



Nottinghamshire County Council

Review of local government reorganisation savings

30 November 2018

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Executive summary

Overall the approach taken to calculate costs and savings is robust at this stage of the process

Scope and approach

This report outlines our independent desktop review of savings and costs produced by Nottinghamshire County Council (NCC) as part of the case for change for local government reorganisation in Nottinghamshire, involving Nottinghamshire County Council, Broxtowe Borough Council, Rushcliffe Borough Council, Gedling Borough Council, Mansfield District Council, Ashfield District Council, Newark & Sherwood District Council, and Bassetlaw District Council.

Four different options for local government reorganisation are being explored by the County Council:

- **Option 1** – Status quo.
- **Option 2** – A single unitary council for the whole of Nottinghamshire.
- **Option 3** – Two unitary councils. One unitary to cover the geography of Ashfield, Bassetlaw, Mansfield, and Newark and Sherwood. The second unitary to cover the geography of Broxtowe, Gedling and Rushcliffe.
- **Option 4** – Two unitary councils. One unitary to cover the geography of Bassetlaw, Mansfield, and Newark and Sherwood. The second unitary to cover the geography of Ashfield, Broxtowe, Gedling and Rushcliffe.
- **Option 5** – Two unitary councils. One unitary to cover the geography of Ashfield, Bassetlaw and Mansfield. The second unitary to cover the geography of Broxtowe, Gedling, Newark and Sherwood, and Rushcliffe.

As part of the review process we have reviewed:

- The assumptions used in the calculation of savings.
- The methods used to calculate savings.

- The data sources used as the baseline information.
- The identified costs of implementation.
- Any other calculations in support of the case for change including council tax sensitivity and breakeven period analysis.

Please note that this has been a desktop review of spreadsheets and materials provided by NCC. No interviews were conducted during the course of the review.

Findings

- Overall the approach taken to calculate costs and savings is robust. NCC is in the process of making the case for local government reorganisation and is not yet designing future services. Accordingly the methodology has used publically available data and a set of assumptions based on internal and external benchmarking.
- The data sources used to calculate savings and costs are accurate at this point in time and taken from publicly available data. It should be noted that it can be difficult to carry out benchmarking using publicly available data, such as revenue outturn forms, as different authorities can sometimes take different approaches to categorising spend. To mitigate this risk, where there are obvious inconsistencies in the publicly available data, the Council has acted accordingly. For example, district expenditure was excluded from the election spend savings calculation due to anomalies in the publicly available data.
- The method and assumptions used to calculate savings that can be achieved appear reasonable. These assumptions are largely based around reducing spend to a level indicated by various internal or external benchmarks.

Executive summary

Overall the approach taken to calculate costs and savings is robust at this stage of the process

Findings (continued)

- The method focuses on estimating transactional savings from delivering greater economies of scale. Savings created from the transformation of services that might be possible under a future unitary have been excluded at the current time. This is a prudent approach given this kind of saving is more difficult to deliver and it is uncertain how services would be delivered at the current time. In future this kind of saving could present upside for any future unitary model.
- A set of assumptions have been made around implementation costs which appear reasonable at this point in time. This is the most difficult area to estimate accurately as it is well known that the costs of this kind of reorganisation / transformation process are often underestimated and can increase over time. Therefore the Council should keep refining this estimate as the process proceeds.
- The calculations relating to council tax harmonisation appear reasonable. We have suggested including potential annual increases in district and borough council tax rates to calculate the income forgone. We have also suggested including income forgone from council tax harmonisation in the pay back analysis, as this is a potentially significant extra cost of the process. A combination of these two points would present a downside scenario with greater costs where the payback period is extended.
- However, the Council has not included any annual increases in future council tax rates for the future unitary or unitaries. This is a clear mitigation, as the Council could choose in future to raise council tax, which would reduce the payback period again.

- We have made some specific suggestions throughout the report on the levels of costs and benefits, including on specific assumptions made (for example, undertaking our own benchmarking when looking at senior management). However, these are suggestions only. The extra analysis undertaken indicates the overall assumptions are reasonable and only suggests relatively minor potential changes.

Conclusion

- Overall, a robust and balanced approach has been taken, which is in line with similar processes that other councils have undertaken to make the case for local government reorganisation.
- It must be noted that the approach uses publically available data and benchmarking and has been developed without detailed engagement with the district and borough councils.
- Therefore the specific costs and benefits will change in the future as more detailed work is done to establish a more robust baseline and possible operating model for the new council(s).
- Accordingly at this point in time all figures should be considered as estimates, but these estimates are based on a robust method, sensible assumptions and the data available.
- The overall message indicated by the analysis is that efficiencies can be achieved from the greater economies of scale possible from local government reorganisation. This is a sound conclusion both theoretically and in practice based on the analysis.

Potential savings

Senior management

The approach taken to calculate savings is reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none">• An annual recurrent saving of £5,742k has been calculated.• The saving has been calculated by using published senior management structures (top three tiers: chief officers, directors and heads of service) and annual salary information from 'officers remuneration notes', 2017/18 statements of accounts and pay policy statements for 2018/19.• Only those posts with annual salaries of £50k or more have been included due to large variations in the level of detail on published staffing structures.• The average salaries of directors and heads of service have been used from across the eight authorities.• On costs have been calculated at 30.47% based on the average of the eight authorities.• The saving is based on the creation of one management team of 37 officers to replace 8 management teams with 93 officers combined. The new management team will consist of 14 directors, 22 heads of service and one chief officer.	<ul style="list-style-type: none">• Overall, the assumptions made in terms of senior management savings are reasonable. A review of publicly available data indicates that the source data used to calculate the cost of senior management FTEs for the district and borough councils is accurate. The assumptions made in relation to on costs are sensible.• Under the Single Unitary Model it has been assumed the chief officer will be paid the same as the current NCC chief officer. This is a sensible assumption, however, it is possible the chief officer post of the new Single Unitary authority will attract a greater salary, as the new authority will be larger with more responsibilities.• The national average county council salary has been used of £147k for the chief officer roles under the Two Unitary Model. This is a reasonable assumption to make.• Deputy chief executive posts have not been factored into the savings calculations. The Council could consider including these posts.• It has been assumed that a single unitary authority will have a senior team of 37 officers and a Two Unitary Model will have two senior teams of 34 officers. This is based on the 'Independent Analysis of Governance Scenarios and Public Service Reform in County Areas, September 2016' Ernst and Young (EY) report. This report assumes that any new unitary authorities will require a single management team of between 33 and 41 FTEs and indicates that NCC is a medium sized local authority. This is therefore a reasonable assumption by NCC. If NCC wished to be particularly prudent given that a new single unitary would be the biggest county level unitary in the country, the Council could consider assuming a senior management team of 41 FTEs.

Senior management (continued)

The approach taken to calculate savings is reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Two Unitary Model</p> <ul style="list-style-type: none">• An annual recurrent saving of £2,676k has been calculated.• The same methodology has been used as outlined on the previous page.• The saving is based on the creation of two management teams of 34 officers. Each new management team will consist of 13 directors, 20 heads of service and one chief officer.	<ul style="list-style-type: none">• In the table on the following page (Figure 1: 'Unitary senior management ratios') we have undertaken some additional benchmarking. The number of senior managers for unitary authorities with an electorate population density within 10% of Nottinghamshire have been compared with electorate numbers and annual budgets. Please note Bedford has been excluded as there was a lack of publicly available information with regard to the tier 3 staffing structure.• Figure 1 demonstrates the senior management structures in the single and two unitary Nottinghamshire models are more heavily weighted towards tier 2 managers than tier 3 when compared to other unitary authorities. For the single unitary model this is reasonable given the greater scale of the potential future council. For the two unitary model, it may suggest further savings are possible by changing the ratio to have more tier 3 managers than tier 2 managers.• However, it should be noted that defining the split of tiers 2 and 3 in different organisations is open to some element of interpretation when using publicly available data.• Figure 1 also suggests the potential single unitary staffing model would have a lean management structure when compared to the benchmarks.• For the two unitary authority model the management structure appears heavier than the Cheshire comparators, but leaner than Central Bedfordshire.

Senior management (continued)

The approach taken to calculate savings is reasonable at this stage of the process

Approach taken by County Council	Observations
Please see previous page.	<ul style="list-style-type: none"> • Overall, the benchmarking in Figure 1 indicates that a Single Unitary Model may require more senior managers than 37, if NCC wanted to be particularly prudent. • However, there are by no means significant differences here compared to the method the Council has chosen. • Therefore the assumptions made remain reasonable.

Figure 1: Unitary senior management ratios*

Authority	Senior staff					Electorate	Salary cost per head of electorate	Senior managers per head of electorate	Annual Budget (£'000)	Budget per senior manager (£'000)
	Tier 1	Tier 2	Tier 3	Total	Salary costs					
Cheshire East	1 (5%)	3 (14%)	17 (81%)	21	£ 1,915	299,422	£ 6.40	14,258	£ 264,800	£ 12,610
Cheshire West and Chester	1 (5%)	2 (9%)	19 (86%)	22	£ 2,120	272,228	£ 7.79	12,374	£ 276,200	£ 12,555
Central Bedfordshire	1 (2%)	5 (8%)	58 (91%)	64	£ 4,490	210,902	£ 21.29	3,295	£ 189,581	£ 2,962
Nottinghamshire single unitary	1 (3%)	14 (38%)	22 (59%)	37	£ 2,621	610,516	£ 4.29	16,500	£ 579,992	£ 15,675
Nottinghamshire two unitary	1 (3%)	13 (38%)	20 (59%)	34	£ 2,841	305,258	£ 9.31	8,978	£ 289,996	£ 8,529

*Please note the annual budgets of the proposed Nottinghamshire Single Unitary Model in the table have been estimated by totalling the 2018/19 net budgets before appropriations for the 8 authorities. This has been halved for the Nottinghamshire Two Unitary Model.

Member remuneration

The assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none"> • An annual recurrent saving of £958k has been calculated. • This is based on creating one council with 132 members, a reduction from the current 353 members. • Savings calculations have been based on 132 members. This is because a motion to Nottinghamshire Full Council stated a council size of 132 would be created if the proposed change to single unitary local government took place. • The number of councillors and their remuneration (including basic allowance, special responsibility allowances and travel subsistence) have been sourced from county and district authority websites and 2017/18 statements of accounts. • The saving has been calculated by multiplying 132 by (£22,000) and subtracting this from the total current allowance expenditure across all eight authorities. Please note the current average NCC member allowance is £23,495. 	<ul style="list-style-type: none"> • Overall, the assumptions made in terms of member numbers and allowances appear reasonable. • A review of publicly available data indicates that the source data used to calculate the cost of member allowance expenditure for the district and borough councils is accurate. <p>Single Unitary Model</p> <ul style="list-style-type: none"> • 'Local Government Boundary Commission for England' data has been used to estimate member:electorate ratios under the different unitary options to sense check the proposed number of members used in the single and two unitary options. • In the table on the following page (Figure 2: 'Single unitary member ratios') the number of members for unitary authorities with an electorate population density within 10% of Nottinghamshire have been compared. The number of members a single Nottinghamshire unitary would have if it used the same ratio of members per elector / hectare / ward has been calculated. • The analysis indicates 148 members might be reasonable based on comparators, more than NCC's plan for 132. However, Cheshire East has the most similar land density (2.6) to Nottinghamshire (2.9) according to 'Local Government Boundary Commission for England' data. Therefore, if we compare just to Cheshire East, 132 members appears reasonable. • Given that members would be required to cover a wider geography under a single unitary government it is reasonable to assume member allowances will be similar to the current average NCC member allowance in the savings calculation.

Member remuneration (continued)

The assumptions made in the savings calculation are reasonable at this stage of the process

Figure 2: Single unitary member ratios

Authority name	Electors per Member	Single Unitary Members based on same ratio	Hectares per Member	Single Unitary Members based on same ratio	Ward per member	Single Unitary Members based on same ratio	Average Members based on three ratios
Cheshire West and Chester	3,630	168	1,222	171	0.6133	91	143
Central Bedfordshire	3,575	171	1,213	172	0.5254	107	150
Isle of Wight	2,768	221	950	219	0.9750	57	166
Bedford	3,241	188	1,191	175	0.6750	83	149
Cheshire East	3,651	167	1,422	147	0.6341	88	134
Average		183		177		85	148

Member remuneration (continued)

The assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Two Unitary Model</p> <ul style="list-style-type: none"> • An annual recurrent saving of £1,109k has been calculated. • It has been assumed under a Two Unitary Model there will be 88 members in each authority. 88 members per authority is based on an average population per member of 4,638 across Wiltshire, Cheshire East, Cheshire West, Northumberland and Shropshire. • The saving has been calculated by multiplying 88 by the mid point between average Nottinghamshire district council and county council member allowances (£15,300) and subtracting this from current allowance expenditure across all eight authorities. • Publicly available data from each council on member allowances and expenses has been used to establish the expenditure incurred by members. 	<p>Two Unitary Model</p> <ul style="list-style-type: none"> • The saving from member remuneration is greater under a Two Unitary Model than a Single Unitary Model as it is assumed member allowances will be less (£22,000 vs £15,300). • The assumption of 88 members for each authority is reasonable, as indicated by benchmarking undertaken below. • The tables on the following pages compare the number of members the unitary authorities would have under option 3, 4 and 5 to other authorities with an electorate population density of within 10%. The number of members the authorities would have if they used the same ratio of members per elector / hectare / ward has then be calculated. • The tables show that 88 members for each unitary appears reasonable for option 3 and 5. • Under option 4 it appears as if the south unitary will require a greater number of members than 88 members, and the north unitary will require less members. This suggests that under the 4 model a 50:50 split of members between the two unitary authorities might not be the best option. • However, it is reasonable to assume there will be 176 members in total across the two unitary authorities.

Member remuneration (continued)

It appears reasonable to assume there will be 176 members in total under a two unitary option

Figure 3: Option 3 south member ratios

Authority name	Electors per Member	South 3 Members based on same ratio	Hectares per Member	South 3 Members based on same ratio	Ward per member	South 3 Members based on same ratio	Average Members based on three ratios
Telford and Wrekin	2,345	111	538	113	0.5556	50	92
North Somerset	3,229	81	748	82	0.7000	40	67
Redcar and Cleveland	1,751	149	415	147	0.3729	75	124
South Gloucestershire	2,866	91	710	86	0.5000	56	78
Average		108		107		55	90

Figure 4: Option 3 north member ratios

Authority name	Electors per Member	3 North Members based on same ratio	Hectares per Member	3 North Members based on same ratio	Ward per member	3 North Members based on same ratio	Average Members based on three ratios
Bedford	3,241	108	1,191	124	0.6750	41	91
Cheshire East	3,651	96	1,422	104	0.6341	44	81
County Durham	3,141	111	1,767	84	0.5000	56	84
West Berkshire	2,332	150	1,354	109	0.5769	49	102
Average		116		105		48	90

Member remuneration (continued)

It appears reasonable to assume there will be 176 members in total under a two unitary option

Figure 5: Option 4 south member ratios

Authority name	Electors per Member	4 South Unitary Members based on same ratio	Hectares per Member	4 South Unitary Members based on same ratio	Ward per member	4 South Unitary Members based on same ratio	Average Members based on three ratios
York	3,238	110	579	124	0.4468	63	99
Windsor and Maidenhead	1,890	188	345	209	0.4035	69	155
Telford and Wrekin	2,345	151	538	134	0.5556	50	112
North Somerset	3,229	110	748	96	0.7000	40	82
Average		140		141		56	112

Figure 6: Option 4 north member ratios

Authority name	Electors per Member	4 North Members based on same ratio	Hectares per Member	4 North Members based on same ratio	Ward per member	4 North Members based on same ratio	Average Members based on three ratios
Bedford	3,241	79	1,191	115	0.6750	41	78
Cheshire East	3,651	70	1,422	96	0.6341	44	70
County Durham	3,141	81	1,767	77	0.5000	56	72
West Berkshire	2,332	110	1,354	101	0.5769	49	86
Average		85		97		48	77

Member remuneration (continued)

It appears reasonable to assume there will be 176 members in total under a two unitary option

Figure 7: Option 5 east member ratios

Authority name	Electors per Member	5 East Members based on same ratio	Hectares per Member	5 East Members based on same ratio	Ward per member	5 East Members based on same ratio	Average Members based on three ratios
Peterborough	2,257	115	572	144	0.3667	76	112
Bath and North East Somerset	2,045	127	532	155	0.5692	49	111
Cheshire West and Chester	3,630	72	1,222	67	0.6133	46	62
Central Bedfordshire	3,575	73	1,213	68	0.5254	53	65
Average		97		109		56	87

Figure 8: Option 5 west member ratios

Authority name	Electors per Member	5 West Members based on same ratio	Hectares per Member	5 West Members based on same ratio	Ward per member	5 West Members based on same ratio	Average Members based on three ratios
Cheshire West and Chester	3,630	96	1,222	103	0.6133	46	82
Central Bedfordshire	3,575	98	1,213	104	0.5254	53	85
Isle of Wight	2,768	126	950	133	0.9750	29	96
Bedford	3,241	108	1,191	106	0.6750	41	85
Cheshire East	3,651	96	1,422	89	0.6341	44	76
Average		105		107		43	85

Election spend

The assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none">• An annual recurrent saving of £373k has been calculated.• This is based on estimating the current expenditure per year across all authorities on conducting elections, creating a total spend figure, and then subtracting the estimated future cost of electing 132 members.• Due to difficulties in calculating the average annual expenditure for the district authorities it has been assumed that the annual cost of conducting an election is £61k.• This is based on 'The Cost of Elections: Funding Electoral Services in England and Wales' Dr Toby James report, which states in 2015/16 the average election budget for a district authority was £259k. The average annual expenditure relating to registration of electorates for the district and borough councils is £198k. This has been subtracted from £259k to give £61k.• No savings have been included here for electorate registration as this has been included under 'service opportunities'.	<ul style="list-style-type: none">• Overall the assumptions made are reasonable given the difficulties of the data in this area.• A review of publicly available data indicates that the source data used to calculate the average current expenditure for NCC is accurate.• District expenditure was excluded from the savings calculation due to anomalies in the publicly available data. This appears a sensible step to take. The report by Dr Toby James provides a sensible external benchmark to use to establish a proxy for current costs.

Election spend (continued)

The assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model (continued)</p> <ul style="list-style-type: none"> The total annual cost of conducting an election has been calculated by multiplying £61k by 7 and adding the NCC’s current annual expenditure (£271k) to give £697k. It has been assumed that the cost of electing 132 members would only be marginally more than NCC’s current annual expenditure due to the same number of polling stations required and the same size of electorate. The cost has, therefore, been increased by 20%. <p>Two Unitary Model</p> <ul style="list-style-type: none"> An annual recurrent saving of £292k has been calculated. The same approach has been taken to calculate the saving. It has been assumed that the cost of electing 176 members would be 50% greater than NCC’s current annual expenditure. 	<ul style="list-style-type: none"> The savings calculation assumes that election spend under a new unitary model of local government will be based on NCC current expenditure, with some increased costs due to the greater number of members to be elected. There is, therefore, an underlying assumption that NCC is an efficient authority in terms of conducting elections. This may be the case, but NCC may wish to consider some external benchmarking in this area against other county councils to understand if there is any potential for further improvement. The estimates of the future cost of electing 132 members appear sensible given the lack of an evidence base in this area.

Accommodation

The assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none">• An annual recurrent saving of £1,949k has been calculated.• FTE reductions from senior management, members, support services and service opportunities have been used to calculate a floor space reduction.• A 7:10 desk ratio has been applied as per the NCC's existing desk working ratio.• It has been assumed 100 square feet are required for each FTE.• This has been multiplied by the cost per square foot £54.85 as per the Total Office Cost Survey (TOCS) 2018. <p>Two Unitary Model</p> <ul style="list-style-type: none">• A saving of £1,288k has been calculated.• The same approach as outlined above has been taken for the two unitary calculation.	<ul style="list-style-type: none">• Overall, the assumptions made in the savings calculation are reasonable.• The savings figure for accommodation is based on facilities management spend for the number of workspaces required as a result of estimated FTE reductions. This is a logical approach.• As a next step NCC may wish to engage with their Estates team to understand whether a whole building could be disposed of given the estimated headcount reductions. This would generate capital receipts for the Council. This extra benefit would of course not be included in the payback period analysis as that considers annual recurrent revenue savings.

Support services

Overall the assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none"> • An annual recurrent saving of £9,057k has been calculated. • The net cost of support services has been taken from budget books/ budget reports for 2018/19 and 2017/18 to calculate the saving. • The cost of senior managers for whom it was clear that they would be included in support services expenditure has been excluded to avoid double counting. • For each local authority the spend on support services has been calculated as a percentage of total expenditure. • The saving was calculated by assuming all authorities (excluding the County Council) would move to 7%, which is based on Cornwall. • 80% of the saving has been converted into a FTE reduction. <p>Two Unitary Model</p> <ul style="list-style-type: none"> • An annual recurrent saving of £5,159k has been calculated. • The saving was calculated by assuming all authorities (excluding the County Council, and Newark and Sherwood) would move to 9% spend on support services as a total of expenditure. 	<ul style="list-style-type: none"> • The 'Learning Lessons from Local Government Reorganisation' report by Phil Swan suggests that one unitary authority created in 2009 cut the proportion of its budget on support services from 18% to 7%. With this external benchmark in mind the 7% assumption appears reasonable. Using 9% for the two unitary model and assuming the two unitary model cannot deliver quite the same scale of savings appears prudent. • It has been assumed there will be no savings from NCC. NCC support services are calculated to be 2.5% of total expenditure. If education expenditure is excluded the percentage for NCC is 4.0%. Both figures are lower than the 7% target expenditure, suggesting that NCC is already efficient in this area, and that 7% is a reasonable target. • Benchmarking against other unitary authorities with similar population densities suggests the target percentages used are low and that the normal range is 10-13% (as shown in Figure 9: 'Unitary authority support service cost comparisons' on the following page). • However, given the level that NCC is currently operating at, it is not unreasonable to assume the new unitary authorities could achieve a lower percentage. • A review of publicly available data indicates that the source data used to calculate the current average net cost of support services is accurate. The same level of data was not available for Broxtowe, Mansfield and Rushcliffe. It has therefore been assumed they are operating at the Ashfield level.

Support services (continued)

Overall the assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<ul style="list-style-type: none"> Where services are already shared these have been removed from the analysis as it has been assumed efficiencies have already been achieved. Mansfield and Ashfield share HR and Payroll, homelessness, regeneration and legal services. Ashfield also shares procurement services with Nottingham City. 	

Figure 9: Unitary authority support services cost comparison

Authority	Support service costs	Revenue expenditure	%
Bedford	£ 19,203	£ 142,891	13%
Central Bedfordshire	£ 21,682	£ 208,375	10%
Cheshire East	£ 29,593	£ 289,035	10%
Cheshire West and Chester	£ 27,881	£ 255,924	11%

Service opportunities

Overall the assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none"> • An annual recurrent saving of £8,985k has been calculated. • Spend per head for a range of services has been calculated for each authority using information from published revenue account data. Services include housing, regulatory, community safety, street cleansing, waste collection, council tax collection, planning and development, and central services, • The savings for planning and development, waste, street cleaning and housing strategy are based on authorities operating at higher than average expenditure per head reducing to the average level. • For housing benefits, regulatory services, community safety, council tax collection and other central services the Nottinghamshire average per head differed significantly from the average per head in other county unitary authorities so an alternative has been used. • When calculating the average spend per head NCC has been excluded. Therefore all savings are derived from district and borough councils. • The proportion of the saving that would have been attributable to senior management and support services have been deducted. 	<ul style="list-style-type: none"> • Overall, the assumptions used are reasonable and a review of publicly available data indicates that the source data used to calculate savings is accurate. • We have undertaken our own benchmarking to help to validate the assumptions made. Figure 10: 'Service spend per head' on the following page outlines spend per head on services for unitary authorities with similar population densities to Nottinghamshire. The table suggests the savings assumptions used are largely reasonable for both the single unitary and Two Unitary Models. • There are some areas where the savings assumptions may be optimistic. However, this is offset by the fact that there are other areas which NCC has not considered, such as potential areas of overlap between the county and districts, including planning and economic growth, business relationships, and waste collection and disposal. • Therefore overall the savings appear reasonable, but where savings actually fall in the future will be a decision for the future authority depending on the requirements of service users and council tax payers.

Service opportunities (continued)

Overall the assumptions made in the savings calculation are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Two Unitary Model</p> <ul style="list-style-type: none"> An annual recurrent saving of £5,911k has been calculated. A similar approach has been taken as described on the previous page to calculate the saving. The saving are based on authorities operating at higher than average expenditure per head reducing to the average level. 	<ul style="list-style-type: none"> Thus far the approach taken to calculate costs and savings focusses on the efficiencies that can be achieved through economies of scale. Further work is required to understand the financial efficiencies that could be gained through transformational change to service delivery enabled by local government reorganisation.

Figure 10: Service spend per head

Spend per head	Housing strategy	Housing benefits admin	Regulatory services	Community services	Street cleansing	Planning & development	Collection tax	Other central services	Wast collection
Bedford	£ 2.78	£ 10.16	£ 11.19	£ 3.62	£ 10.21	£ 14.74	£ 5.58	£ 4.05	£ 11.76
Central Bedfordshire	-£ 1.06	£ 1.79	-£ 3.16	£ 11.16	£ 7.96	£ 26.14	£ 2.76	£ 1.89	£ 29.65
Cheshire East	£ 2.26	£ 9.46	£ 7.20	£ 3.24	£ 7.83	£ 21.12	£ 4.35	£ 0.30	£ 17.14
Cheshire West and Chester	£ 2.22	£ 8.38	£ 6.18	£ 4.49	£ 18.48	£ 24.34	£ 2.61	£ 3.69	£ 24.52
Single unitary	£ 2.25	£ 3.19	£ 7.62	£ 3.17	£ 10.15	£ 12.26	£ 3.18	£ 3.37	£ 13.51
Two unitary	£ 2.25	£ 4.53	£ 7.76	£ 5.17	£ 10.15	£ 12.26	£ 7.26	£ 4.17	£ 13.51

Key:

Appears reasonable



Too low



Too high



Implementation costs

Implementation costs

The assumptions appear to be sensible given the information available, but this is the most difficult area to estimate at this stage before detailed work is undertaken

	Approach taken by County Council	Observations
Planning and prelaunch	It has been assumed the costs will be the same under a single unitary and a Two Unitary Model. Costs have been estimated at £270k.	The assumptions appear to be sensible.
IT costs and new system training	<p>It has been assumed the costs under the Single Unitary Model will be £4,000k. This is based on the assumption that Enterprise Resource Plan (ERP) would be an extension of the system already used by NCC. Synchronising Reversed Business Solutions would cost £1,500k and other systems £1,000k.</p> <p>It has been assumed the costs under the Two Unitary Model will be £7,000k. This is based on the assumption ERP would be an extension of the system already used by NCC. Synchronising RBS would cost £2,500k and other systems £1,500k.</p>	It is understood the IT team were consulted on the potential implementation costs and so this is based on subject matter expertise.
Redundancies/pensions	<p>It has been assumed the costs under the Single Unitary Model will be £9,585k. Whereas under the Two Unitary Model it has been assumed the costs will be £5,102k. Under both options it is assumed 10% of employees will not be eligible.</p> <p>It has been assumed that senior staff members will receive £60k in redundancy payments based on average salary of senior management at 40 weeks salary. It has been assumed support service staff will receive £30k in redundancy payments.</p>	The cost estimates are based on a reasonable set of assumptions.

Implementation costs (continued)

The assumptions appear to be sensible given the information available, but this is the most difficult area to estimate at this stage before detailed work is undertaken

	Approach taken by County Council	Observations
Corporate Communication and branding	<p>Under the Single Unitary Model costs are assumed to be £1,000k.</p> <p>Under the Two Unitary Model costs are assumed to be £1,500k.</p>	It is understood the Communications Team were consulted on the potential implementation costs, and so this is based on subject matter expertise.
Staff and member inductions	No costs have been assigned. Assumed to be included in implementation team and corporate communications.	This assumption appears to be sensible.
Service reconfiguration	<p>It has been assumed the costs under the Single Unitary Model will be £1,000k.</p> <p>It has been assumed the costs under the Two Unitary Model will be £1,500k.</p>	<p>This estimate is impossible to validate at this point in time without understanding what the future services will look like and what processes will be required.</p> <p>There is limited evidence of the potential costs from local government reorganisation to date.</p> <p>However, when the overall position is observed, £19m of costs estimated to deliver a saving of £27m appears a reasonable ratio.</p>
Implementation programme team	<p>Under the Single Unitary Model total costs have been calculated at £1,217k. This is based on 7 posts at an annual cost of £406k for three years.</p> <p>Under the Two Unitary Model annual costs have been calculated at £2,082k. This is based on 10 posts at an annual costs of £694k for three years.</p>	<p>A report produced by CIPFA in 2014 considered the transitional costs, benefits and risks of local government reorganisation. The report included an assumption that an additional 20 staff will be required for a 2 council merger and 30 for a 3 council merger.</p> <p>This suggests that the number of posts included for the implementation programme team is too low and the Council may wish to increase the size of its team. If the Council chose to expand its team size to the minimum suggested by CIPFA in its report, this would add a further £800k per year to implementation costs.</p>

Implementation costs (continued)

There are some costs that have not been included that the County Council may wish to consider

	Approach taken by County Council	Observations
Legal Costs	Assumed to be £400k under the Single Unitary Model and £700k under the Two Unitary Model.	It is understood the legal team were consulted on the potential implementation costs and the costs included here are based on previous large projects.
Transition contingency	A 10% contingency for each year has been assumed.	<p>The required funding for mergers in the public sector is often underestimated. In the NHS a recent Kings Fund paper found there is a consistent trend of overestimating the benefits of mergers and underestimating the time and costs of implementing them.* The Council should keep refining this estimate as the process proceeds.</p> <p>However, there is a possible mitigation as it is understood implementation costs could be capitalised over a number of years to mitigate against any movement in costs.</p>
Pay harmonisation	NCC has not considered this cost.	New authorities would need to create a single framework for pay and reward across each organisation that is created. This is likely to produce pay harmonisation costs for both the single and two unitary models which could be significant.
Property refurbishment	NCC has not considered this cost.	NCC may wish to consider the cost of refurbishing surplus office space, if this is to be rented to provide an additional source of revenue. However, it is likely costs would be funded through capital receipts from an estates rationalisation programme.

* https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/Foundation-trust-and-NHS-trust-mergers-Kings-Fund-Sep-2015_0.pdf

Council tax harmonisation

Council tax harmonisation

The analysis is robust; we would suggest including potential future council tax rises by the districts

Approach taken by County Council	Observations
<ul style="list-style-type: none"> Current precept income for each district council has been compared to precept income if the district precept is replaced by a notional £155 per household. This results in a loss of income of £2.49 million across Nottinghamshire councils in the single unitary model. 	<ul style="list-style-type: none"> A review of publicly available data indicates that the source data used to calculate income foregone through harmonisation is accurate. The core assumptions made are reasonable. Council tax income foregone has been calculated for one year only. This means the analysis does not take into account the cumulative impact of income foregone over time, nor does it take into account the potential for future annual increases in council tax by the districts. The latter would mean income foregone would increase over time. We would suggest this should be included in the analysis to create a downside position. However, NCC has also excluded any assumptions around annual increases in council tax income by the future unitary or unitaries in its methodology. While this may be politically difficult, the future unitary could raise council tax to balance off the income foregone by the districts. This acts as a potential mitigation.

Pay back period

Pay back period

The methodology and assumptions used are reasonable at this stage of the process

Approach taken by County Council	Observations
<p>Single Unitary Model</p> <ul style="list-style-type: none">• The pay back period calculated is 2.56 years.• The method nets in-year costs against savings to provide a cumulative net saving value over a period of 6 years.• Under the Single Unitary Model 66% of the estimated savings are attributable to pay costs. These savings are contingent on the ability of the council to reduce staff numbers post-merger. 34% of the estimated savings are non-pay related. <p>Two Unitary Model</p> <ul style="list-style-type: none">• For all two unitary authority options the pay back period is calculated at 3.23 years.	<ul style="list-style-type: none">• Overall, a reasonable approach has been taken to calculate the pay back period. The pay back period analysis used is a straight-forward methodology. We have a couple of suggestions to make on the detail:• First, the pay back period analysis does not use discount rates to adjust future flows of money into real values in today's money, nor does it take into account pay inflation. Over short time periods this will have an immaterial impact. However, if NCC wish to model changes in costs and income over longer periods, the pay back analysis would be more accurate if an appropriate discount rate was applied and the potential for pay inflation was taken into account.• Second, council tax forgone has not been included in the pay back calculation as it is not a formal reorganisation cost. While this is reasonable, it could be considered an opportunity cost and we would suggest including it to represent a downside scenario. This would extend the pay back period. However, this could be offset by any potential annual growth in precepts which could be levied by the merged unitary authority (as discussed in the council tax harmonisation section). This is a potential mitigation and could be used to decrease the payback period again.



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