Cumbria County Council

Strategic Financial Case for Local Government Re-organisation in Cumbria

January 2015

EY Building a better working world

Contents

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1. Executive summary

1.1. Overview

This report sets out a strategic business case for changing the way local government is organised in Cumbria based on an analysis of two potential structural models. It is based on publicly available data as at November 2014.

The strategic business case is rooted in the context of increasing demand for Council services and on-going reductions in the amount of funding available to deliver them. The Local Government Association (the cross-party representative body for local government in England) predicts these competing pressures will result in a national funding gap of £16.5billion by 2020 (a 29% shortfall between income and expenditure). Cumbria County Council's own analysis shows that the County Council could needs to find an additional £83m over the next 3 years (2015-2018).

Whilst this report was commissioned by Cumbria County Council, it has been produced independently of the seven councils across the county, and objectively evaluates two options for local government reorganisation in the county. These are summarised below:

1. One Unitary Council to replace the existing seven Councils;
2. Two Unitary Councils which would cover the existing county footprint;

We have assessed the two options against the following criteria:

- The potential level of savings that can be delivered;
- The impact of changes on service users;
- The practicality of proposed options;
- Implementation cost and likely timeline; and
- Overall payback period.

In order to maintain the objective integrity of the analysis within the report, the evidence base on which the assumptions are made has been gathered from publicly available data and, wherever possible, 13/14 data sources were used. The main publicly available information used to build the financial baseline and to develop the financial case includes:

- Budget books and statement of accounts;
- Pay policy statements and organisational charts;
- Medium term financial plans (MTFP) and Annual Reviews; and
- Official Local Authority data and reports from industry recognised professional bodies (i.e. CIPFA and SOCITM)

The case for change in Cumbria is predicated on the factors set out below.

1.2. Better Value for Money

The analysis shows that re-organising local government in Cumbria has the potential to deliver a net cumulative financial saving of up to £68.1m over an initial 5 year period and a stable annual saving after implementation is complete and all costs are borne of up to £28.3m per annum. This saving would be realised from the total cost of maintaining the seven councils across Cumbria that exist currently and consists of:

- Up to £3.1m from senior management savings;
- Up to £2.5m in a reduction in election costs and a reduction of up to 238 Members;

- Up to £11.2m through rationalisation of corporate services;
- Up to £2.0m in reduced accommodation costs; and
- Up to £9.5m through service optimisation

Both options considered in this report have the potential to realise significant financial savings; through the removal of duplication and reduction in overhead costs. The key areas that savings relate to are senior and middle management, back office functions, asset rationalisation, service integration and optimisation, and a reduction in the number and cost of Members and elections.

In producing this report, we have produced upper and lower ranges of savings figures by applying prudent and more challenging financial models. We have also factored in the likely costs and timescales to implement the required changes.

In addition to this, we have modelled the savings over a cumulative 5 year period, recognising that savings would be phased over a number of years.

The table below sets out a summary of the potential savings and costs for each of the options:

Option	5 yr net cumulative saving	Annual stable savings	Reduction to spend (*exc. Care and Education)	Implementation costs	Payback period	FTE reduction
One Unitary	Up to £68.1m	Up to £28.3m (from yr 3)	11.4% - 14.8%	£13.6m - £14.7m	1 - 2 years	433 - 544
Two Unitaries	Up to £33.5m	Up to £16.8m (from yr 3)	5.5% - 8.8%	£13.5m - £14.4m	2 - 3 years	220 - 312

*No savings assumed from front line care and education services

1.2.1. Council tax Harmonisation

Both options (single Unitary Council and two Unitary Councils) would require Council tax to be harmonised across the County (or in the case of option 2, harmonised within each of the two new Unitary Council areas).

There are currently variations in the level of Council tax paid across the county due to the differing levels set by individual districts. Reorganisation would enable Council tax levels to be harmonised depending on the preferred option and level of savings realised which can be reinvested. It is important to note that the potential savings set out above will increase or decrease according to the harmonisation approach taken.

This report has considered three options for Council tax harmonisation:

- Harmonising at the current average level of Council Tax paid across all households in Cumbria
- Harmonising based on all households paying at the current lowest level across Cumbria
- Harmonising based on all households paying at the current highest level across Cumbria

If setting the Council tax at an average level with the current income and the same number of households across Cumbria, it would result in a decrease in Council Tax for 67,720 households and an increase for 91,243 households. This would have no impact on the overall savings achieved through moving to a Unitary Council.

Setting Council tax across Cumbria to the lowest current level (currently Allerdale Council) would result in a saving of up to £62 per household (see Section 3.3) with all households in the County except those in Allerdale benefiting from a decrease in Council tax. Implementing this harmonisation would require a re-investment of £4.4m of efficiency savings per annum. Taking this approach would require £22.0m across the first 5 years if the new Council Tax rate was implemented from day 1 of the new authority's existence.

By increasing Council tax up to the current highest level across Cumbria (currently Barrow) it would cost, on average, extra £18 per household across Cumbria, delivering additional income of £5.4m per annum. This could result in an additional £27.0m savings across the first 5 years assuming the new rate was implemented on day 1 of the new authority's existence.

The two Unitary option that has been modelled for this report is based on a theoretical split rather than a geographical split and it is therefore not possible to model the exact impact of Council Tax harmonisation. However, by harmonising across both new authorities at the highest level, it would deliver additional revenue slightly below the single Unitary model (as one new authority would be harmonising at a slightly lower level) but would also mean less households across Cumbria would face an increase in Council Tax as a result of harmonisation. Similarly, harmonising at the lowest level of current Council Tax would result in a reduced level of required re-investment of savings (as one new authority would be harmonising at a slightly higher rate than the other), but would also mean less households were 'winners' i.e. receiving a reduced Council Tax rate.

1.3. Streamlining service delivery

Whilst the achievement of efficiency savings is clearly a high priority given the current financial climate, establishing a unitary model importantly provides the opportunity to redesign service delivery across the county by shaping services around the needs of service users. Our analysis suggests that this would create better outcomes by:

- Removing existing district boundaries, producing a much clearer commissioning focus;
- Enhancing focus on communities, families and individuals;
- Providing better opportunities for communities to plan and act county-wide; and
- Designing new managerial structures which optimise community outcomes.

One of the key challenges facing a two-unitary model is that the largest existing county-wide services (e.g. education, social care) would need to be disaggregated for each new authority. Each authority would then need to create duplicate IT infrastructures, management structures and support functions to wrap around the new, smaller education and social care services. Regarding the Fire service, in a two-unitary model, this would need to be separated from local government to establish a new Fire Authority covering the county, rather than splitting it. The model of creating a Fire Authority is typical when county councils are disaggregated (e.g., Leicestershire - Leicester City – Rutland; Buckinghamshire – Milton Keynes ;). While the establishment of a Fire Authority would avoid indirect cost increases caused by disaggregation, there would be an implementation cost which has not been modelled for this report.

1.4. Strategic approach

Currently, each district maintains responsibility for a range of services (e.g. development control and planning housing needs and investment). This produces something of an anomaly given that much of the apparatus of Government and public sector bodies is at a county level (e.g., the NHS Clinical Commissioning Group (CCG) which has a coterminous county boundary and the Local Enterprise Partnership (LEP)).

Reorganisation would provide the opportunity to:

- Create more strategic, county-wide bodies;
- Facilitate the creation of a single planning authority; and
- Enhance planning capability for economic development, housing etc.

1.5. Conclusions and next steps

Both the options assessed in this report offer the potential to deliver significant savings, which could help to improve service user's experiences, reduce bureaucracy and protect delivered services. Savings profiles vary considerably between options, with the formation of a single Unitary (Option 1) offering the largest potential financial benefit at up to £68.1m over a 5 year period and a stable annual recurring saving of up to £28.3m. In addition, a single Unitary Council has been assessed as 'green' against the other criteria considered of service user impact, practicality, implementation and payback period.

The relative assessment of each option is summarised in the table below:

Option	Savings	Impact	Practicality	Implementation	Payback period
One Unitary Councils	Up to £68.1m cumulative Up to £28.3m p/a				Within 2 years
Two Unitary Councils	Up to £33.5m cumulative Up to £16.8m p/a				Within 3 years

The case for unitary government, either with a two-council or single council model, does have successful precedent. The opportunity to realise financial savings is predicated on 'unlocking' some of the inherent inefficiencies of two tier working. This is particularly pertinent given the level of savings already achieved across Cumbria local government over the past 5 years, and the need for even greater savings in the medium term. However, there are also a number of challenges which will need to be overcome by developing a clear and more detailed business case based on whichever option is ultimately pursued.

1.5.1. Next steps

Local government reorganisation is not a straightforward process and both options present both challenges and opportunities. 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.

The next steps will include deciding on the most appropriate option, thorough consultation, and building on this strategic case with a detailed business case for the preferred option.

Finally, it is important to recognise that any changes to the democratic structures in Cumbria would ultimately require the agreement of the Secretary of State for Communities and Local Government and as such, both these proposals and any subsequent detailed business planning must ultimately be seen in that light.

2. Introduction and background

2.1. Purpose of the report

This report sets out an objective business case for reorganising local government within the County of Cumbria.

In order to explore fully the potential for both improving service delivery and identifying potential efficiency savings, the following options have been considered:

- One Unitary Council to replace the existing seven Councils;
- Two Unitary Councils which would cover the existing county footprint;

This business case and appraisal of each option has been developed on the basis of assessing the viability and potential for unitary government for the county of Cumbria with the aim of:

- Making a significant contribution to the considerable cost-saving required in the county over the next five years, and;
- Upholding and where possible enhancing existing levels of service quality.

The report is predicated on an assessment and modelling of publically available data, to ensure that the findings are independent and objective. It is important to note that the financial modelling that underpins this report does not account for any financial planning currently taking place within each organisation and if the case is to be further developed then the assumptions will need to be subject to further testing and refinement.

2.2. Locality overview

Cumbria is a predominantly rural county in the north west of England with a population of around 500,000 residents. The County is made up of a County Council (Cumbria) and six Districts Councils (Carlisle, Allerdale, Copeland, Eden, South Lakeland and Barrow). The County Council is responsible for a number of pan County services such as highways, transport and waste disposal, along with supporting schools and providing support and care for both vulnerable children and adults. The District Councils are responsible for the provision of leisure services, housing and collection of domestic waste and is also the planning Authority for their specific area. Each District is also responsible for the administration of its own local taxation and benefit services, though there are some shared arrangements already in place.

Recent years have seen some progress on integrating services and sharing of some operational management structures. This has covered shared customer contact centres, a shared audit service and collaboration on revenues and benefits services.

A significant feature of Cumbria is the relative ranking of its population and geography. In terms of geographical area, the county ranks 3rd of 48 in terms of the historical counties of England, however, in terms of population, it ranks 41st. This dichotomy presents a challenge in terms of balancing representation and the practical implications of governance. This has been carefully considered and is reflected in the recommendations on estimating council size set out at Appendix A.

The table below sets out the population of each of the Councils sourced from 2011 census data and net services expenditure based upon published DCLG Revenue Account Data for 2013/14 in order to give an overview of each of the Councils in terms of scale and spending.

Council	Members	Population	13/14 expenditure	Expenditure%
Cumbria CC	84	499,800	£398.3m*	83%
Allerdale DC	56	96,400	£15.4m	3%
Barrow-in-Furness DC	36	69,100	£11.6m	2%
Carlisle DC	52	107,500	£18.1m	4%
Copeland DC	51	70,600	£12.7m	3%
Eden DC	38	52,500	£8.8m	2%
South Lakeland DC	51	103,700	£15.3m	3%
Subtotal	**368**		**£480.2m**	**100%**

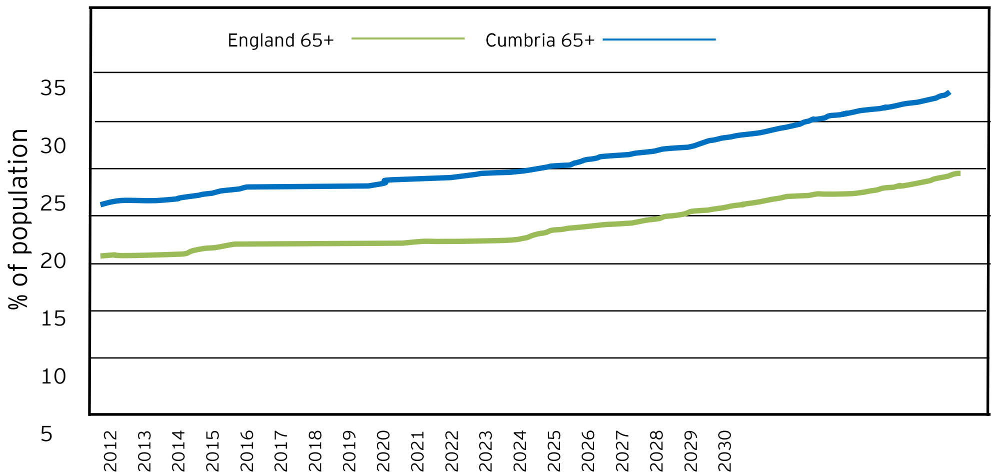
*13/14 Dedicated School Grant removed

2.3. Cumbria Specific Factors to Consider

Cumbria has a combination of specific geographic, topographic and population-related characteristics which mark it out as unusual. These characteristics need to be borne in mind in terms of any further strategic planning. Most specifically, Cumbria is a big geographical area which is in parts challenging to traverse, but at the same time, serving only a relatively small population.

This population is served by a wide-range of public sector bodies; in addition to the seven councils there are six separately governed NHS based organisations and two national parks authorities, in addition to the parish and town councils already mentioned.

The county also has an age demographic which is statistically higher than the national average; this places even more disproportionate pressure on resources within the county council for these services. This is set out in the graph below.



This combination of factors is important when considering the balance of services and more specifically, the tension between spend and service delivery. The characteristics of Cumbria have been considered carefully in this analysis and will be a significant factor in any onward planning as part of a future detailed business case.

2.4. Efficiency savings to date

During the unsuccessful application for unitary status in 2007, the seven councils of Cumbria were unable to agree on the shape and approach for enhanced-two tier working arrangements. This has to some degree hampered the ability of the councils to realise administrative efficiencies based on scaling and/or integrating services over the intervening years. This is not to suggest however that efficiency savings have not been realised. The County Council alone has made considerable efficiency savings totalling £88m between 2011 and 2014.

The County Council has stated clearly that it will do as much as possible to ensure that these savings are borne by reductions in managerial and administrative areas while trying to protect front-line services; the District Councils share a similar approach.

We recognise that a number of efficiency programmes are both planned and operating within both the County Council and many of the District Councils across the county. However, an important feature of this research is that it is based on an 'as is' snapshot of the organisations as they currently exist. Furthermore, the business case is predicated on estimating the 'added benefits' of unitary government, which are potential savings over and above efficiency savings already planned by councils in Cumbria. The County Council, for example, in agreeing it's financial plan in February 2014, is planning the reduction of costs through:

- Reductions in managerial and associated costs of some **£4m**
- Changing the approach to the way services are commissioned by the council which will save almost **£2m**
- Reducing back office spend by reorganising and driving out efficiencies which will save almost **£4m**
- Integration of health and social care services **£15m**
- Flexible working **£4.5m**

2.5. Proposed options for Unitary Council(s)

A Unitary Council differs from a two-tier system as it assumes responsibility for all aspects of services which are currently within the remit of local government. The majority of Unitary Councils were created as a result of the last major review of local government which came into effect in 1974. Since then, there have been subsequent attempts to reorganise local government, with a number of new unitary councils being created in the late 1990's. More recently, in 2007 the then Secretary of State responsible for local government called for proposals for some of the remaining two-tier Counties to become Unitary Counties. Cumbria itself participated in this process, albeit ultimately unsuccessfully. Subsequently, in 2009 a number of new Unitary County Councils were created. These were a mix of single Unitary County Councils such as Cornwall, Wiltshire, Shropshire, Durham and Northumberland and others who split in two such as Cheshire (which became Cheshire West & Chester and Cheshire East) and Bedfordshire (Central Bedfordshire and Bedford Borough).

2.5.1. Exploring different Unitary options for Cumbria

Based on the two options set out in section 1.1, this report explores approaches to unitary in Cumbria:

- **A single Unitary Council** which is established by merging all previous County and District functions into one entity with a clear management structure and democratic accountability;
- The creation of **two Unitary Councils** within the existing County boundary achieved by separating functions into two distinct organisations. The report does not presuppose the geographical boundaries of two new Unitary Councils and assumes two equally sized theoretical authorities;

There are many local and historical factors to take into account when considering these options and in 2009; much of the analysis was dominated by political debate as well as financial analysis.

Notwithstanding the emotions and passions that local identity can stir, the focus of this report is based on a dispassionate and objective series of principles which should be central to assessing the various options for potential new forms of governance. These principles are:

- To improve the efficiency of services by integrating service and management streams which were previously separated by different organisational responsibilities in the same geographical area;
- To ensure that democratic representation is both accessible and unambiguous, ensuring that elected Members are available to their constituents and that their role is clear and understood;
- To reduce overheads by eliminating duplication and ensuring that any additional resources are available for investment in front-line delivery; and
- To ensure that any proposed boundary changes take into account both historical boundaries and any accepted cultural identities.

There are potential merits and drawbacks to both options and these are explored in more detail against the above criteria in the following table:

FACTOR	OPTION 1 (SINGLE UNITARY)	OPTION 2 (TWO UNITARIES)
Improved service efficiency	A single County Unitary would serve to generate the greatest amount of potential savings, and based on the creation of a single, accountable Authority, would be the most straightforward for service users	Two Unitary Councils would not generate long term savings on the scale of a single Unitary as there is a need to create two, rather than one management and back office structure
Democratic representation	While the single County Unitary model reduces the overall number of elected Members, it once again removes much of the ambiguity which exists currently and offers the potential for a clearer link between County Members, parish Councillors and local community activists	This option would produce a higher Member to resident ratio than option 1 which could be seen to enhance democratic representation
Reduce overheads	A single model would be the most effective in reducing back office and overhead costs as the annual savings of a single County Unitary are up to £28.3m	A two Unitary model has the potential to produce annual savings of up to £16.8m. The inherent duplication of two Councils as opposed to one means there is reduced scope to reduce the cost of overheads.
Identity and resonance	The County of Cumbria was created after the Local Government Act of 1974 from the historical counties of Cumberland, Westmorland and parts of Lancashire and the West Riding of Yorkshire.	While this option would produce change, the changes would be in County and could be accommodated with a sensible communications strategy.

3. Case for change

3.1. Introduction

Local Government in the UK is currently in an unprecedented period of change. There is now a general consensus across the political spectrum that this change will be long-term and will fundamentally alter the role and function of local government as we have known it for the last century, with a much greater emphasis on personal and social care responsibilities and progressively less discretionary revenue for wider investment. The seven councils of Cumbria are not immune from the effect of this change, having already seen considerable reductions in real-terms revenue, with firm projections of further fiscal contraction to come.

The disproportionate gearing effect between local taxation to central government grant combined with the unpopular perception of any significant increases in council tax means that councils are unable to realistically increase their base funding. This, combined with the ongoing pressures of spending on adult and children's social care, means that budgets remain under intense pressure, with little apparent ability to increase revenue flow or avoid costs attached to what are statutory duties of care.

However, reconfiguring and optimising service design and commissioning through collaboration and integration, offers opportunities to reduce administrative and managerial duplications, releasing more resources to address these demand pressures and creating leaner, fitter and more resilient organisations, which are better equipped to deal with the challenges they will face in the immediate and mid-term future. Reconfiguration would also go some way to addressing the specific challenge that the vast majority of planning at strategic level for economic, transport and social infrastructure programmes is conducted at sub-regional (i.e. County) level, including the county-wide Local Enterprise Partnership (LEP) which is the primary vehicle for the council and its partners to co-ordinate strategic regeneration, investment and competitiveness. This frequently leads to inconsistency in terms of the incentives for change being at different levels which is a particular challenge in terms of infrastructure and could lead to competitive disadvantage for the County as a whole.

While some progress has been made on collaboration in Cumbria over recent years, the inherent weaknesses of the two-tier system serves to undermine the potential of efficiency savings over the long term. Some of these inherent weaknesses are:

AREA	CONSIDERATION
Administrative and managerial	Even with the collaboration which has taken place, there remain seven separate organisations which need to be individually sustained across the County leading to inherent inefficiencies.
Duplication of effort and responsibility	Responsibility for services such as planning (District level), economic development (County-wide and District) and housing (District for delivery, County-wide for strategy planning) are currently split across different organisations across the County as well as duplication of back office and managerial functions.
Customer focus	Are residents best served by having two separate delivery organisations in the same locality?
Economic Strategic planning	Given the different and at times confusing roles and responsibilities between planning, highway infrastructure and housing for example - who do potential investors go to?

While there are explicit financial weaknesses associated with two-tier local government in terms of the multiples of particular job functions in a given area, the potential 'soft' impact on services should not be underestimated. The last twenty five years has seen the role of local government shift from that of service deliverer to service commissioner, this in turn has served to considerably expand the breadth of local government partnerships and relationships required to manage effective delivery. Combined with the ever increasing complexity of increasingly diverse communities means that local government can no longer act alone, but rather as a central partner at local level; identifying and predicting demand and working with others to commission sustainable solutions. This evolution has in many ways outpaced two-tier arrangements; services such as community safety, health (for example, the Clinical Commissioning Group (CCG) broadly coterminous boundary with the County), and economic development are increasingly overseen by multi-agency partners with the role of Councils being to use their local democratic legitimacy to lead outcomes which best fit the needs of the area.

Speaking with a single and unified voice, Unitary Councils have the potential to lead these debates more effectively, combined with the control of the statutory functions it needs to more effectively facilitate and drive change.

This sentiment was recently echoed by Lord Heseltine in his review of local growth entitled 'No Stone Unturned; In Pursuit of Growth'. In it he stated:

> *"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. For many, the range of different systems is baffling too. "*

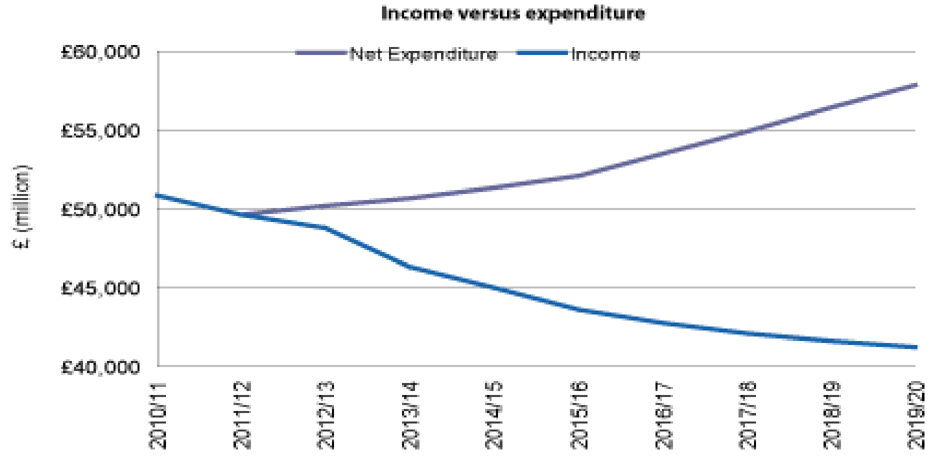
No Stone Unturned; in Pursuit of Growth

3.2. Local Government funding projections

3.2.1. Income

The financial challenges facing local government over the foreseeable future are well documented, as are the considerable efficiency savings which have already been achieved by the local government sector over the last four years. Based on Treasury predictions for UK growth and taxation, in addition to local government and others own projections for on-going demand, these financial challenges are unlikely to prove merely cyclical but rather structural. Put simply, less resources to deal with increased service demand is likely for the foreseeable future.

The graph below highlights the projected central grant income available to local government based on projected Departmental Expenditure Limits (DELs) up to 2020.

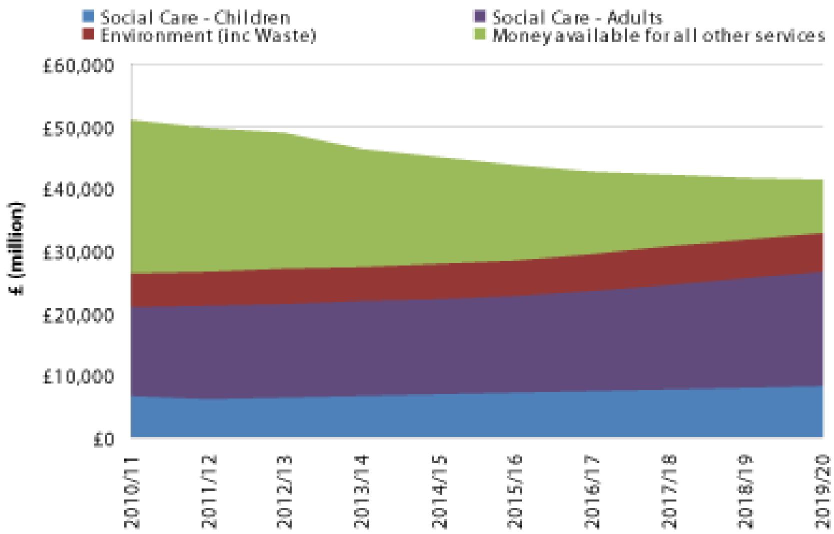


LGA Future Funding Outlook 2014

Source: LGA submission to parliament 2012

3.2.2. Service Pressures

Alongside this, it is important to consider the impact of increasing cost pressures driven by a range of social, economic and demographic pressures. A report by the Local Government Association (LGA) in 2012 which was based on in-depth research with a wide range of Councils set these demand pressures in stark terms. In particular, it illustrated the effects of escalating cost pressures from services to vulnerable older people and children, outlining "a likely funding gap of £16.5 billion per year by 2019/20, or a 29% shortfall between revenue and spending pressure" - the effect of this can be seen clearly in the chart below.



Source: LGA submission to parliament 2012

3.2.3. Funding projection for the County Council

For Cumbria County Council, the contraction in central government grant funding, at a time of rising demand for services, will continue to be the key challenge facing the organisation. Based on the Council's Medium Term Financial Plan (2014-2017), the County Council has already delivered £88million in savings over the last three years (2011-2014).

However the County is still facing huge financial pressures and this is expected to continue into the immediate future. In 2014/15 and beyond, the council has significant financial pressures to face, which means that the council must fundamentally transform the way it delivers some of its services. The target savings are over £83million over the period 2015/16 to 2017/18. The budget agreed by Council in February 2014 identified £27.9m new savings. Work is ongoing to determine how the additional savings required will be achieved, with consultation launched on 23rd October 2014. The Council will consider its budget for 2015/16 and an updated medium term financial plan in February 2015, the outcome of which may affect the level of savings required in the medium term.

3.2.4. Funding projections for the District Councils

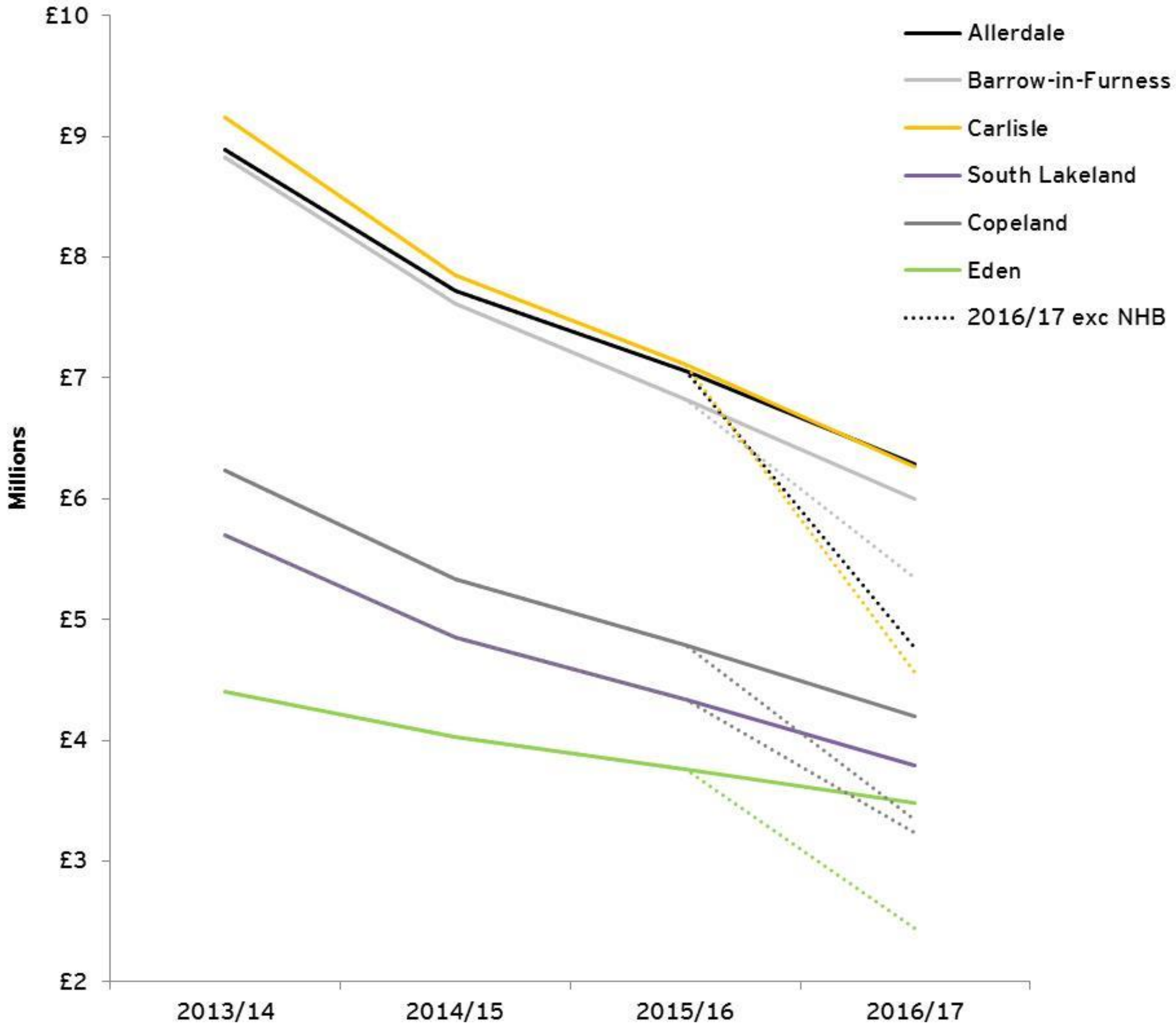
Based on published data available from the DCLG, the following funding projections illustrate the level of financial pressure that the District Councils may face over the next four years. The table below shows the decrease in the settlement funding assessment (SFA) that is anticipated for the District

Councils. The funding for 13/14, 14/15 and 15/16 is based on published data at the time of preparing the report, and 16/17 is based on the average funding reduction across the Districts from the previous three years.

District Councils	Total Settlement			
	2013/14	2014/15	2015/16	2016/17 (est.)
Allerdale	£8.9m	£7.7m	£7.1m	£6.3m
Barrow-in-Furness	£8.8m	£7.6m	£6.8m	£6.0m
Carlisle	£9.2m	£7.8m	£7.1m	£6.3m
Copeland	£6.2m	£5.3m	£4.8m	£4.2m
Eden	£4.4m	£4.0m	£3.8m	£3.5m
South Lakeland	£5.7m	£4.9m	£4.3m	£3.8m
Total	£43.2m	£37.4m	£33.9m	£30.0m
NHB as a % of Total Settlement Funding	5%	10%	16%	21%

The table above highlights that it is not only the County Council that is facing significant financial pressures and reductions to funding in the immediate future. The graph below shows the decrease in settlement funding assessment (SFA) that is anticipated for each of the District Councils over the next four years alongside the potential impact of any change to income received through the New Homes Bonus.

The New Homes Bonus (NHB) is a grant paid by central government to local Councils for increasing the number of homes and their use and it forms a significant percentage of the settlement funding District Councils receive. It is understood that the future of NHB is far from certain and will be subject to a review later in the year. Furthermore, even if it were to continue, it is likely to be reviewed once more following the next general election in 2015. With this in mind, it is prudent to model the potential impact the loss of this funding would have on the District Councils and the graph below models the significant risk should NHB be reduced or possibly removed.



The potential to come together into one or more Unitary Councils to replace the existing two-tier arrangements could enable the following:

- Plan the reduction of back office costs in a manner that could protect service delivery and enable increasing financial pressures to be tackled more effectively;
- Harmonise the existing levels of Council tax and reduce bills for a majority of residents across the County;
- Align and assimilate administrative and managerial functions to deliver better value for money and drive better outcomes across the County increasing the positive impact for service users; and;
- Create more robust and resilient organisation(s) through exploiting managerial synergies

3.3. Better Value for Money

Compared with the existing arrangements, both options have the potential to reduce the cost of local government in Cumbria as follows:

- Option 1 – A single Unitary Council model could save up to £68.1m over 5 years
- Option 2 – A two Unitary Council model could save up to £33.5m over 5 years

3.3.1. Potential efficiency savings

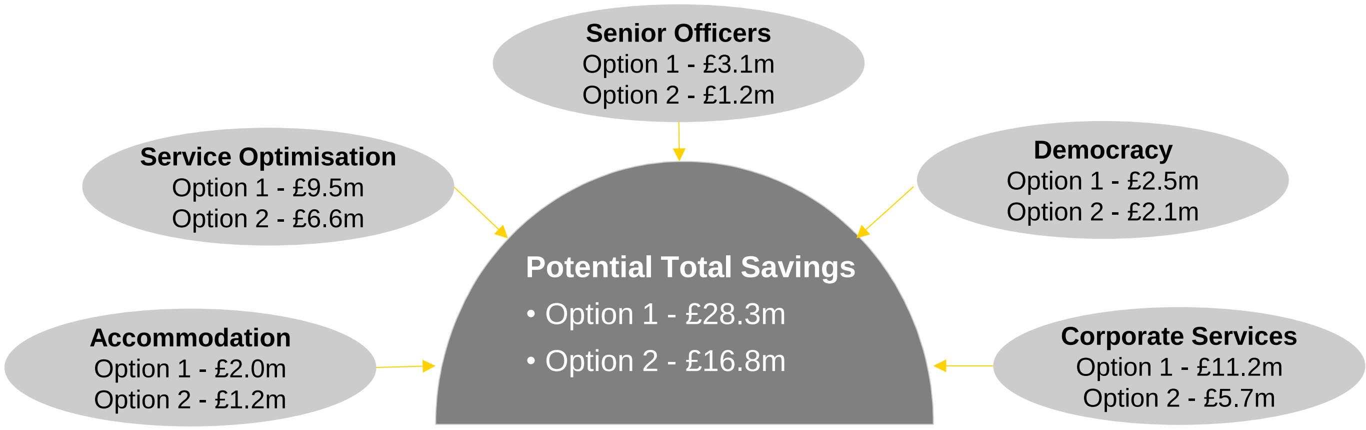
Delivering better value is never a matter of cost saving alone. Nonetheless, given the sheer scale of the fiscal challenge facing Cumbria there is a pressing need to examine all aspects of at least non-operational expenditure and identify where savings can be re-directed to offset cost pressures. We have grouped existing areas of revenue spend into a series of administrative areas of spend in the table below:

AREA OF SPEND	KEY ISSUES
Senior Officers	Cumbria as a whole is currently led by a professional team consisting of approximately 61 senior managers for a population which is statistically smaller than a considerable number of UK cities. There is inherent duplication of senior management teams across 7 local authorities within Cumbria.
Elections	Cumbria is currently governed by a total of 368 elected Members. The pattern of election cycles across the County and Districts are as follows (next election in brackets): • County elects once every four years (2017) • Carlisle & South Lakeland elect three of every four years (2015) The remaining councils all elect every four years (2015)
Accommodation	There are Council offices and assets all across the County, each of which need to be operated and maintained.
Corporate services	Each organisation needs services such as ICT and back office services such as finance, payroll and HR to function effectively. Could this be consolidated?
Frontline services	Whilst the protection of frontline services is paramount, there are efficiency savings to be made by reducing the managerial overheads required to deliver duplicated services and optimisation of service delivery processes and mechanisms?

We have assessed each of these areas of spend in turn and modelled potential savings across the two options. We have examined these savings against a set of assumptions and the following publicly available data:

- Budget books and statement of accounts;
- Pay policy statements and organisational charts;
- Medium term financial plans (MTFP) and Annual Reviews; and
- Official Local Authority data and reports from industry recognised professional bodies (i.e. CIPFA and SOCITM)

The diagram below sets out the potential financial savings that can be delivered across the two options considered. These savings are explored in more detail in the financial case (section 4). It should be noted that a range of savings has been modelled and the numbers in the diagram below represent the upper savings range.



Potential annual stable savings for each option

3.3.2. Harmonisation of council tax

Currently there are variations in the amount of Council tax paid across the County due to the fact that while the County has a single level of Council tax, the District Councils each set their own level (see table overleaf for details). A move to one or two Unitary Councils provides the opportunity to harmonise Council tax across the County. Three options have been modelled in this report:

- Harmonising at the current average level of Council Tax paid across all households in Cumbria
- Harmonising based on all households paying at the current lowest level across Cumbria
- Harmonising based on all households paying at the current highest level across Cumbria

Depending on the approach taken, there are implications for the overall savings that can be achieved (i.e. harmonising at the current lowest level of Council tax across the County will require an investment of savings whilst harmonising at the current highest level will result in additional income), and Cumbria residents.

The table below summarises the key points for each of the three approcahes modelled.

	Council outcomes	Household outcomes				Council outcomes		
Harmonisation approach	Proposed council tax rate	Average change	No. of winning households	No. of standstill households	No. of losing households	Forecast UA income	Total change £	Total change %
Highest Council Tax	£1,374	£18	0	17,532	141,431	£218.5m	£5.4m	3%
Lowest Council Tax	£1,313	-£28	130,606	28,357	0	£208.7m	-£4.4m	-2%
Average Council Tax	£1,340	£0	67,720	0	91,243	£213.1m	£0m	0%

If setting the Council tax at an average level with the current income and the same number of households across Cumbria, it means 67,720 households would pay less Council Tax and 91,243 households would pay more. This would have no impact on the overall savings achieved through moving to a Unitary Council.

Setting Council tax across Cumbria to the lowest current level (currently Allerdale Council) would result in a saving of up to £62 per household (see Section 3.3) with all households in the County except those in Allerdale benefiting from a decrease in Council tax. Implementing this harmonisation would require a re-investment of £4.4m of efficiency savings per annum. Taking this approach would require £22.0m across the first 5 years.

By increasing Council tax up to the current highest level across Cumbria (Barrow) would cost, on average, extra £18 per household across Cumbria, delivering additional income of £5.4m per annum. This could result in an additional £27.0m savings across the first 5 years.

The table below sets out more detail on the impact across the County if an average level approach was taken to Council tax harmonisation.

Council	Total band D equivalents	District Element	Band D District + County*	Movement from the current average
Allerdale	28357	£ 151	£ 1,313	-£30
Barrow-in-Furness	17532	£ 213	£ 1,374	£32
Carlisle	30648	£ 193	£ 1,355	£12
Copeland	19540	£ 184	£ 1,345	£3
Eden	19214	£ 169	£ 1,330	-£12
South Lakeland	43672	£ 176	£ 1,337	-£5

*County element £1162

The two Unitary option that has been modelled for this report is based on a theoretical split rather than a geographical split and it is therefore not possible to model the exact impact of Council Tax harmonisation. However, by harmonising across both new authorities at the highest level, it would deliver additional revenue slightly below the single Unitary model (as one new authority would be harmonising at a slightly lower level) but would also mean less households across Cumbria would face an increase in Council Tax as a result of harmonisation. Similarly, harmonising at the lowest level of current Council Tax would result in a reduced level of required re-investment of savings (as one new authority would be harmonising at a slightly higher rate than the other), but would also mean less households were 'winners' i.e. receiving a reduced Council Tax rate.

3.4. Streamlining service delivery

Two-tier working arrangements have a number of inherent weaknesses in terms of governance and accountability compared to single-tier arrangements. While these are generally managed and overcome in order to deliver effectively; they are nonetheless structurally sub-optimal, resulting in the potential for not only confusion and duplication but also providing ongoing conditions for conflict between different management and governance arrangements. The creation of a unitary organisation presents an opportunity to effectively design these flaws out of the system; providing a streamlined and efficient organisation.

Local Councils are best placed to assume local accountability based on their democratic mandate and the sheer range of services they are involved in commissioning and delivering at a local level. While the notion of democratic legitimacy is occasionally overplayed (particularly given typical turnout figures for local elections), more progressive councils adopt a position of ‘first among equals’ when working with other organisations and agencies to co-ordinate and prioritise local services. This accountability and the legitimacy it brings is enhanced further through Unitary status by removing any confusion which exists in two-tier areas and enabling both elected Members and staff to engage more directly with communities.

Both options considered in this report are likely to each result in differing levels of elected Member representation across the County, the details of which can be found in appendix A. Whichever option is ultimately pursued will also benefit from the creation of effective mechanisms to work with both parish and town Councils ensuring that accountability remains as local as possible. Cumbria already benefits from a sophisticated network of over 250 town and parish Councils which will provide a firm basis for further improved local connections.

This in turn could enable the new Council(s) to place a premium on diverse and sometimes distinct local need, combined with the strategic delivery power to ensure that relevant outcomes are achieved.

Regarding the Fire service, in a two-unitary model, this would need to be separated from local government to establish a new Fire Authority covering the county, rather than splitting it. The model of creating a Fire Authority is typical when county councils are disaggregated (e.g., Leicestershire - Leicester City – Rutland; Buckinghamshire – Milton Keynes; etc.). While the establishment of a Fire Authority would avoid indirect cost increases caused by disaggregation, there would be an implementation cost which has not been modelled in this report. The council tax payer would receive a council tax bill from the new Fire Authority and their Unitary Council in this scenario.

3.4.1. Locality Focus

The shift to Unitary status would require the removal of the existing municipal boundaries. This will enable increased focus on natural or whole communities and in turn, remove many of the managerial barriers which currently exist. This will present a clear opportunity to create a better locality focus because:

- Inherent barriers to County wide strategic planning are removed allowing a greater focus on the planning, commissioning and delivery of better outcomes for Cumbria;
- Natural communities can plan and act together to facilitate the best quality and most relevant services for their area; and
- Services can be targeted more effectively at specific challenges based on a County-wide view of communities, families and individuals;

3.4.2. Alignment of commissioning

Services which have impact and resonance with local communities are designed around specific outcomes, but these outcomes can become obscured when separation of managerial culture, resources and capacity are introduced.

In simple terms, the creation of Unitary local government could help focus and possibly reduce the volume of delivery partners, and strip away many of the barriers that can obstruct the delivery of clear community outcomes. Combined with clear managerial and political leadership, this clarity can help create the conditions for greater levels of innovation and creativity in service commissioning and delivery, it can enable the new Council(s) to more effectively partner with local communities and focus on the effective co-design of better outcomes as a result.

Over time, and managed effectively with the existing network of parish and town Councils, which is well established in Cumbria, this alignment of capacity and resources will enable better management of demand and the potential for sustainable efficiency savings to be locked into the new organisational culture.

3.4.3. Organisational resilience

The creation of new organisational structures which would be an inevitable consequence of reorganisation presents an opportunity to design in a new culture of management and governance which is leaner, fitter, more resilient, and better able to cope with future changes and demand.

Private sector mergers often cite this, along with resource consolidation, as a central factor in exploring the possibility of bringing different organisations together. The rapidly changing environment for local government means that the ability to negotiate, influence, lead and adapt have rapidly become as important as the more traditional administrative and transactional skills traditionally associated with local government. Organisational redesign and restructuring on the scale of a Unitary re-organisation allows the opportunity to place a premium on these skills and redesign services accordingly.

The establishment of managerial resilience and innovation, along with the ability to be organisationally nimble, are increasingly becoming pre-requisites of long-term planning and the development of Unitary local government presents a unique opportunity to exploit this.

3.5. A more strategic approach

Identifying and co-ordinating key stakeholders is central to the emerging community leadership role which more progressive Councils are now realising. Over the last decade, successive governments have attempted to codify this notion in policy terms through a variety of initiatives such as Local Area Agreements, Total Place, Public Service Agreements and City Regions. While the policy terminology might be subject to ongoing change, the central thinking based on increasing strategic planning and resource allocation at local level, continues to develop.

There are many factors which must combine to enhance the economic competitiveness and growth of an area. Some of these are global factors such as investment decisions made by international capital markets; some are influenced at national level, for example taxation and national infrastructure. However, many of these factors are greatly influenced at local level such as available skills, transport infrastructure, housing, the quality of the built environment and leisure and recreational activities. In addition to this there are more intangible factors such as local identity, social makeup of areas and local pride. This is brought into sharp focus with the division between County and District functions when considering economic competitiveness and growth. For example, across the County there is currently:

- No single planning Authority - each District has responsibility for its own relatively small geographical area;
- No single, integrated housing strategy
- No single economic and social planning for the area as a whole

Additionally, given the County-wide remit of the relatively new Clinical Commissioning Group (CCG), the ability to plan and resource better health outcomes across the County would be greatly enhanced with the introduction of a simplified and more streamlined approach at Council level.

In addition to the CCG, there is a wide range of service planning, commissioning and delivery apparatus which currently exists at County rather than District levels including the Local Enterprise Partnership (LEP), many of the bodies which support and represent the voluntary and community sector.

Finally, there is an argument that increasing the strategic focus of the County by enabling an enhanced role for natural communities, will unlock considerable social impact. While this has an indirect rather than direct financial emphasis, social impact is increasingly seen as a central tenet of community cohesion and could well serve to underpin and enhance the wider efforts for growth.

3.6. Additional considerations

Whilst a transition to unitary status has the potential to deliver significant benefits, there are also a number of additional considerations which would need to be carefully planned for. The considerations below would need to be subjected to further detailed analysis and planning before any comprehensive conclusions can be drawn on a final blueprint for Unitary local government.

3.6.1. Harmonisation of pay and conditions

The new Council(s) would need to create a single framework for pay and employment conditions across each organisation. While serving to capture any pay anomalies, this may well also produce potential harmonisation costs, similar to ‘single status’ procedures.

3.6.2. Member representation

Any reduction in the number of elected Members is likely to invoke considerable political debate. We have modelled each option in terms of the ratio of electors to elected Members, but the impact of any reductions will have to be managed.

3.6.3. Property and assets

It is important to recognise that the assumptions regarding property assets that underpin this report are purely revenue based, so does not consider any (potentially substantial) capital receipts which would result from a property rationalisation programme. In reality, revenue savings from assets would be linked to the disposal of whole units of accommodation rather than individual workspaces so may be higher or lower. In addition, consideration has been taken of ongoing flexible working initiatives within the County Council.

We have made high level assumptions about the quality and potential upkeep of the existing property portfolios across the County in addition to the likely scale of accommodation required by the newly created organisation(s). However, it is possible, if not probable, that there will be a requirement to invest in some of the accommodation retained to ensure that it is fit for purpose.

Finally, reconsideration of the property portfolio will offer the potential to reshape public buildings around current need across the County rather than it being simply based on an historic portfolio. This will provide a genuine opportunity to not only realise considerable revenue savings but also ensure that public access points are designed around need.

3.6.4. Harmonising service delivery

Addressing variations in service standards in order to ensure consistency and quality of service delivery across the new organisation(s) has the potential to involve investment in equipment and skills in the short-term. However, this also provides the opportunity to deliver best practice processes and services across the County.

3.6.5. Senior and specialist recruitment

The current market for senior local government professionals, while recovering from the extremely challenging conditions experienced between circa 2008 - 2012, remains difficult in terms of attracting strong candidates. In addition to this there is a continued downward pressure on senior salaries, due to on-going political pressure and the resulting media scrutiny. Finally, there are factors in specific service areas such as Children’s Services which are experiencing serious supply challenges, exacerbating this situation still further. The combination of these factors will significantly increase risks associated with senior recruitment, particularly for Option 2, where a requirement to simultaneously approach the market for two Directors of Children's Services would present a greater challenge.

3.7. Experience of other Unitary Authorities

Senior officers of other Unitary Authorities have been interviewed to understand their experiences during design, implementation and integration of a new Unitary Council in the build up to 2009. The interviews identified a number of common themes that emerged during transition.

Benefits realisation

The following areas delivered savings:

- Back office rationalisation;
- Staff reduction through management streamlining;
- Reduction in democratic costs;
- Consolidation of IT and accommodation;
- Procurement and contract management;
- The creation of a single senior management team; and
- The merging of a number of other professions across the county.

Key challenges

The following key challenges were observed:

- A perception of a democratic deficit at 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 which were later disbanded as they were deemed unnecessary;
- Agreeing an approach to harmonisation of pay and conditions;
- There was a concern that local access to services may reduce if the District offices providing local services were rationalised. In one Authority 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; and
- Prior to merger, not all the councils were supportive of the move to Unitary local government and, in some cases, actively resisted the change.

Quantitative evidence highlighting how Unitary Authorities are better able to deal with challenging savings targets is evidenced in a 2011 report produced by Deloitte 'Sizing up; Local Government Mergers and Service Integration'. This report sought to compare savings for those Councils which had transferred to Unitary status in 2009 with those remaining as two-tier. Using published data from DCLG and covering a 24 month period, there was an overall savings total of 13.4% on services (within the scope of the analysis) for the new Unitary Authorities compared to an increase of 2.1% for those remaining as two-tier.

Set out below are some of the summary financial outcomes from the 2009 Unitary changes.

Unitary	Projected Saving	Estimated Saving Delivered*
Cornwall	£17m per year	£25m per year
Northumberland	£17m per year (£51m over three years)	£85m over three years
Durham	£22m per year (£66m over three years)	£130m over three years
Shropshire	£20m per year	£20m per year

*Information for estimated savings delivered is not readily available and in some cases the numbers include general efficiency savings which are not possible to separate from reorganisation savings. Figures have been sourced from either interviews with key stakeholders or other publicly available reports/analysis.

3.8. Conclusions

The analysis above suggests there is a strong case for change to explore the potential of Unitary local government in Cumbria. Both options have relative merits and drawbacks associated with them, however, the analysis clearly shows that in pure financial terms, option 1 (single Unitary authority) delivers the greatest financial benefit over a five year period. Our findings suggest that this would present the opportunity to:

- **Deliver better value** for money by tacking managerial and administrative duplication and waste while protecting and indeed potentially enhancing services;
- Provide a **direct benefit** to Council tax payers by harmonising taxation levels across the County;
- Create a **more strategic approach** to service planning, commissioning and delivery, which will create better outcomes for service users; and
- **Enhance and streamline service delivery** ensuring that outcomes are more bespoke and therefore relevant to distinctive community needs.

4. Financial Case

4.1. Summary

The analysis illustrates that re-organisation of Local Government in Cumbria could help to ease the significant budget pressure local government across Cumbria is likely to face over the next few years, and/or ease growing pressure on frontline services. Both options assessed aim to reduce the expense of maintaining seven independent government organisations, which currently have their own management teams, infrastructure and bureaucracy. Both options also offer the potential to free up funding to reinvest in reducing Council Tax, direct this back into frontline services, and/or help towards meeting the expected future funding deficit. This could also help to offer service users better value for money and build a more resilient Council for the future.

Both options have been summarised in the table below to reflect the lower and upper ranges for potential savings, implementation costs, payback period, net cumulative savings and potential FTE reduction.

Option	Net cumulative saving (5 years)	Annual savings (post implementation)	Reduction to spend (exc. Care and Education)	Implementation costs	Payback period	FTE reduction
One Unitary	£55.3m - £68.1m	£21.8m - £28.3m	11.4% - 14.8%	£13.6m - £14.7m	1 - 2 years	433 - 544
Two Unitaries	£19.5m - £33.5m	£10.5m - £16.8m	5.5% - 8.8%	£13.5m - £14.4m	2 - 3 years	220 - 312

The table above shows that option 1 (single Unitary Council) has the potential to deliver the largest 5 year net saving (up to £68.1m) and the largest post-implementation stable annual saving (up to £28.3m).

The potential £28.3m post-implementation saving comprises the following savings areas:

- Up to £3.1m in senior officer savings;
- Up to £2.5m in having fewer Members and running fewer Elections;
- Up to £2.0m from reducing the use of accommodation;
- Up to £11.2m from corporate service rationalisation; and
- Up to £9.5m from service optimisation.

A £28.3m saving represents 5.4% of total net expenditure of £529.0m across all services within the County Council and the 6 District Councils. Notably, as Care and Education services are uniquely provided by the County Council, FTE and non-pay expenditure for these services was not included in the addressable spend figures when quantifying savings. This should also help to protect the integrity of these services £28.3m actually represents up to 14.8% of an adjusted addressable net expenditure figure of £191.7m.

The cost of implementing the proposed changes is estimated to be £13.5m - £18.6m, depending on which of the options is selected, and largely relates to costs resulting from a reduction in FTE and disaggregation costs. The following implementation plan is applicable to all the options and dictates the potential timeline for realisation of savings and implementation costs. The cost of implementation has been forecast to take between 3 and 4 years for both Options.

- Year 1: Senior Management and Democratic change;
- Year 2 and 3: Service and middle management restructuring, redesign of support services / infrastructure and rationalisation of assets; and

- Year 4: Full service integration and contract harmonisation.

Over the course of five years a move to a Unitary Council (Option 1) could offer up to a £68.1m net cumulative saving when the phased delivery of savings and costs are considered. This option also achieves the fastest payback period of within 1-2 years.

It is notable that, splitting Cumbria into more than one Unitary Council (Option 2) could reduce the saving by up to £11.5m per annum. In subsequent sections there is a detailed breakdown of the analysis and assumptions that sit behind these high-level figures. Following this there is an appraisal of each of the Unitary options considered in this report.

4.2. Benefits

4.2.1. Overarching benefits assumptions

Although the profile of benefits changes across both options, the same service baseline and savings assumptions have been applied within each of the savings area. The non-financial benefits can be clustered into the main savings areas also.

The overarching analysis approach, savings assumptions and non-financial benefits for each savings area are outlined in the tables below:

- Senior officers savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Chief officers	• District and County actual roles sourced from headcount breakdowns from published annual reports. • Senior costs include the top three tiers of management. • Salaries were sourced from published financial statements. • Assumed on-costs of 25% have been added where these were not explicitly detailed.	• Each new Unitary Council will need a single Chief Executive, 4 - 5 Directors and 14 - 16 Heads of Service. • Chief Officers will be paid salary bands currently in operation at the County level.
Additional unquantified benefits and potential savings opportunities • Pooling of expert management resource could help devise and implement tactical decisions and policy initiatives • Retention of the best leadership talent		

- Elections savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Members	• Actual numbers of Members and allowances (including basic, special responsibility, travel and subsistence) were sourced from County and District websites.	• Assumed that the number of Members for the new Unitary Authority would be scaled down as per the relative size of the new Unitary Council (see Appendix A). • Allowances for new Members will be equal to average amounts currently paid out at the County level. • Members savings relate to impact of Member unit reductions on current baseline spend on allowances.
Elections	• The pattern of election cycles was derived from publicly available information. This indicates that all the District Councils and the County run an election every 3 to 4 years. • An average unit cost per Member per election within the County was derived from the total cost of a County election, based on the transfer from 'Election' reserve in 2013/14 SOA as an election took place in May 2013. • An average unit cost per Member per election within the Districts was based on estimated standalone election cost from Copeland district council website.	• Assumed that the number of Members for the new Unitary Authority would be scaled down as per the relative size of the new Unitary Council (see Appendix A). • Unit cost for Unitary elections will be equal to the average unit cost per Member currently paid at the County level. • Election savings relate to impact of Member unit reductions on current baseline spend on elections.

Additional unquantified benefits and potential savings opportunities

- Streamlined political accountability and clarity within a single-tier system
- Reduced bureaucracy and perceived uncertainty around the roles and responsibilities of Members

- Corporate accommodation savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Accommodation	• A high level figure for maintaining property (i.e. FM costs) has been calculated via cost of required workspaces within each Council building. • Unit cost of workspaces in Cumbria sourced from the Total Office Cost Survey (TOCS) 2010.	• The savings figure for accommodation is based on facilities management spend for the number of workspaces required as a result of estimated total FTE reduction. • This does not currently consider the valuation of occupied properties, which could also be released via FTE reductions. • It is not possible in this strategic financial case to accurately predict which assets would be disposed of under each option, so cost of workspaces and FTE reductions are used as a proxy.

Additional unquantified benefits and potential savings opportunities

- This analysis does not include potential capital benefits from asset disposal resulting from any potential estate rationalisation
- Retain a better quality estate across the county, dispose of high cost properties
- Enhanced opportunity for departmental integration through co-location
- Encourage the locality and community based reconfiguration of services

- Corporate service rationalisation savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
ICT applications and infrastructure	• Spend on FTE and applications /infrastructure was assumed as a percentage of total service expenditure (3%) sourced from SOCITM data and corroborated by evaluating ICT service spend in other Unitary Authorities. • Observations of comparable county/district budgets indicate c.50% of ICT spend is on ICT staff, which is represented in the staff expenditure and savings analysis so applying an assumption of 1.5% here.	• ICT application and infrastructure savings comprise 1.5% of the difference between current total service expenditure across the Districts and County and revised service total expenditure for the new Unitary/Unitaries/ after savings from all other areas have been applied.
Corporate services FTE	• A baseline total FTE in Districts was taken from LGA report for Q1 2014 • An estimated headcount and total back office staff cost for the county council was taken from the HR Workforce MI report Apr 2014 provided by the county council • A 28% to 72% split has been applied across all authorities (excluding chief officers) as the split between corporate services staff and front line services staff. This ratio was from publicly available data for one local authority and applied across all authorities and is in line with similar business cases produced for other Counties. • An average of 13% to 87% management to staff split within Corporate Services (based on splits observed at other two-tier authorities) was then extrapolated to the overall FTE numbers in both the County and the District Councils. • Pay grades were taken from pay policy statements for each Council and grades of £30,000 and above were assumed to represented management salary. A 25% increase was applied to these figures to represent on-costs.	• Assumed that corporate services middle management and staff in new authorities will be paid the average salaries currently paid by the County and Districts. • The staff required in a new Unitary Authority corporate service (Option1) would be 25 – 28% lower than the current number of FTE carrying out these service across the County Council and all the District Councils currently.

Additional unquantified benefits and potential savings opportunities

- Ability to attract and retain high calibre ICT professionals to support frontline service innovation and transformation
- Opportunity to integrate the best talent and optimise the quality of internal support services
- A resilient corporate core that shares a unified view of how best to support the Council
- Improved streamlined decision making through implementation of robust corporate governance structure

- Service optimisation savings assumptions

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Middle management and professional roles	• An estimate of the split of FTE across delivered services (i.e. Community, Environment, Planning and Care) was profiled using publicly available data. • Assumptions for work sharing, management to staff FTE splits and pay grades were applied as per the analysis detailed above for corporate services FTE. • Opportunities to deliver savings through removing duplicated professional roles.	• No savings to be delivered from Care and Education services staff. • All service middle management and staff in new Authorities will be paid the average salaries currently paid by the County and Districts. • Regardless of size and number, new Unitary Councils (Option 1) will require 100% retention of frontline service delivery staff. The number of managers needed would be equal to current County managers plus 60% - 70% of District managers. This does not assume that any FTE reduction would come solely from District Councils. • Assumed a 5% saving can be achieved against delivered services (i.e. not corporate services) District staff spend through duplication of some professional roles. I.e. new authority/authorities would retain equivalent to 100% of county spend and 95% of District spend on delivered service staff after Care & Education services have been excluded.
Optimisation of service expenditure	• Net baseline expenditure for the different service areas was obtained for the County and Districts via 13/14 DCLG Revenue Account data. • 13-14 DSG income/expenditure was obtained from the County 13/14 statement of accounts and removed from the overall Care and Education figure for the County. • These data were then clustered into different service areas (i.e. Community, Environment and Care and Education) and centralised services were apportioned equivalently across these groups. Following this estimated spend on FTE was removed from each service area.	• High level percentage savings were applied to delivered services to reflect efficiencies from economies of scale, integration and service optimisation. These percentages adjust as per the relative size of the new Unitary Authority/s for a given option. • Further details and examples of how service optimisation savings could be achieved across different services are set out in Appendix B.

Additional unquantified benefits and potential savings opportunities

- Redesign the overall structure and management roles to reflect the needs, values and target culture of the new organisation
- To attract and retain high performing talent across key services, supporting innovation and change
- Facilitation of knowledge and skills sharing from a broader range of experiences and contexts
- Opportunity to move towards outcomes based service delivery
- Consolidated and strengthened business relationships with external providers

4.2.2. Option 1 savings - One Unitary Council

The overall potential savings range for this option is £21.8m - £28.3m. In the table below is a summary of how these high level savings profile across each of the main savings area:

Area	Savings Lever	Unit Reduction	Indicative Annual Value
Senior officers	Reduction in senior officers	39 - 42 FTE	£2.8m - £3.1m
Elections	Reduction in Members allowances	250 - 278 Members	£1.1m - £1.4m
	Reduction in election costs	250 - 278 Members	£0.9m - £1.1m
Accommodation	Reduction in office space required	433 - 544 Workspaces	£1.6m - £2.0m
Corporate service rationalisation	Rationalisation of ICT via reduced service expenditure	1.5% of £21.4m - £27.9m	£0.3m - £0.4m
	Reduction in middle management	46 - 52 FTE	£2.3m - £2.6m
	Reduction in staff	307 - 345 FTE	£7.4m - £8.3m
Service optimisation	Reduction in middle management	44 - 59 FTE	£2.2m - £2.9m
	Reduction in professional roles	0 – 49 FTE	£0 – £1.2m
	Optimisation of current service expenditure	3% - 5% of £108.2m	£3.2m - £5.4m

4.2.3. Option 2 savings - Two Unitary Councils

The overall potential savings range for this option is £10.5m - £16.8m. In the table below is a summary of how these high level savings profile across each of the main savings area:

Area	Savings Lever	Unit Reduction	Indicative Annual Value
Senior officers	Reduction in senior officers	17 - 23 FTE	£0.6m - £1.2m
Elections	Reduction in Members allowances	221 - 256 Members	£0.7m - £1.1m
	Reduction in election costs	221 - 256 Members	£0.8m - £1.0m
Accommodation	Reduction in office space required	220 – 312 Workspaces	£0.9m - £1.2m
Corporate service rationalisation	Rationalisation of ICT via reduced service expenditure	1.5% of £10.3m - £16.6m	£0.2m - £0.3m
	Reduction in middle management	23 - 26 FTE	£1.1m - £1.3m
	Reduction in staff	153 - 172 FTE	£3.7m - £4.1m
Service optimisation	Reduction in middle management	29 - 44 FTE	£1.5m - £2.2m
	Reduction in professional roles	0 – 49 FTE	£0 – £1.2m
	Optimisation of current service expenditure	1% - 3% of £108.2m	£1.1m - £3.2m

Those savings assumptions that are unique to Option 2 refer to the requirement to scale the formation of two new Unitary Councils. These are as follows:

- Double the number of senior officers would be required
- Less integrated than Option 1, therefore higher retention rate of FTE (including both service delivery and corporate team) would be required

4.3. Implementation and payback

4.3.1. Overarching implementation assumptions

Implementation costs relate to the investment required for the creation of one or more Unitary Councils. These have been developed on the basis of the following assumptions and include:

- The cost of FTE reduction is based on removing up to 42 senior posts at an average cost of £50k (including on costs), and the remaining 441 posts (both frontline and corporate services) 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 communications, branding and professional services are largely based on the experience of other authorities;
- The ICT costs are based on the integration and replacement of core service systems (e.g., housing, planning, local taxation, regulatory services);
- The implementation team costs reflect the costs to employ 25 FTE at an average salary of £38k (including on costs) for both options;
- Disaggregation costs to reflect the costs involved with baselining and assessing the current single County structure with a view to splitting and reforming into new models where more than one Unitary authority would exist; and
- As experience from other authorities who have moved to Unitary status indicates that general transitional costs are often underestimated, transitional funds therefore have been built in to the financial model.

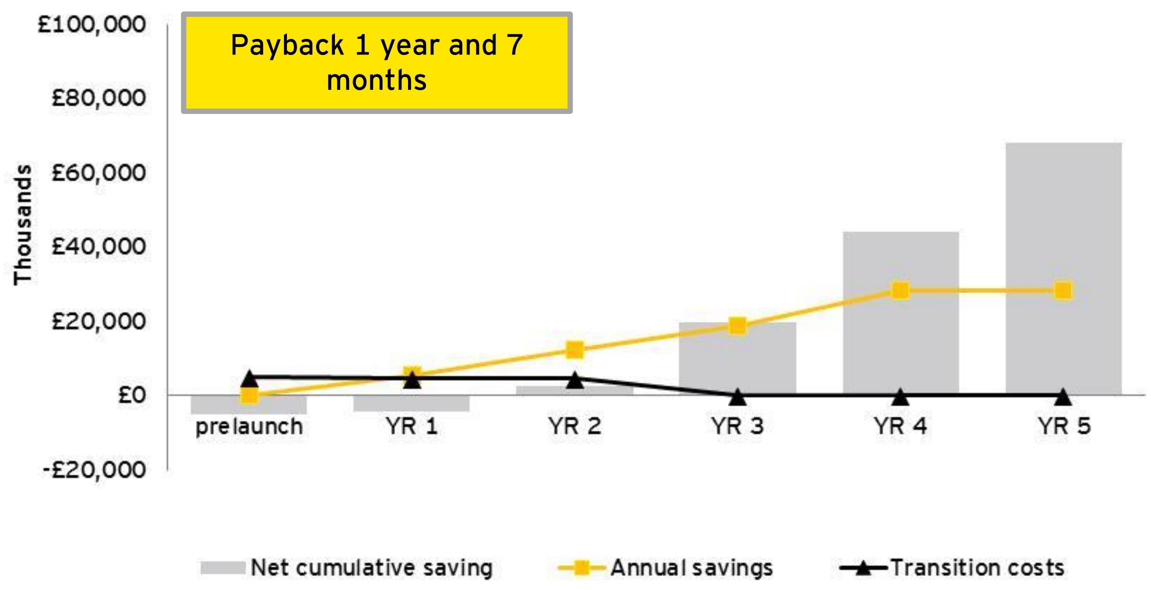
4.3.2. Option 1 - One Unitary Council

The profile of implementation costs for Option 1 has been modelled in line with the high level implementation plan and overarching assumptions set out above. The table below represents the upper range of these potential costs and also details how these factor in across the 3 year delivery timescale:

Investment area	Overall	YR 0	YR 1	YR 2
Planning and pre - launch	£0.5m	£0.5m	£0.0m	£0.0m
IT Costs and new system training	£2.0m	£1.0m	£1.0m	£0.0m
FTE reduction	£9.2m	£2.1m	£2.8m	£4.2m
Implementation programme team	£1.0m	£0.5m	£0.3m	£0.2m
Professional services	£0.3m	£0.2m	£0.1m	<£0.1m
Corporate comms and branding	£0.2m	£0.1m	£0.1m	<£0.1m
Staff induction	£0.1m	£0.1m	£0.0m	£0.0m
Member induction	£0.1m	£0.1m	£0.0	£0.0m
Disaggregation costs	£0.0m	£0.0m	£0.0m	£0.0m
Transitional contingency	£1.3m	£0.7m	£0.4m	£0.3m

The biggest investment area required to deliver Option 1 relates to FTE reduction. However, this is also the area that could deliver the majority of efficiency savings. As the current County structure would remain there would not be a requirement for disaggregation costs for this option and given that this is the most straightforward of the options to implement, costs for corporate communications and branding, professional services and ICT are also comparatively reduced.

Potential total non-recurrent implementation costs of approximately £14.7m could result in a payback period of 1 year and 7 months. The graph below represents the payback period for this option using the upper end of the savings range. This data also indicates that the net cumulative saving for Option 1 across the first five years has the potential to be up to **£68.1m**.



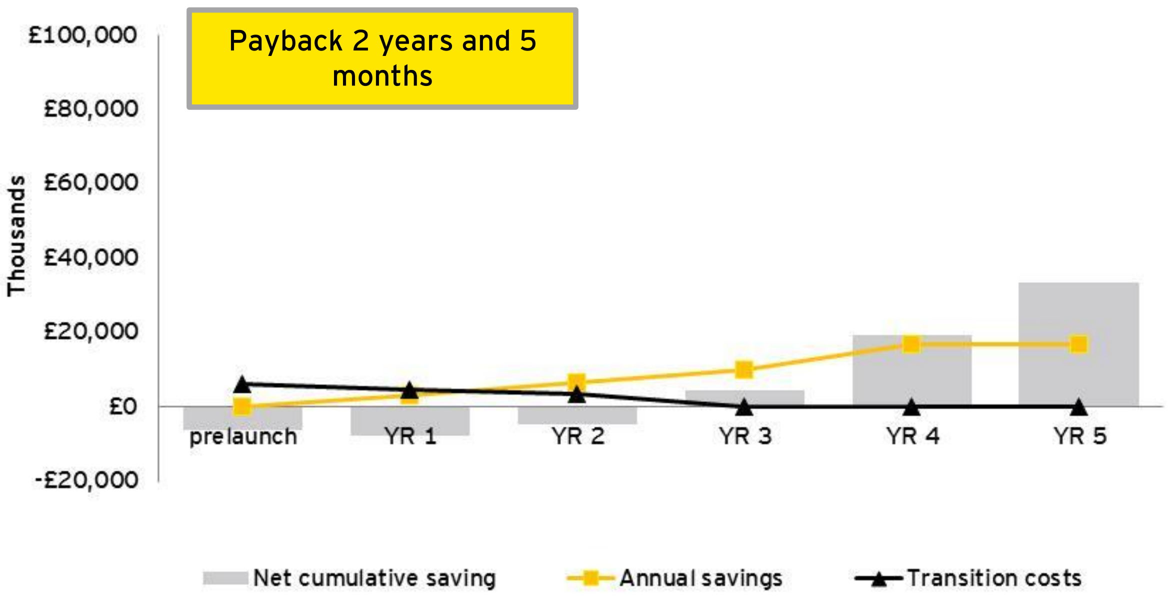
4.3.3. Option 2 - Two Unitary Councils

The profile of implementation costs for Option 2 has also been modelled in line with the high level implementation plan and overarching assumptions set out above. The table below represents the upper range of these potential costs and also details how these factor in across the 3 year delivery timescale:

Investment area	Overall	YR 0	YR 1	YR 2
Planning and pre – launch	£0.6m	£0.6m	£0.0m	£0.0m
IT Costs and new system training	£2.5m	£1.3m	£1.2m	£0.0m
FTE reduction	£4.8m	£1.2m	£1.5m	£2.2m
Implementation programme team	£1.0m	£0.5m	£0.3m	£0.2m
Professional services	£0.5m	£0.2m	£0.2m	£0.1m
Corporate comms & branding	£0.5m	£0.2m	£0.2m	£0.1m
Staff induction	£0.1m	£0.1m	£0.0m	£0.0m
Member induction	£0.1m	£0.1m	£0.0m	£0.0m
Disaggregation costs	£2.0m	£1.0m	£0.6m	£0.4m
Transitional contingency	£2.4m	£1.2m	£0.7m	£0.5m

The biggest investment area required to deliver Option 2 again relates to FTE reductions, however this is significantly reduced from Option 1. Services currently in operation within the County would need to be split so that they could be delivered across the two new Authorities, thus resulting in sizable disaggregation costs. Given the increased potential complications of setting up two vs. one new Unitaries, implementation costs for communication and branding, professional services and IT could end up being comparatively higher.

Potential total non-recurrent implementation costs of £14.4m could result in a payback period of 2 years 5 months. The graph below represents the payback period for this option using the upper end of the savings range. The data indicates that the net cumulative saving for Option 2 across the first five years has the potential to be up to £33.5m.



4.4. Options appraisal

4.4.1. Introduction and approach

Two options for reorganising the function of local government in Cumbria have been explored in this report as follows:

- Option 1 - The creation of a single, County-wide Unitary Council;
- Option 2 - The creation of two Unitary Councils; and

A sensitivity analysis of the options has been carried out based on assessment of the following areas:

- **Potential Savings** - to understand the impact of each Unitary option on overall savings targets
- **Impact for service users** - to capture the positive and negatives aspects of how District and County services will change from the perspective of the service user and the level of disruption they may experience
- **Practicality** - to understand feasibility of shared working across services and restructuring political landscape
- **Implementation** - to provide an overview of the relative costs and challenges to implement

For each of these areas a rating (red/amber/green) has also been applied to indicate the following:

- Red - provides a poor result relative to other options
- Amber - provides a satisfactory result relative to other options
- Green - provides the best result of all of the options

The methodology has been summarised in the table below:

ASSESMENT AREA	RATING			COMMENTS
Potential Savings	R	A	G	Detailed comments to explain R/A/G assessments
Impact for service users	R	A	G	Detailed comments to explain R/A/G assessments
Practicality	R	A	G	Detailed comments to explain R/A/G assessments
Implementation	R	A	G	Detailed comments to explain R/A/G assessments

Underneath each table is a quantification of how each option performs within distinct areas of the financial case. Detail has been provided to indicate the relative amount of each individual savings area for each option as follows:

(▲) highest savings/lowest cost across the two options

(▶) the same level of saving/cost across the two options

(▼) lowest saving/highest cost of the two options

4.4.2. Option 1 - One Unitary Council

ASSESSMENT AREA	RATING	COMMENTS
Potential Savings	G	Modelling indicates that this option will deliver the greatest potential savings of £21.8m - £28.3m
Impact for service users	G	A Unitary model could enhance user experience via streamlined services, and reduced duplication and bureaucracy Service users may benefit from continuity in the delivery of care, education and community services. However, suggested levels of political representation may be lower under this option than for other options.
Practicality	G	There should be limited requirement for service redesign and intuitive restructuring of democratic landscape. A single Unitary structure should support transfer of skills, capabilities, knowledge and best practice through shared working arrangements
Implementation	G	As this option involves the greatest FTE reduction, implementation costs are higher - however, this still represents the fastest payback period across all the options. Implementation will be challenging, but this has been successfully done elsewhere and there are ample opportunities to learn from others in this respect.

Potential overall savings target range for this option is **£21.8m - £28.3m**, this breaks down as follows:

- ▲ **£2.8m - £3.1m** savings from senior management;
- ▲ **£2.0m - £2.5m** savings from elections;
- ▲ **£1.6m - £2.0m** savings from accommodation;
- ▲ **£10.0m - £11.2m** savings from corporate service rationalisation;
- ▲ **£5.4m - £9.5m** savings from service optimisation;

- **£21.8m – £28.3m*** total savings from the above areas; and
- Non-recurrent Implementation costs of approximately **£14.7m** result in a payback period of 1 year 7 months (based on upper end of savings range).

*Difference between total and individual savings areas due to rounding on individual savings areas

Option 1 appraisal summary

Option 1 proposes the creation of a single, County-wide Unitary Council to cover the whole of Cumbria. The creation of a single Unitary Council will result in the largest potential amount of savings, based as it is on the concept of amalgamating seven separate organisations into a single entity and consequently eliminating much of the duplication and inefficiencies which currently exist.

Any change to an organisations practice and/or structure is likely to have some impact on service users as the transition to new ways of working is embedded. In this regard, Option 1 is likely to have the least relative impact given that it involves minimal disruption to existing County services with an agglomeration of District level services to County scale.

Option 1 also benefits from greater practicality given that the transition to an organisation which is already in place should reduce the need for new administrative materials, County-wide branding and marketing, and thus avoid incurring additional implementation costs.

Implementation is likely to be challenging given that there will be a concurrent reorganisation of managerial and administrative structures while integrating new services from District level. Much of this will be cultural rather than practical, relating to historical practices and perceived territories rather than managerial functions per se - this will have to be carefully managed. Nonetheless, this must once again be seen in relative terms and it is advantageous that new services can be integrated into existing structures.

Option 2 - Two Unitary Councils

ASSESSMENT AREA	RATING	COMMENTS
Potential Savings	A	Modelling indicates that this option will deliver the comparatively smaller potential savings of £10.5m - £16.8m
Impact for service users	A	There is still scope for potential improvements via streamlining services, removing duplication, reducing bureaucracy and optimising delivery but on a smaller scale to a single Unitary. This option requires the merger of District Councils and further disruption by splitting the current County Council's functions in two. As such, service users with care needs are likely to fall under the remit of an entirely new Council. Suggested levels of political representation should be higher than for a single Unitary and the creation of two Councils may offer a greater locality focus.
Practicality	A	Shared delivery of services may need to be redesigned around new agreed Council boundaries. As two Unitaries call for additional political representation it may be more straightforward to restructure the democratic landscape Forming two Unitaries could reduce the scope to transfer capabilities, knowledge and best practice via shared working arrangements.
Implementation	A	Due to considerable reductions to savings, overall implementation costs represent a high percentage of annual savings. Disaggregating the existing County Council structure is likely to introduce additional complications, as well as time and cost pressures. In particular, there is likely to be increased cost and difficulty in finding and attracting additional chief officers to fill required roles in the new Unitary Authorities. This could be particularly problematic for roles such as Director of Children's for which there are already Nationwide shortages and recruitment problems. Notably, however, this option has also been implemented successfully in other Counties.

Potential overall savings target range for this option is **£10.5 - £16.8m**. Main financial considerations for this option include:

- **£0.6m - £1.2m** savings from senior management;
- **£1.5m - £2.1m** savings from elections;
- **£0.9m - £1.2m** savings from accommodation;
- **£5.0m - £5.7m** savings from corporate service rationalisation;
- **£2.5m - £6.6m** savings from service optimisation;
- **£10.5m – £16.8m** total savings from the above areas; and
- Non-recurrent Implementation costs of approximately **£14.4m** result in a payback period of 2 years and 5 months (based on upper end of savings range).

Option 2 appraisal summary

Option 2 proposes the creation of two new Unitary Councils in Cumbria. These new councils will assume responsibility for all services within their geographic area. Savings are likely to be lower than for a single County Unitary, as the creation of what will be in effect, two wholly new organisations will require additional administrative and managerial structures.

Option 2 has the potential to be more disruptive insofar as nothing is being left 'as is' and the creation of two wholly new organisations, part of which will be clearly drawn from the existing County and District Councils, has a high potential for disruption. Option 2 would also involve the separation of existing County services such as Adults and Children's Social Care which would need to be carefully assessed for risk and implementation. In the longer-term, residents may benefit from a smaller scale organisation which has a greater ratio of political representation per elector.

In practical terms, although there is a precedent for the creation of two new Unitary Councils, this does not mean that it would be more practical than a single Unitary structure. This is largely because new working arrangements and managerial structures would have to be introduced and embedding into a new organisational culture. All of these can be overcome, but are likely to take longer than Option 1; this is also reflected in the longer payback period for Option 2.

Implementation of Option 2 will require careful planning given the relatively complex requirement to simultaneously separate (County) and join (District) services while embedding two wholly new organisations. There is little doubt that this would be more costly and more complex than Option 1 and these factors would have to be carefully considered as part of a more detailed business case.

4.5. Summary

Both options assessed in this report offer the potential to deliver significant savings, which could help to improve service user's experiences, reduce bureaucracy and protect delivered services. Savings profiles vary considerably across both options, with the formation of a single Unitary (Option 1) offering the largest potential financial benefit at up to £68.1m over a 5 year period and a stable annual recurring saving of up to £28.3m. In Addition, a single Unitary Council has been assessed as 'green' against the other criteria of service user impact, practicality, implementation and payback period. This breaks down as follows:

The relative assessment of each option is summarised in the table below:

Option	Savings	Impact	Practicality	Implementation	Payback period
One Unitary Council	Up to £28.3m				1.6 years
Two Unitary Councils	Up to £16.8m				2.4 years

5. Conclusions and Next Steps

5.1. Conclusion

The analysis in this report clearly demonstrates that despite the significant progress all local authorities in Cumbria have made in recent years to reduce the cost of services in the light of increased demand for services and reduced funding from central Government, these financial pressures combined with the projected ongoing increased costs of demographic and social changes over the coming decade means that by 2017/18 the County could be facing a funding deficit of over £83m per year.

In this report, we have explored two options for reorganising the function of local government in Cumbria as a response to this financial challenge in addition to protecting and enhancing the quality of frontline services across the County. A summary of conclusions is set out below:

5.1.1. Financial savings

A move to unitary status has the potential to deliver significant financial savings, with Option 1 (single Unitary Council) having the potential to deliver the greatest level of financial savings with a potential net cumulative 5 year saving of up to £68.1m and a stable annual recurrent saving of up to £28.3m.

This saving breaks down as follows:

- Up to £3.1m in chief officer savings;
- Up to £2.5m in having fewer Members and running fewer Elections;
- Up to £2.0m from reducing the use of accommodation;
- Up to £11.2m from corporate service rationalisation; and
- Up to £9.5m from service optimisation.

Option 2 (two Unitary Councils) has the potential to deliver annual savings of £16.8m, with 5 year net cumulative savings of up to £33.5m.

Option 2 carries significant additional costs and/or reduced benefits as a result of:

- The extra cost associated with the need for additional senior management teams and capacity
- The increased number of Members required for two authorities, and their associated allowances also weakens the savings that could be achieved. This is based on the assumption that each Authority would have approximately 60-65 Members and the special responsibilities allowances will be higher across two organisations compared to one. There will also be an increase in associated election costs and democracy support;
- The accommodation required by two organisations based upon a proportional reduction in facilities costs based on FTE reduction.

- The consolidation of other corporate services (HR/Finance/ Legal/property etc.) into two organisations rather than a single organisation could reduce possible savings further.

- 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 two-Unitary option.

- There could also be increased transitional costs related to training, communications, inductions and implementation for creation of two new organisations.

5.1.2. Impact on services

It is likely that the structural changes associated with both options will lead to some degree of impact on service delivery; we have therefore made an assessment of the likely impact of this against both options.

- A single County Unitary is likely to have a relatively low impact on services given that a County wide structure already exists with the assumption that existing District services can be up scaled and subsumed into this structure.

- The creation of two Unitary Councils is likely to have a greater impact given that both existing County and District services would have to be split and amalgamated simultaneously and migrated into two wholly new organisations.

5.1.3. Practicality

Each of the options will require local consultation, the creation of a detailed business case and, for options 1 and 2 involving the creation of Unitary authorities, primary legislation to proceed in the next parliament. In addition to this we have considered:

- A single County Unitary represents the most straightforward organisational platform though which all existing services could be delivered of all of the options.

- Two Unitary Councils would still be relatively straightforward, though there would be a need for service and democratic boundaries to be redrawn to some extent, which would need to be clearly communicated.

5.1.4. Implementation

Implementation in both cases has been assessed in terms of the relative challenges and associated costs of change.

- A single County Unitary is likely to be the most straightforward to implement as there is minimal disruption to existing County services and consolidation of District services

- A two Unitary solution requires the separation of existing County services in addition to the consolidation of District services into two newly created organisations

5.2. Next steps

While the potential financial rewards set out in this report are clearly attractive, any decision to pursue any of the options will require determined leadership and resilience in order to see these realised.

Therefore the suggested next step is to share the report with the District Councils to understand the level of consensus on a proposed way forward.

After this is determined, further next steps which would involve wider stakeholder engagement, preparation of a detailed business case and implementation plans could then be considered. Ultimately if unitary model(s) were to be introduced to Cumbria detailed proposals would need to be submitted to the Secretary of State for consideration – most realistically, in the new parliamentary term post June 2015.

Appendix A – Estimating a Council size

A.1. Context

UK Councils, particularly in England where wholesale reorganisation has not been achieved, come in a variety of shapes and sizes. The last major re-organisation of local government occurred as a result of the 1972 Local Government Act, since when there has been no comprehensive attempt to reorganise local government in totality, although there have been sporadic attempts at piecemeal re-organisation, most recently in 2009. Consequently, there is no fixed formula for calculating the size of the 'ideal' Council across the country. This is recognised by the Local Government Boundary Commission for England (LGBCE) which attempts to take into account local considerations when recommending Council size and composition.

There is an important balance to be struck in considering Council size, between the level of representation per elector (expressed as a ratio of number of electors per Member), the level of representation per geographical area (number of Members per hectare) and the practicalities of Council size in terms of decision making and strategic planning. These variables are intrinsically linked; a greater number of Members will reduce the overall number of electors per Member but will inevitably increase the overall size of the Council and vice versa. In this regard, Cumbria presents something of a dichotomy insofar as it is a relatively large geographical area with a relatively small population; we have attempted to balance these factors in our recommendations on council size. We have also taken into account Boundary Commission guidelines on proposals of significantly more than 100 Members, on the basis of the practicalities of decision-making. In short, we have attempted to balance a reasonable ratio of electors per Member, the geographical size of Cumbria and the practical implications of council operation. It would therefore seem prudent to explore options around 100 Members.

In deciding the most appropriate size for Cumbria, we have taken into account a number of factors, which include:

- Ratio of electors to Members;
- The demographic and geographical profile of Cumbria;
- The specific nature and characteristics of Cumbria; and
- Outline guidance from the LGBCE.

A.1. Existing Council size across the County

As a baseline, the current composition of Councils across Cumbria is as follows:

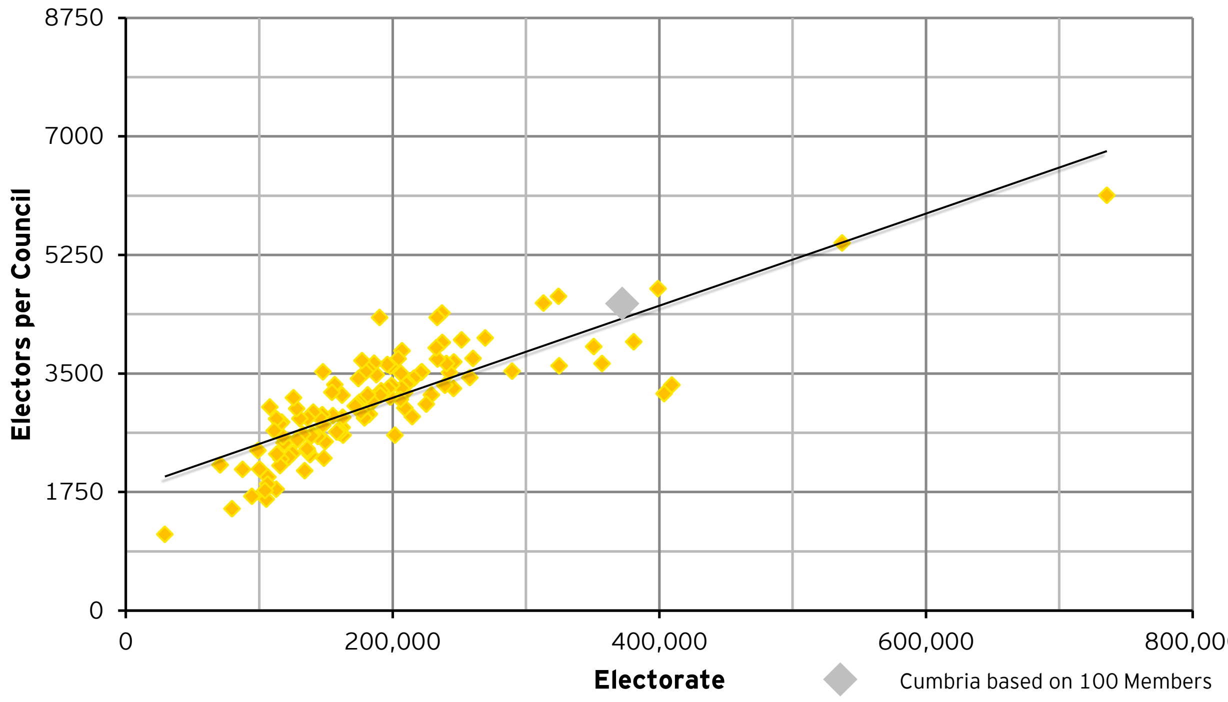
Council	Electorate	Council Size	Ratio of Electors per Member
Cumbria	383,508	84	4,566
Allerdale	69,024	56	1,233
Barrow-in-Furness	52,747	36	1,465
Carlisle	85,050	52	1,636
Copeland	54,302	51	1,065
Eden	41,557	38	1,094
South Lakeland	80,782	51	1,584

A.3. Specific factors

Ratio of Electors per Member

According to the LGBCE, the total electorate in Cumbria in 2014 is estimated to be 383,508. We have modelled each of the options, setting out the implications in terms of the ratio of Members per elected Member. The scatter graph below plots out all upper tier Councils in England outside London based on electorate size and level of democratic representation, with a line of best fit having been included.

An indicative Council of 100 Members has been plotted onto the diagram for illustrative purposes and demonstrates a close alignment with the line of best fit.



Geographical Considerations

- The county of Cumbria covers a large geographical area of nearly 677,000 hectares, which places it third in the overall list of historical counties in terms of geographical size. In terms of representation, geographical size is a consideration in terms of potential future size, as access to constituents is an important consideration.

The table below sets out analysis of Council size and geographical area. An indicative new Cumbria County Council of 100 Members has been inserted and would be well above the average of 2746 hectares per Member at 6767.

Authority	Area in hectares	Size of Council	Hectare per Member	Council Type
Northumberland	501,300	67	7482	Unitary County
Cumbria **	676,715	100	6767	
Shropshire	319,731	74	4321	Unitary County

Herefordshire	217,973	58	3758	Unitary District
East Riding Of Yorkshire	240,763	67	3593	Unitary District
Wiltshire	325,535	98	3322	Unitary County
Cornwall	354,594	123	2883	Unitary County
North Lincolnshire	84,631	43	1968	Unitary District
Durham	222,605	126	1767	Unitary County
Cheshire East	116,637	82	1422	Unitary District
Cheshire West & Chester	91,664	75	1222	Unitary District
Central Bedfordshire	71,567	59	1213	Unitary District
AVERAGE		**73**	**2746**	

A.4. Option 2 assumptions

Option 2 proposes the creation of a two Unitary structure for Cumbria. In order to accommodate the demands of additional service responsibilities for the new Councils (each would have a Children's and Adult's services department for example) we have assumed a 25% increase (on Option 1) in Members, which would create an overall county coverage of between 113 and 148 elected Members. Taking the approximate mid-point as 125 elected Members in total (which provides a plus 23% comparison with options 1), the numbers are as follows.

Based on two Unitary Councils with electorates of approximately 192,000 the electorate and geographical ratios are:

Council	Electorate	Overall proportion	Nominal Council size	Electors per Member	Geographical Size	Hectares per Member
A	192,000	50%	63	3,097	338,358	5,457
B	192,000	50%	63	3,048	338,358	5,371

A.6. Boundary Commission guidance

Guidance from LGBCE seeks to strike a balance between the ratio of representation to elector and the effective and efficient management of the Council. They specifically do not provide ridged guidelines on overall Council size:

> *"In our opinion, local government is as diverse as the communities it serves, providing services, leadership and representation tailored to the characteristics and needs of individual areas. Our aim, in an electoral review, is to recommend 17 electoral arrangements, including a Council size, which is right for the local*
>
> *authority in question."*
>
> Local Government Boundary Commission England Technical Guidance 2014

Therefore, the overall shape and size of local government in Cumbria should strike a careful balance between statistical proximity to the wider sector and local conditions, specifically, meeting local needs.

Appendix B – Service optimisation assumptions

B.1. Overview

This area of savings relates to reductions in the cost of delivering non-corporate services (i.e. those services not classified as corporate services for the purpose of this analysis). It breaks down as two key categories:

- Savings through duplication of roles across the District Councils (for the purpose of this analysis, it has been assumed that there is no duplication in service delivery roles but there is 30% - 40% duplication across middle management of those service delivery roles).
- Savings through optimising the way services are delivered. 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 optimising processes through utilising regional best practice.

A 3 - 5% optimisation savings range has been assumed across non-corporate services after staffing costs have been extracted from the cost base. However, it should be noted that there is an assumption that across care and education services, optimisation savings cannot be made.

Set out below are some examples with evidence from other local authorities of the types of service optimisation savings that can be delivered through this process. More detailed analysis of service delivery across all Cumbria authorities to understand the specific opportunities service by service would be required to quantify how the 3 - 5% could breakdown across services.

B.1. Waste

A potential saving could be achieved through, for example:

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.	**Reduction in the collection cost per head**	There is considerable variation in the cost of collection per head. 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.
iii.	**Unification of pay**	Eliminating the variation in pay across the Districts which will increase the retention of staff in teams.

iv.	**Greater market presence and commercial clout**	Through joint procurement, savings could be achieved through standardisation of specifications, reduced number of procurements and leveraging a greater volume of spend.

B.2. Regulatory

A potential saving against current budgets could be achieved through, for example, using a more efficient delivery model across Cumbria for the delivery of regulatory services, ensuring greater integration across historically two-tier functions.

i.	**Creation of a Single Building Control Service**	There is an opportunity to create a single Building Control service. This would be the consolidation of multiple 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.	**Integration of pest control and environmental health**	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.

B.3. Planning

A potential saving against net budgets could be achieved through service optimisation as a result of creating a single planning Authority.

i.	**Creation of a Single Planning Authority**	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 individual plans being unaligned. 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. There will be efficiencies in closer and more co-ordinated working between the Highways Authority and the Planning Authority. An ability to plan more strategically across the area and to direct resources where there is greatest need.

ii.	**Business Application Consolidation**	A single planning Authority will facilitate the consolidation of planning case management systems, and building control. The support and maintenance of these systems can also be significant.

B.4. Highways & Street Cleaning

A potential 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.

B.5. Local Taxation & Benefits

Whilst significant progress has been made in Cumbria in delivering a shared Revenues & Benefits service, it is possible further savings could be realised through for example:

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