690	12,042	18,437	38,075	30,293	68,022	85,386	364,195	632,140

Table 5: Summary of Net Expenditure by Service 2015-16⁴

Local government reorganisation is not a straightforward process and each of the options considered present both challenges and opportunities.

A recent study by Ernst & Young⁵ for the County Council Network suggests that savings are achievable. Solely looking at the financials suggests that creating a single unitary within each county council area in England could result in a net saving of up to £2.9bn over five years across all 27 two-tier county areas. To illustrate the potential saving, that could be achieved by a smaller or larger than average county area, a multiplier was applied to this average figure giving the savings potential for two-tier counties forming a single or two unitary authorities based on size (Figure 2).

Net saving/cost per county by scenario	1	2	3
Small county 0.4mn population £465mn spend	£44-£53mn	£22-£31mn	(£1mn) to £10mn
Average county 0.8mn population £930mn spend	£88-106mn	£42-£63mn	(£1mn) to £19mn
Large county 1.2mn population £1.4bn spend	£132-£159mn	£65-£94mn	(£2mn) to £29mn

Figure 2. Savings for one, two and three unitary councils

⁴ County Council Other Costs consists of: Education Services (£83,658k), Children's Social Care (£83,671k), Adult Care (£164,727k), Public Health (£266k) and Fire & Rescue (£31,803k)

⁵ EY Report for CCN: Independent Analysis of Governance Scenarios and Public Service Reform in County Areas September 2016

Applying this model to a Lincolnshire County geography would suggest five-year savings in the region of £88m-£106m could be achieved for a single unitary scenario. This reduces to £42m-63m for a two unitary scenario and further to a maximum of £19m for three unitary model with the latter introducing a risk of cost rather than savings over the five years.

Clearly, as stated in the report, this is purely illustrative and further analysis would be required to determine the most accurate savings for a county in a specific model of reorganisation.

A change to existing arrangements could produce a range of potential savings by removing managerial duplication, reducing the costs associated with elections, streamlining services and back office costs while protecting front-line delivery through optimising the considerable sums spent on a wide range of services.

This objective assessment presents a series of initial, high-level insights which will need to be subjected to further detailed analysis as part of any next steps.

1.2. Scenario 1 - A Single Unitary Authority

Impact on Service Users - This option would involve the least service disruption and service users in receipt of social care services should not witness a change in service provision or eligibility.

Service users would benefit from efficiencies and economies of scale that are generated through streamlined services, removal of duplicated roles and service optimisation. The new larger organisation would also maximise the negotiation power of councils with private providers and the wider public sector.

Practicality - For some service areas, already delivered at the county level, there will be limited requirement for service redesign. There is the potential for intuitive restructuring delivering service integration supporting the transfer of skills, capabilities, knowledge and best practice through new, shared, working arrangements.

There is an inherent risk that may result in a reduction in political representation and the barriers to implementation this may cause. However, community and locality governance structures could be implemented to reduce the impact.

Implementation – This will be challenging at scale, however, the creation of a single unitary authority will avoid the issue of fragmentation and would be the least disruptive to large-scale strategic services, such as Adult Care, Children Services, Highways thereby reducing the complexity of implementation. Implementation costs would be the lowest amongst the unitary scenarios considered.

Financial sustainability - This scenario delivers the greatest financial savings and sustainability. It can enable the most sustainable distribution of business rates and the scale provides the ability to reduce costs through collaboration, leverage assets to generate income and borrow funds to save and/or grow. This option also provides the greatest potential to harmonise council tax levels to the lowest level.

Appendix A - Baseline Analysis

Research conducted of unitary councils of a similar size to Lincolnshire – Cornwall, Durham, Shropshire and Wiltshire – shows that all have saved between 3.8 and 5.3 % of their annual net expenditure (Table 6).

	Cornwall	Durham	Shropshire	Wiltshire
Population	532,273	510,000	308,207	470,981
Area (hectares)	356,300	233,000	319,736	325,534
No of DC prior to Unitary	6	7	5	4
Combined budgets prior Unitary	£421m	£486m	£356m	£327m
Savings £ (full year)	£16m	£21m	£15m	£17m
% Savings	3.8%	4.3%	4.2%	5.3%
Transitional; costs	£40.0m	£12.5m	£15.1m	£17.0m
Transitional Costs as % saving	250%	60%	101%	100%

Table 6: Summary of Savings – Other Councils

Simply applying the range of percentage savings achieved in other councils suggests that a single unitary in Lincolnshire alone could initially save in the region of £24m to £33m pa. This is evidenced in the high-level financial analysis undertaken for this report which is summarised below.

Impact on Councils	Savings derived from	Annual Savings Potential
Creation of a single unitary authority for the Lincolnshire County Council geography resulting in the disaggregation of one county and seven district authorities	<p>Members: Assuming that the area can be represented by 99 elected members, an overall reduction of 268 Members.</p> <p>Senior Management: Reduction in senior posts (CX's, Executive Directors and Managers) by an estimated 52fte.</p> <p>Services Streamlining back offices and the introduction of a digital platform improving the customer experience. Integration and rationalisation of services delivery and optimising front line delivery to improve services for local communities</p>	£24m to £33m

Table 7: Summary of Savings – One Unitary Council

There would be an implementation cost to effect the change. Current evidence suggests that costs of change will be in the region of £12m over 3-4 years, however this could rise depending on the scale integration and redesign. Some councils having already made this change did incur higher costs.

1.3. Scenario 2 – Two Unitary Authorities

Impact on Service Users - This option provides some efficiencies and economies of scale, but less than Scenario 1. This option requires the disaggregating of the current county council's functions into two and the likely merger of district councils, which is likely to cause a significant amount of disruption.

There would be some benefit from efficiencies and economies of scale generated through streamlined services, removal of duplicated roles and service optimisation but not as high as Scenario 1. The disaggregation of county council services into two authorities could potentially lead to inconsistent service provision and increased complexity in migrating service users and renegotiating provider contracts.

Practicality – The split of county functions will require the duplication of a number of statutory officer posts (e.g. Director of Children Services, Director of Public Health, Director of Adult Care etc.) although it may be possible for the two unitaries to share these.

There is the potential for some intuitive restructuring of delivering service integration supporting the transfer of skills, capabilities, knowledge and best practice through new, shared, working arrangements particularly across merging districts.

However, this option will be less aligned to boundaries with other public sector agencies will introduce complexity particularly with current upper tier services. This will impact in the benefits realised.

Implementation – The overall implementation costs are higher than the single unitary option and disaggregating the existing county council structure could introduce additional complications, as well as time and cost pressures. There may also be difficulties in recruiting senior roles in the new organisations. There is evidence suggesting that this option has been implemented successfully in other counties.

There is further complexity and challenge in the need to redraw the boundaries of the new local authorities.

Financial sustainability - Savings are lower than a single unitary due to the reduced efficiencies and economies of scale. However, reducing costs through collaboration could still be achieved and there could be capital receipts that could be reinvested into the reorganisation and frontline services.

The ability for the new organisations to generate income through business rates may be impacted with one authority being more financially viable than the other. This is dependent on the geography of the two unitaries, which is not in the scope of this work and therefore not factored into the summary of savings (Table 7) but would be a factor in any subsequent detailed analysis.

There would be an implementation cost to effect the change. Current evidence suggests that costs of change will be in the region of £16m over 3-4 years, however this could rise depending on the scale of integration and redesign. Some councils having already made this change did incur higher costs.

The high-level financial analysis undertaken for this report is summarised below.

Impact on Councils	Savings derived from	Annual Savings Potential
Creation of two unitary authorities for the Lincolnshire County Council geography resulting in the disaggregation of one county and seven district authorities	<p>Members: Assuming that the area can be represented by 130 elected members, an overall reduction of 237 Members.</p> <p>Senior Management: Reduction in senior posts (CX's, Executive Directors) by an estimated 8.4fte. However, would require the creation of an estimated 13 Executive Manager posts as a result of the need for duplication of posts in two Unitary Authorities as the result of the disaggregation of the County Council</p> <p>Services Limited streamlining of back office services and digital platform. Likely limited benefit to the customer with the disaggregation of current upper tier services. Some integration and rationalisation of services delivery and optimising front line delivery to improve services previously delivered by Districts.</p>	£9m to £19m

Table 7: Summary of Savings – Two Unitary Councils

1.4. Scenario 3 – Three Unitary Authorities

Impact on Service Users - This scenario is likely to be most disruptive of the unitary options analysed in terms of the impact to residents. As with Scenario 2, service users with care needs will most likely fall under the remit of an entirely new organisation.

This option requires the disaggregating of the current county council's functions into three which is likely to cause a significant amount of disruption. There will be increased complexity in migrating service users and renegotiating provider contracts.

There would be minor benefit from efficiencies and economies of scale generated through streamlined services, removal of duplicated roles and service optimisation but this is likely to be offset by the disruption around services provided currently at the current upper tier level.

Practicality – Many of the non-financial benefits around work and knowledge sharing may significantly lessen in this scenario as there will be more organisations and sharing the delivery of services may require more complicated redesign.

The disaggregating of the current county council's functions into three is likely to be complex. The introduction of three new organisations to residents and service users may prove difficult to communicate.

Implementation – The overall implementation costs are considerably higher. This scenario involves disaggregation costs and additional complexity. There are likely to be difficulties in recruiting senior roles in the new smaller organisations.

The complexity and challenge of redrawing local authority boundaries increases under this scenario. Overall costs will be higher to manage, for example, marketing, communications and branding across three new organisations rather than one or two.

Financial sustainability - Similar to scenario 2, this scenario results in a further reduction in potential savings through the additional senior management costs, duplications across the 3 organisations and reductions in service delivery efficiencies due to reduced economies of scale.

This option will also result in fewer potential capital receipts as there is a smaller reduction in overall FTEs.

The ability for the new organisations to generate income through business rates may be impacted with one authority being more financially viable than the others. This is dependent on the geography of the three unitaries, which is not factored into the summary of savings (Table 8).

There would be an implementation cost to effect the change. Current evidence suggests that costs of change will be in the region of £19m over 3-4 years, however this could rise depending on the scale integration and redesign.

The high-level financial analysis undertaken for this report is summarised below.

Impact on Councils	Savings derived from	Annual Savings Potential
Creation of three unitary authorities for the Lincolnshire County Council geography resulting in the disaggregation of one county and seven district authorities	<p>Members: Assuming that the area can be represented by 150 elected members, an overall reduction of 217 Members.</p> <p>Senior Management: Reduction in senior posts (CX's, Executive Directors) by an estimated 8.4fte. However, would require the creation of an estimated 13 Executive Manager posts as a result of the need for duplication as the result of the disaggregation of the County Council</p> <p>Services Very limited streamlining of back office services and digital platform. The disaggregation of current upper tier services could be costly. Minimal integration and rationalisation of services delivery and optimising front line delivery to improve services previously delivered by Districts.</p>	£-6m to £-1m

Table 8: Summary of Savings – Three Unitary Councils

2. Conclusion

This is an evidenced based approach to inform the debate that is of importance to the future of public services. This discussion is hastened by growing demand for local government services, funding reductions, devolution and structural reform debates, and by future funding arrangements that create uncertainty.

A number of options have been analysed from a financial and public service reform perspective. There is evidence from the last round of reorganisation that successful councils have exceeded targets by redesigning structures and services rather than just reorganising them.

The upper range of savings that could be achieved only go some way in addressing the financial and service delivery pressures facing county and district authorities, as well as other parts of the public sector. Therefore, it is important that local government, and wider stakeholders, consider the practices that can deliver savings, and which governance scenario can provide the best platform for service sustainability and improvement into the future.

Each of the options presents an opportunity to realise a range of benefits, tangible and non-tangible. It is important to recognise that this is a high-level strategic options appraisal and a preferred option will need to be subject to further detailed financial scrutiny and modelling.

2.1. Next steps

This report sets out the potential options which could form the blueprint in Lincolnshire for the future of local government. The next stage will be to build on this strategic options appraisal by deciding the most appropriate option through consultation, and produce a detailed business case for change.

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