

Scrutiny Commission

15th January 2019

AGENDA

- Financial Position
- Unitary vs Shared Service
- Implications of scale
- Comparison to other proposals
- Implementation phasing
- Equalisation of Council Tax
- Savings Approach

Financial Position

County Council

- £74m savings over next 4 years
- Very successful delivery track record
- Social Care and SEN pressures the new normal
- Diversifying savings into investments and trading
- Uncertainty over future funding

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Financial Position

District Councils

- c.£12m savings over next 4 years
- Significant change programmes not required
- Growing pressure on Homelessness services and new homes delivery ▶
- Incentive based funding under threat
 - Removal of Business Rate growth confirmed
 - Initial reductions made to New Homes Bonus

Financial Position

Future

- Best Case - Government ration resources to fund key public sector demand pressures
- Likely Case - Recession
- New funding formula
 - Districts primarily population based allocation
 - Recognition financial pressures are skewed to upper tier
 - No allowance for scale or two-tier
 - Business Rate tier splits under review

Leicestershire's Changing Demography

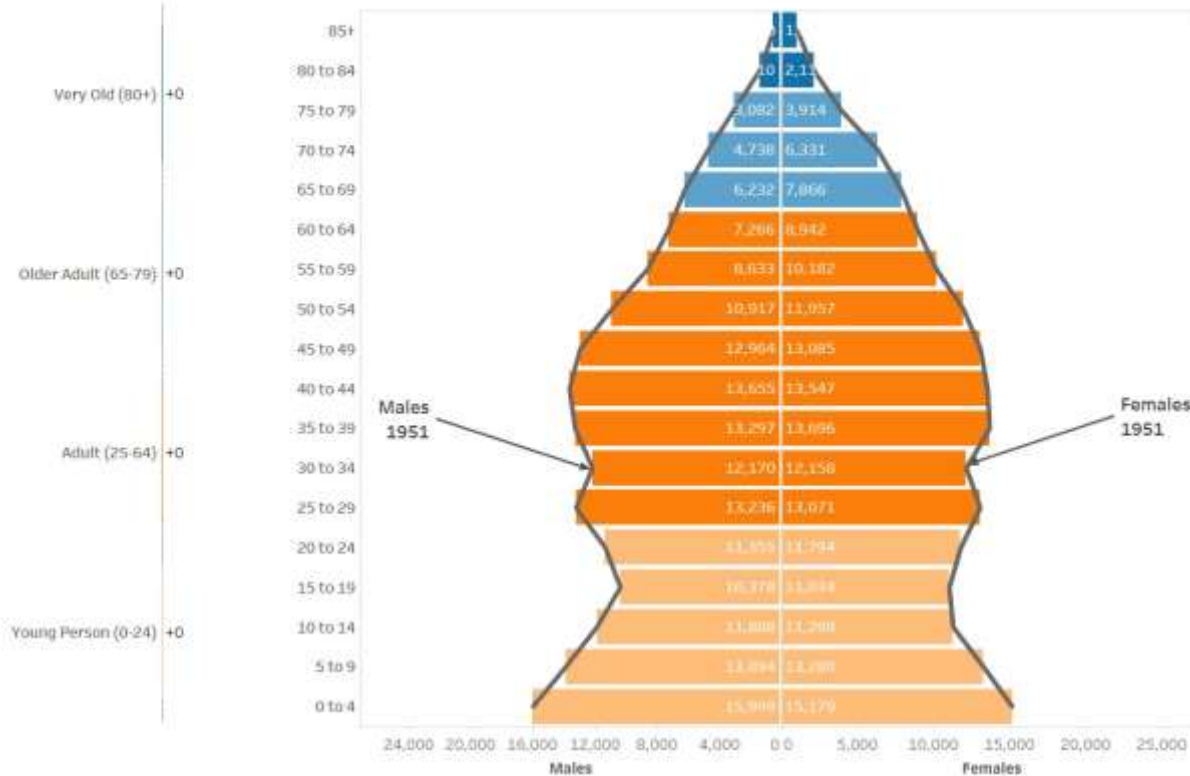


Leicestershire population change (1951 to 2041)



Year: 1951 Total: 352,091 + 0 + 0% since 1951

Difference since 1951



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Unitary vs Shared Service

“There is surely nothing quite so useless as doing with great efficiency what should not be done at all”

- Peter F Drucker, Harvard Business Review

	Shared Service	Unitary
Eliminate	✘	✓
Simplify	✓, Deliverability ?	+ easier to agree, fewer compromises
Automate	✓, Affordable ?	+ one implementation, at scale
Standardise	✓, Deliverability ?	✓
Consolidate	Compromise ?	✓
Outsource	✓, Appetite ?	?, Benefits reduced

Implications of Scale – Authority Types

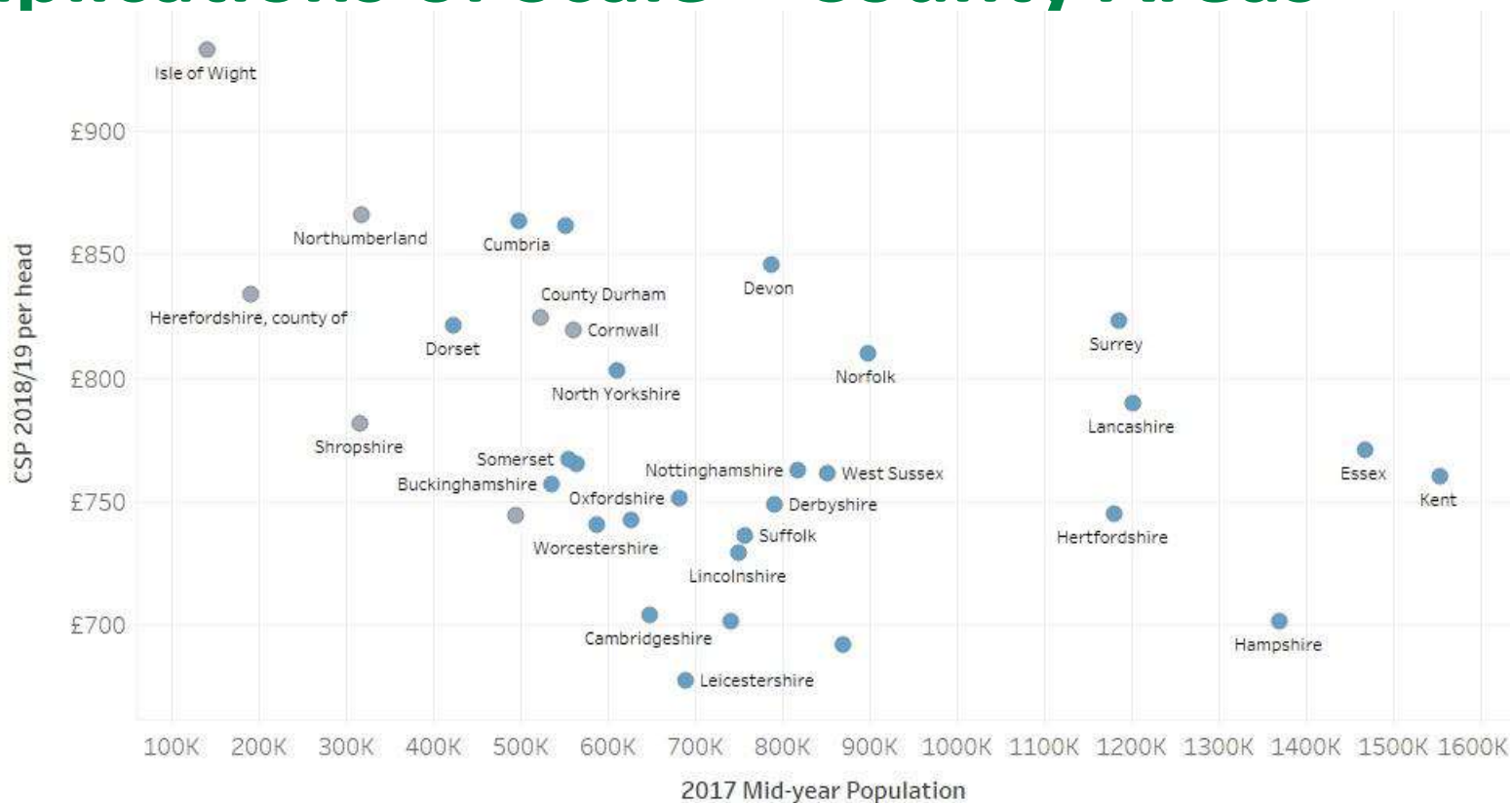
All England

	Number	Population	Average Population	Core Spending Power
Unitary	123	33,400,000	270,000	£832
Two Tier	27	22,200,000	820,000	£761
Total	150	55,600,000	370,000	£804

Society of County Treasurers + Durham

	Number	Population	Average Population	Core Spending Power
Unitary	12	4,100,000	340,000	£800
Two Tier	27	22,200,000	820,000	£761
Total	39	26,300,000	670,000	£767
		Population	Core Spending Power	
		Leicestershire	690,000	£677

Implications of Scale – County Areas



Authority Type
 ■ County Council
 ■ County Unitary

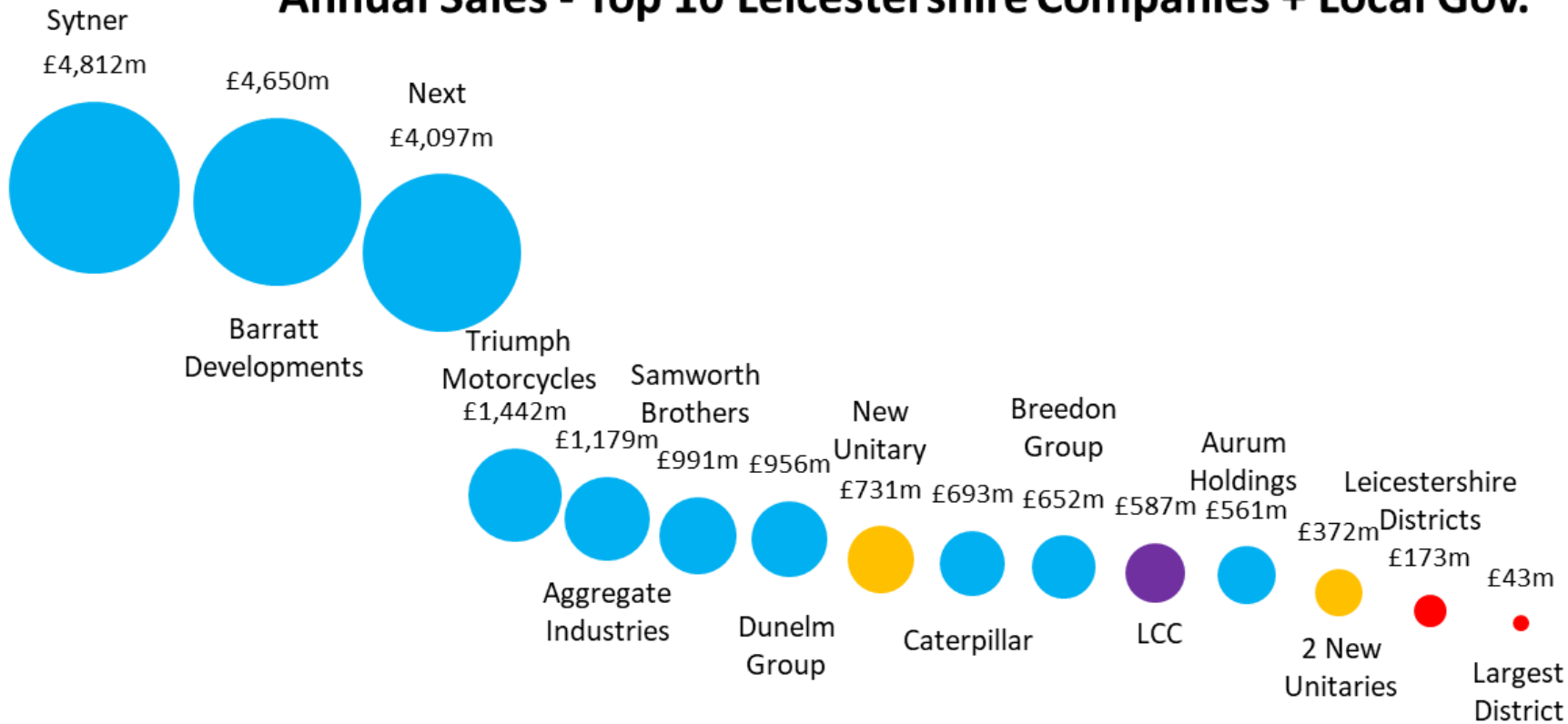
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Implications of Scale – County Areas

	Average Population	Core Spending Power	BBC Crisis	Negative Publicity	Reorg. discussion	Audit Issue
Unitary	340,000	£800	0	1 (8%)	0	3 (25%)
Two Tier	820,000	£761	8 (30%)	10 (37%)	10 (37%)	10 (37%)
Combined	670,000	£767	8 (21%)	11 (28%)	10 (26%)	13 (33%)

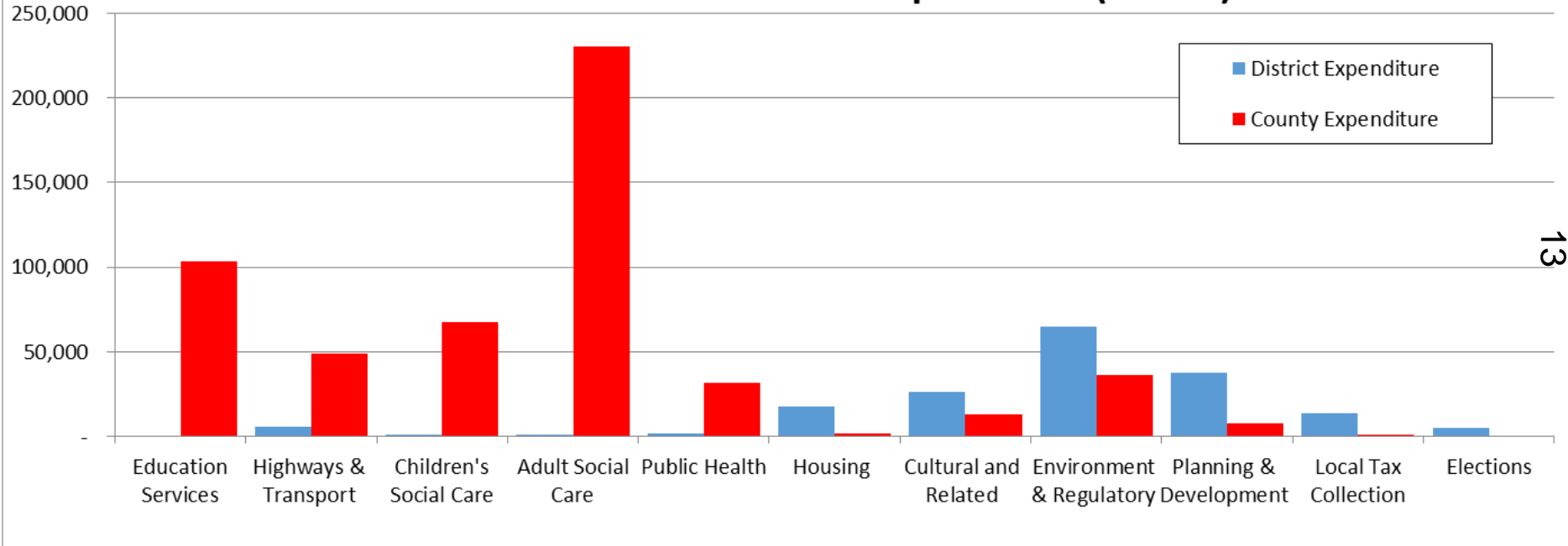
Implications of Scale - Diseconomies

Annual Sales - Top 10 Leicestershire Companies + Local Gov.



Implications of Scale - Diseconomies

Leicestershire Service Expenditure (£'000s)



Comparison to other proposals

	Leicestershire (1 / 2 unitary)	Buckinghamshire (1 / 2 unitary)	Oxfordshire	Dorset* (2 unitary)
Saving target (£m)	30.0 / 17.6	18.2 / 10.3	20.5	27.6
Organisations abolished	7 / 6	4 / 3	5	8
Saving per organisation (£m)	4.3 / 2.9	4.6 / 3.4	4.1	3.9

Comparison to other proposals

£ million	Organisations abolished (number)	Savings Target	Saving Target per organisation	Estimated savings achieved	Estimated savings achieved per organisation
Cornwall	6	17	2.8	25	4.2
Wiltshire	4	18	4.5	25	6.3
Northumberland	6	17	2.8	28	4.7
Durham	7	22	3.1	22	3.1
Shropshire	5	20	4.0	20	4.0
Average	6	19	3.5	24	4.4⁵

Phasing

	Dorset	Buckinghamshire
Minded to decision	November 2017	March 2018
	4 months	7 months
Approval	February 2018	November 2018
	13 months	17 months
New Council	April 2019	April 2020

- Significant preparation time
- De risks service go-live
- Allows significant savings to be delivered on day 1

Phasing

Category	Year		
	1	2	3
Members' Allowances	100%	100%	100%
Elections	100%	100%	100%
Senior Management	100%	100%	100%
Back office	50%	75%	100%
Service management and administration	25%	50%	100%
Total	60%	80%	100%

- Quick payback
- Prioritise non-service
- Scope to revise

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Equalisation of Council Tax

£ p.a.	Blaby	Charn.	Harb.	Hinckley & Bosworth	Melton	N. West Leics.	Oadby & Wigston	County Average
County Council	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243
District Council	158	117	152	109	169	159	218	145
Police Authority	199	199	199	199	199	199	199	199
Fire	65	65	65	65	65	65	65	65
Special Expense & Parish (avg.)	95	85	62	71	62	76	0	71
Total	1,760	1,709	1,721	1,686	1,737	1,741	1,725	1,722

Equalisation of Council Tax

- £8 million benefit to residents if adopt lowest
 - Discretion of new council, can equalise higher
 - Have 5 years to align
 - Can be lower for dual unitary
- Parish Councils
 - Can transfer service and precept
 - Special Expenses can be used if no Parish Council
- Referendum limits ??????

Savings – Summary

Annual Savings	Single Unitary £ million	Reduction %	Dual Unitary £ million	Reduction %
Members' Allowances	0.5	19%	0.3	12%
Elections	0.9	36%	0.9	36%
Senior Management	5.6	32%	3.5	20%
Back office	17.4	29%	10.5	18%
Service management and administration	8.5	6%	5.3	4%
Contingency	(2.9)	-	(2.9)	-
Total (services reduced)	30	14%	17.6	8%
Total (total expenditure)	30	4%	17.6	3%

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Savings – Key Points

- Elimination of ‘cost of being in business’
- All services benefit from County Council’s existing scale
- Can adopt best practices across organisations
- Significant contingency
- Dual Unitary
 - Split key services
 - Reduce purchasing power
 - Overheads for 2 organisations

Not Included

- Change to service charges
- Change to Housing Revenue Account
- Trading or Grant income
- Linking related services
- Easier partnership working

Savings – Members’ Allowances

£ millions	County Council	District Councils	Total	Single Unitary
Total Cost	1.0	1.9	2.9	2.4
Gross Expenditure (incl. schools)	719.8	173.4	893.2	863.2
Expenditure per Member	13.1	0.7	2.9	7.8
Number of Members	55	254	309	110
Cost per Member (£000s)	17.7	7.4	9.3	21.1
Population (000s)	690	690	690	690
Cost per resident	1.4	2.7	4.2	3.4

Savings – Elections

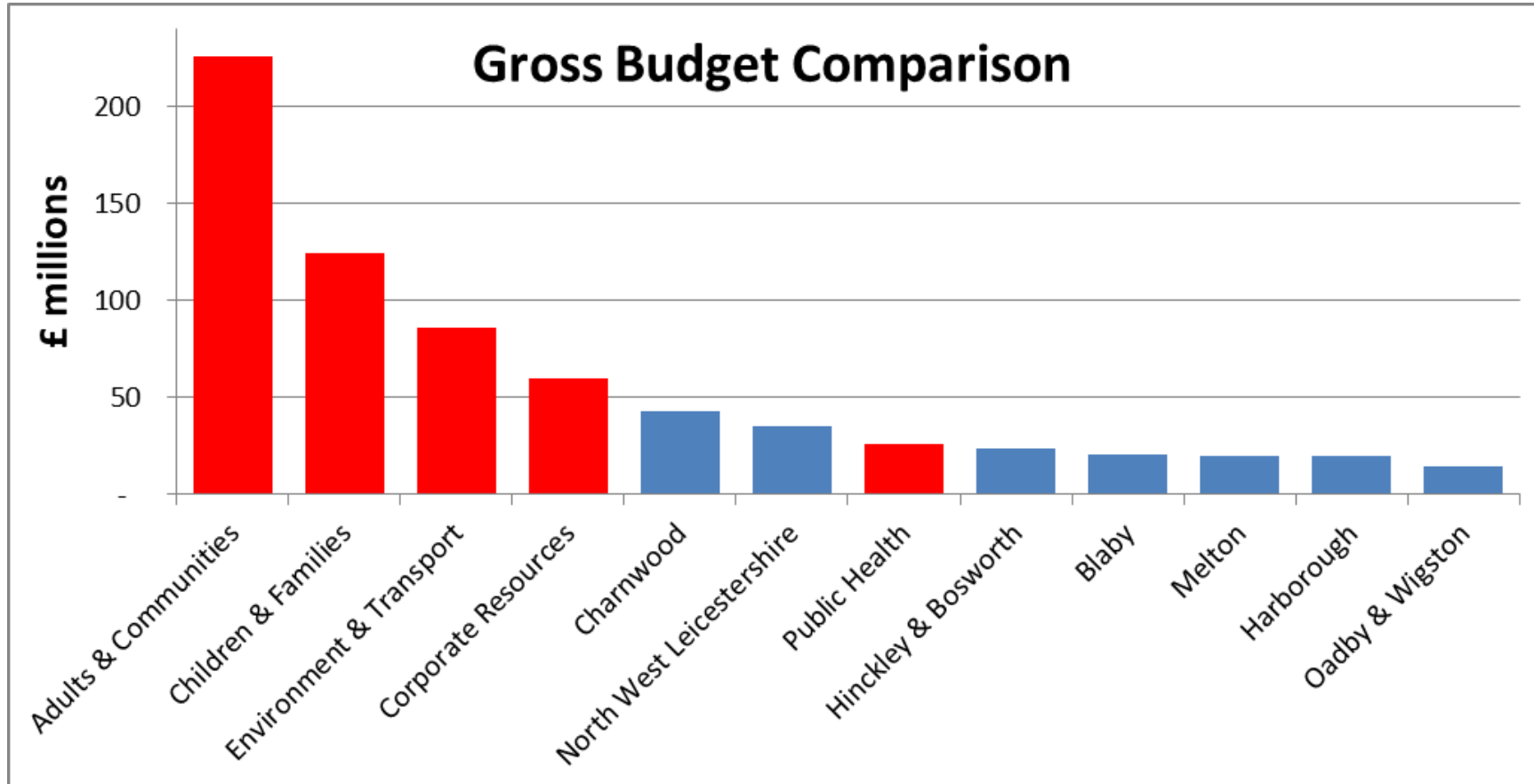
	Cost of elections £ millions	£ per head of population
District	3.6	5.4
County	0.8	1.3
Total Leicestershire	4.5	6.6
Unitary Comparators (average)	2.3	4.5
Difference	2.2	2.1
Calculate saving	£ per head difference X population	
Saving Estimate (£ million)	1.5	

- Saving every 4-years
- Eliminate County Council elections and 20% saving on District
- Continue alignment with Parish elections

Savings – Register of Electors

	Annual cost £ millions	Cost per head of population
Leicestershire Districts	1.2	1.8
Unitary Comparators (average)	0.5	1.1
Difference	-	0.7
Calculate saving	£ per head difference X population	
Saving Estimate (£ million)	0.5	

Savings – Senior Management



Savings – Senior Management

	Staff earning above £50,000 p.a.		Gross Expenditure	% of Gross Expenditure
	FTE	£ millions	£ millions	
District Councils	80	7.2	173	4%
County Council	114	10.4	587	2%
Difference	34	3.2	414	2%

Savings £ millions	Single Unitary	Dual Unitary
Corporate Management	2.9	2.0
Adopt County Council Overhead Rate	1.6	1.6
Reflect Re-organisation Savings	0.5	0.3
Reflect Unitary organisation size	0.6	(0.4)
Total Saving	5.6 (32%)	3.5 (20%)

Savings – Back Office

	Back-office Expenditure £ millions	Gross Expenditure £ millions	% of Gross Expenditure
District Councils	25	173	15%
County Council	34	587	6%
Difference	9	414	9%

Single Unitary	Savings £ millions
Adopt County Council Overhead Rate	15.5
Reflect Re-organisation Savings	1.7
Improve Overhead Rate (1%)	0.4
Local Governance Estimate	(0.2)
Total Saving	17.4 (29%)

Savings – Service Mgmt and Admin

Service	Service Expenditure £ millions	Saving £ millions	%
Housing	11.1	1.0	9%
Environmental & regulatory	21.8	1.2	5%
Planning & Development	27.5	2.0	7%
Cultural	25.8	1.3	5%
Waste	45.3	1.4	3%
Council Tax	6.6	1.7	27%
Total	138.1	8.5	6%

Right time

- Illustration of opportunity lost
 - 10 years of savings forgone (2009 to 202?)
 - £20million p.a. benefit after equalisation & investment
 - All other decisions the same
- Invest £200m returns £10m p.a. for on-going services
- New leisure centre for every district + £60m spare
- Pay off 1/3 borrowing for Leicestershire Las
- Buy 4% of the land in the County

Questions

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