



CABINET – 16 OCTOBER 2018

REPORT OF THE CHIEF EXECUTIVE

THE DEVELOPMENT OF A UNITARY STRUCTURE FOR LOCAL GOVERNMENT IN LEICESTERSHIRE

Purpose of the Report

1. To respond to the Cabinet resolution of 6 July 2018 to enable the Cabinet to consider outline proposals for the development of a unitary structure for local government in Leicestershire and, in light of that consideration, stakeholder engagement. The report also provides an update on the development of a Strategic Alliance for the East Midlands.

Recommendation

2. It is recommended that:
 - (a) the outline proposals for the development of a unitary structure for local government in Leicestershire and subsequent stakeholder engagement be considered;
 - (b) the proposed terms of reference for the working party established by the County Council on 26 September be considered;
 - (c) the present position in respect of a Strategic Alliance for the East Midlands be noted.

Reasons for Recommendation

3. To enable consideration to be given to the next steps in the development of a unitary structure for local government in Leicestershire.

Timetable for Decisions (including Scrutiny)

4. Subject to agreement by the Cabinet, this report will be considered by the Scrutiny Commission and the Overview and Scrutiny Committees during November, as follows:-

Children and Families - Monday 5 November
Adults and Communities - Tuesday 6 November
Health – Wednesday 7 November
Environment and Transport - Thursday 8 November
Scrutiny Commission - Wednesday 14 November

5. The Cabinet has left open the opportunity to consider comments of the Scrutiny bodies, stakeholders and the working party (referred to in paragraphs 130 to 133) at its meeting on 23 November 2018.

Policy Framework and Previous Decisions

6. The Cabinet at its meeting on 6 July requested officers to undertake work on the development of a unitary structure for local government in Leicestershire and to prepare outline proposals. The Cabinet also authorised the Chief Executive and Director of Corporate Resources to work with regional counterparts to develop a Strategic Alliance for the East Midlands.
7. At its meeting on 26 September the County Council set up a politically balanced working party on a unitary structure for local government in Leicestershire.

Resource Implications

8. Work on the development of a unitary structure for local government has been undertaken within existing resources. The financial implications of unitary local government in Leicestershire are set out in the report.

Legal Implications

9. The outline proposals and recommendations under consideration are 'Executive Functions' and are therefore a matter for the Cabinet. However, given the significance of the decision it is planned that the matter should be referred to the full Council for consideration and debate. The Leader has given a separate commitment to consideration by the full Council.
10. The Director of Law and Governance has been consulted on the content of this report. The legislative position in respect of unitary reorganisation is set out later in the report.

Circulation under the Local Issues Alert Procedure

11. As this is a matter which will affect all areas of the county, a copy of this report is being circulated to all members of the County Council.

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PART B

Background

Recent history of Local Government Structures in the UK and Leicestershire

12. The reorganisation of 1974 following the Local Government Act 1972 established a two-tier structure of counties and districts throughout England. Successive reorganisations have increasingly dismantled that structure, through the introduction of unitary authorities, starting in 1986. Of the current membership of the County Councils' Network, 25% are unitary councils.
13. Scotland, Wales and Northern Ireland all have unitary structures of local government.
14. In 1997, Leicester City and Rutland became unitary authorities, while the rest of Leicestershire retained the two-tier county and district councils. There were other reorganisations elsewhere in 1997 and 1998.
15. Following the Local Government and Public Involvement in Health Act 2007, there was a further round of local government reorganisation. It included the creation of county unitary authorities in Northumberland, Durham, Cornwall, Wiltshire and Shropshire. The counties of Cheshire and Bedfordshire were also reorganised using a two-unitary model, acknowledging that parts of both counties, namely Luton, Warrington and Halton, had previously become unitary authorities in 1997. The first elections for those new unitary authorities took place in 2008 or 2009.
16. Currently, unitary reorganisation is most advanced in Dorset and Northamptonshire. A reorganisation has been approved in Dorset for two unitary councils, one rural and one urban/suburban to reflect the nature of the area, one building on an existing unitary. It is widely known that the splitting of two-tier Northamptonshire into two unitaries is not a model for any other reorganisation since a single unitary would have been perceived as replacing a failed council with another on the same footprint.

Combined Authority Proposal

17. In May 2015 a decision was taken to pursue a Combined Authority proposal for Leicester and Leicestershire, bringing the eight councils in the county area together with Leicester City Council under a new governance arrangement in order to deliver a range of strategic services focused on economic growth and transport planning across the area.
18. The Combined Authority proposal for Leicester and Leicestershire, supported by the Leicester and Leicestershire Local Enterprise Partnership and the three Universities, was submitted to Government in December 2015. However due to changes in Government and the prioritisation of combined authority proposals which included having an elected mayor, the Leicester/Leicestershire Combined Authority proposal was not progressed by Government.

Financial Situation

19. In the circumstances set out below the Cabinet is considering the use of powers available to the County Council to establish a unitary structure of local government.
20. The principal driver for change through a unitary structure is the financial situation facing the County Council and the impact on front-line services.
21. The nation's public finances have been in a perilous state since the financial crisis a decade ago. The crisis instigated the deepest recession in the UK since the Second World War. The effects of the recession are still being experienced today.
22. The tax increases and spending cuts that followed the crisis have reduced the public sector's budget deficit to a relatively low level. However, slow economic growth over the previous eight years has left public debt at double its pre-crisis level, relative to the size of the economy. The expenditure on public debt is equivalent to it being the fourth largest government "department" after social security, health and education. This level of debt is problematic even though Government borrowing costs are at historically low levels. It is a structural problem that needs fixing before borrowing costs inevitably increase.
23. To quote the Institute of Fiscal Studies: "With public debt twice its pre-crisis level, economic growth remaining sluggish and the population ageing rapidly there will be no shortage of tough decisions over the coming decade."
24. These tough decisions come in three forms:
 - Boosting economic growth;
 - Tax increases;
 - Cost control.
25. Faster economic growth would be the preferred option for the Government, but achieving this has proven elusive. Most medium term economic forecasts suggest modest growth, below historic averages, should be expected, which pushes the emphasis onto the other two options.
26. There has been some softening of public attitudes towards tax increases and this may afford the Government some respite. However, as the funding would be used to deal with existing and predicted demand and not service improvement, public acceptance is limited. National political uncertainty around Brexit may further constrain the Government's choices.
27. This leaves the Government's most likely option to be further cost control. The acceptance that welfare and NHS expenditure are very difficult to control leaves all other Government Departments apprehensive in advance of the Comprehensive Spending Review in 2019 (CSR19). Education, Defence and Police are all putting forward compelling arguments for additional funding. The NHS is likely to join this chorus to push their annual increase towards the historic average of 4% above inflation, compared to the current (unfunded) commitment of 3.4%.

28. Recognition of local government financial problems are mixed at best. The interdependency between the NHS and Adult Social Care means that it cannot be ignored, although at the time of writing no long term solution has been proposed by Government. The larger problems of Children's Social Care and Special Education Needs do not appear to be grasped outside of the local government sector.
29. Local government has not traditionally fared well in spending prioritisation decisions against departments such as Health, Education, and Defence. The working assumption, for financial planning, is that this situation will continue.
30. CSR19, which will have to reflect the Prime Minister's statement at the Conservative Party Conference 'that the end of austerity is in sight', should go some way to validating this assumption, although the time period of funding projections may be too short to give any lasting certainty. The County Council therefore has to keep financial sustainability in its own hands through:
- Local tax generation;
 - Management of service growth;
 - Development of savings and investment initiatives.
- It is also reasonable in the circumstances to propose wider transformation and reform.
31. The local government press and more recently the national media report stories of councils who have not planned ahead with the consequence of greater levels of service cuts than otherwise would have been required.
32. Northamptonshire County Council is at the forefront of struggling councils. Poor leadership and financial management undoubtedly accelerated its decline, but the underlying issues of funding cuts coupled with rising demand for services and National Living Wage driven cost pressures are the same for all councils with social care responsibilities. This leads to the view that Northamptonshire County Council's experience is an insight into the future.
33. The National Audit Office's financial sustainability report echoes this sentiment. The report identifies a 49.1% real terms reduction in Government funding for local authorities between 2010/11 and 2017/18 (equating to a 28.6% real terms reduction in 'spending power', i.e. what the Government defines as the main sources of Government funding plus Council Tax) and warns that one in 10 English Councils (15 in total) with social care responsibilities will not be able to balance their budgets within three years. The BBC recently attempted to identify the councils most at risk, publishing a list of 11 authorities. The list included eight County Councils, all of whom are better funded by the Government than Leicestershire County Council. These eight account for nearly one third of the total number of County Councils in England, demonstrating the disproportionate financial strain being placed on authorities such as Leicestershire.
34. Although deprivation is at a low level in Leicestershire, compared to the rest of England, it is not the least deprived county area. There are seven other county areas with lower deprivation, but a higher level of funding. The most extreme example is Surrey that has lower deprivation, but benefits from £150 per resident

of additional funding. If Leicestershire was funded by the Government at the same level as Surrey it would be £100m better off each year. Surrey is one of the councils identified as being in financial difficulty. It is facing a funding gap rising to £94m in 2020/21.

35. Despite being poorly funded Leicestershire County Council is faring better than most, due to a proactive approach to planning and savings delivery. The approach taken locally is set out in the following paragraphs.

Funding

36. In Leicestershire County Council, being realistic about what resources Government is willing and able to assign to local government has ensured that the reductions received were not unexpected. A key component of the County Council's strategy has been to campaign for a funding settlement that is representative of the needs of the county area.
37. The fair funding campaign has been very successful in gaining national recognition that the current system for funding local government is broken. However, the need to continue the repair of the nation's finances will mean sustained additional funding for the local government sector is very unlikely. The implementation of fair funding will require the reallocation of resources away from highly funded areas. The consequence of this and the proposed phased implementation indicate that the financial benefit is likely to be relatively disappointing. Hence the potential financial benefits of the campaign have not been included in the Council's Medium Term Financial Strategy (MTFS).

Service Demand

38. The County Council has accepted that whilst all services can be made more efficient and effective it is not always possible to put a cap on cost increases.
39. Care for elderly adults is the largest expenditure area in the County Council's budget. Demographic projections predict continued growth in this area compounded by the fact that the average length of time for which people require care is increasing.
40. Children's Social Care, although a smaller portion of the budget than Adult Social Care, is the main driver of financial growth. The looked after children population in Leicestershire is growing at a rate of 8% per annum. The supply of interventions cannot keep pace with demand, driving up costs further.
41. Provision of Special Education Needs has experienced cost growth for some time. However, to date this has been contained within the Dedicated School Grant. Recent Government changes in the rules around funding and continued increase in the number of pupils requiring support have restricted the County Council's ability to manage this budget. This is further compounded by the impact of the national funding formula on schools. Schools are required to make savings to maintain their current level of provision. This will make it harder to engage schools

in identifying solutions and it is not unreasonable to expect them to look for ways to mitigate savings by seeking to charge costs to other organisations.

42. The current four year MTFS includes £90 million for cost and demand increases. It is reasonable to expect that a similar level of increase will be required in the future. Taking a realistic estimate of unavoidable demand allows the necessary Council Tax increases and savings plans to be put in place. It also allows demand management activity to be performed rather than having to deal reactively with overspends through emergency cuts.

Savings

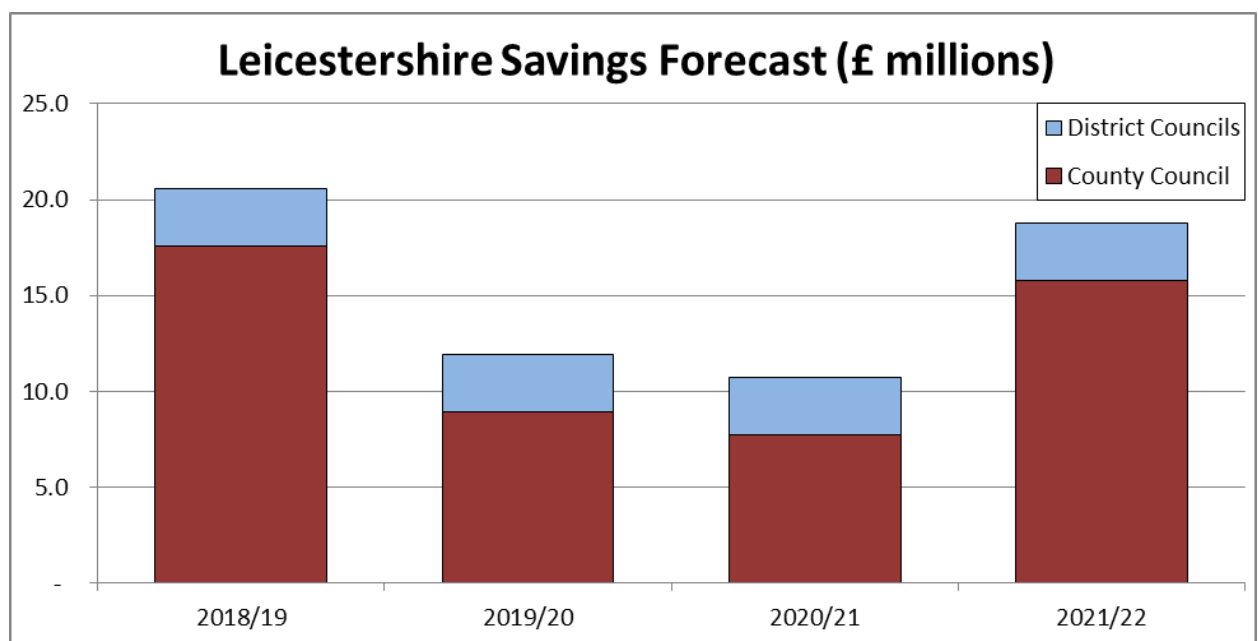
43. Since the start of austerity the County Council has recognised the need to invest in change and make early decisions in difficult areas. This has allowed the emphasis to be kept on efficiency savings, which form 70% of the current savings plans. The technical delivery of further efficiency projects is getting more risky requiring either significant financial investment, for example the asset investment fund, implementation of new solutions, e.g. technology, or more transformational change to front-line services.
44. By the end of this financial year the County Council will have delivered £200m of savings since the start of austerity in 2010. The majority of these savings have been used to fund the rising cost of social care services.
45. Despite these significant savings, which have not been achieved easily, the latest financial forecasts predict that a balanced budget will only be achieved for the next two years. Beyond this point significant new savings will have to be identified and maximum Council Tax increases implemented. This is clearly a worrying scenario requiring serious attention.
46. Low funding for Leicestershire is a significant problem making further savings difficult and more likely to result in cuts or additional charges rather than efficiencies. In short the County Council's financial position is not sustainable. If the financial pressures continue then the visible detrimental impact upon residents and partners will inevitably increase through service reduction or cost increases.
47. Even if Government stopped the anticipated future funding reductions, the known service demand and inflationary pressures will create a cost pressure of £20 million p.a. ongoing. If housing growth continues in the county and Government allows 1.99% annual council tax increases (without a referendum), only half of this cost pressure will be funded, leaving a £10million annual savings requirement. Saving at this level is not sustainable on a long term basis and continued increases in Council Tax for a reduction in services would not be acceptable to the public.

Countywide Finances

48. Financial pressures have not been spread evenly across the different tiers of local government organisations. District councils do not have responsibility for social care services and Government incentives for new homes and business rate

growth have disproportionately benefited many districts. The result is that the savings requirement has not been on the same scale or had the same impact as for county councils. The Government has already signalled its intention to reform the New Homes Bonus (currently £18.2m p.a. for Leicestershire), with some reductions already implemented. In addition the retained business rate growth (currently £15m p.a.) is expected to be removed from annual budgets as part of the national funding reforms in 2020/21. The combination of these two funding reforms and the several high profile examples of struggling councils with social care responsibility are likely to increase the financial pressure on district councils.

49. Using published financial plans and an assumption that cost and funding pressures continue at a similar rate to the current planning period, an estimate has been made of the savings challenge to the middle of the next decade. This fits with the Government's current aspiration for delivering a balanced budget.



50. Savings in the chart from 2018/19 to 2021/22 are taken from the latest published budgets of the councils in Leicestershire. The district council savings have been averaged, due to different planning periods and use of reserves that distorts the timing of savings. It should be noted that individual councils have taken different approaches to the potential changes in future funding.
51. The estimate is for £62 million of savings to be required in Leicestershire (both County Council and District Councils). This estimate already assumes that £57 million is raised through Council Tax increases, which continue at the maximum level permitted by Government. Only two thirds of the estimated savings across the County Council and District Councils have formed plans over this period.

Future Uncertainty

52. Current forecasts assume that economic growth continues. However there has been a recession in every decade since the 1950s. As the last was in 2009 it would not be surprising for a recession to hit before austerity ends.

53. Taking a more pessimistic view of the economy increases the savings requirement significantly, as medium term plans assume a significant level of income growth related to new housing and business rates. In the event of a recession housing and business growth are likely to stall.
54. There continues to be uncertainty over what agreement will be reached for Britain's exit of the European Union. Regardless of the eventual deal reached most commentators believe that there will be an impact on the country's economic activity and the way domestic organisations need to operate. Local government is not insulated from these changes. Service departments are dependent upon a fully functioning labour market; the local economy is dependent upon business investment and consumer confidence; Government funding is dependent upon the state of the nation's finances.
55. Adoption of a unitary structure could be seen as a positive step to financial sustainability, as uncertainties could be dealt with more effectively. There is thought to be strength in the argument that aside from the financial benefits of re-organisation, unitary organisations are more responsive to significant changes (fewer organisations), make better decisions (preventative services aligned to the services they support) and are able to deploy more resources rather than hold contingencies (County Council reserve level is 38% versus 97% for the District Councils).

Action open to the County Council

56. Adoption of sound financial management has kept Leicestershire County Council out of the first wave of crisis councils. This has not been without significant impact on the residents of Leicestershire both in the level of council tax and reduction of services.
57. As mentioned earlier (paragraph 30) in the financial circumstances identified it is reasonable for the County Council to consider transformation and reform which go beyond actions in its own hands. This has been recognised in MTFs reports to Council budget meetings. It is a fact that Leicestershire has an expensive structure of local government.
58. At least three of the County Councils identified by the BBC have started to work toward a core offer that focuses on statutory requirements and protection of vulnerable children and adults. The cuts tend to focus on the universal services that the majority of the population value. Examples of services commonly cut include:
 - Bus subsidies, highways maintenance, road gritting and road safety
 - Prevention services that promote wellbeing
 - Libraries and heritage
 - Trading Standards service
 - Early Help and Prevention Services, in particular Children's Centres
59. Whilst some of the service reductions made in Leicestershire have been in these areas they are not as severe as they would have been had decisions been

delayed. Time is important. The experience of Northamptonshire is that delaying simply increases the level of cuts required. By way of example the County Council has £270m of debt, and is looking for ways to reduce; other councils have higher debt burdens that are likely to increase, for example Northamptonshire County Council (£789m) and Surrey County Council (£759m.)

60. District councils have avoided the worst effects of austerity due to their different funding mix and nature of services delivered. As mentioned earlier in the report (paragraph 48) the funding pressures on district councils look set to increase and some demand pressures, such as homelessness, are also increasing. Should the financial pressure increase service provision in key services such as Leisure Centres, Waste Collection and Parks would inevitably come under review.
61. Reforming local government in Leicestershire would make cuts to county and district services in Leicestershire less likely.
62. In addressing this scale of financial challenge it is a sound principle that demand-led services create a constant requirement for efficiency improvements to keep council tax at an acceptable level, but at the same time wider reform should focus on protecting and investing in front line services, provided now by both the County Council and the district councils.

Joining Up Services

63. A second driver for change through a unitary structure is to join up front-line services.
64. Criticism of moving to a unitary structure from a two tier structure is often based on a claim that ‘services would no longer be delivered at the local level.’ In any structure services are delivered locally, whether personal social care or waste collection. The structure in which they are delivered can help or hinder their effectiveness.
65. It is believed that there is a good case to be made that a unitary structure provides an opportunity to redesign service delivery in a way which would be better for residents, local businesses and partner organisations, as well as bringing benefits in financial savings. Service redesign could be informed by the following principles:-
 - Fit for the future, with the agility to adapt to the changing landscape of local government;
 - Focus on outcomes, supported by a robust evidence base;
 - Continued value for money, maximising the use of the Leicestershire pound;
 - Simplified service provision;
 - Strengthened relationships with strategic partners and businesses, leading to more effective multi-agency decision making and delivery of services.
66. Similarly, there is a good case to be made that fragmentation in service delivery and responsibility inevitably can lead to frustration and confusion for members of the public and that a unitary structure can correct that.

67. Last year the County Council recorded more than 130,000 web visits where someone was confused between the county and district council services. Similarly, 11,000 out of 200,000 calls to the Customer Service Centre at the County Council were redirected to district councils. This is inefficient in terms of time and money and also slows down the response to the public. A unitary structure would address public enquiries more effectively and make transactions quicker and clearer.

Partnership working

68. The creation of a unitary structure for Leicestershire would also improve the effectiveness of partnership working across local government, health, business, the voluntary and community sector and other local partners.
69. Leicestershire forms part of a wider geographic footprint for key partners: Leicester, Leicestershire and Rutland (LLR) for NHS and emergency services except the regional ambulance service; Leicester and Leicestershire for the Local Enterprise Partnership. This can be clumsy and fragmented. It can be difficult for partners to engage in a co-ordinated way with local government services. There are examples of an individual council delaying or frustrating a policy initiative, causing reputational damage to local government.

Services in a Unitary Structure

70. Appendices A - I to this report have been prepared by Chief Officers to show the potential benefits of a unitary structure. The appendices also reflect best practice examples drawn from County Unitary Councils with a particular focus on service delivery models in Cornwall, Wiltshire and Durham.

Model Unitary Structure

71. A suggested model unitary structure has been developed for the purposes of this report and subsequent stakeholder engagement. Feedback from this engagement, including from the County Council's Overview and Scrutiny bodies, can be used to develop the model further. For the purposes of exemplification it has been based on a single unitary council but this should not be seen as indicative of anything other than a position from which discussion can be initiated. The County Council recognises that a decision to propose restructuring in Leicestershire assumes an invitation from the Secretary of State, and the form which any proposal took would be subject to public consultation and further development.
72. The model recognises best practice, it utilises research material and seeks to address the following:-
- The risk that a removal of a tier of governance could result in a loss of local involvement and identity;

- The need to ensure that local accountability is a key building block of the new council;
- The perception that the establishment of a unitary structure would create what is sometimes called a 'democratic deficit';
- The EY Report (2016), referred to later, finding that the transition from two tier to single tier worked best where the ambition of increasing community participation was explicit from the outset;
- National evidence which shows that community engagement develops social networks which can lead to improved health outcomes.

73. The model unitary structure will need to demonstrate the strongest strategic and local leadership. To deliver this, the proposed model adopts the following approaches:-

- (i) To employ the 'Cabinet and Strong Leader' model of governance.
- (ii) To ensure that all councillors act as community leaders and bring that experience to strategic decision making for the benefit of the county.
- (iii) To have a clear and simple structure for local partners to engage with.

74. Where a councillor serves on both county and district councils, conflicts of interest can arise in decision making. This model allows a better balance between local and strategic issues in the decision making process and the removal of conflict between tiers.

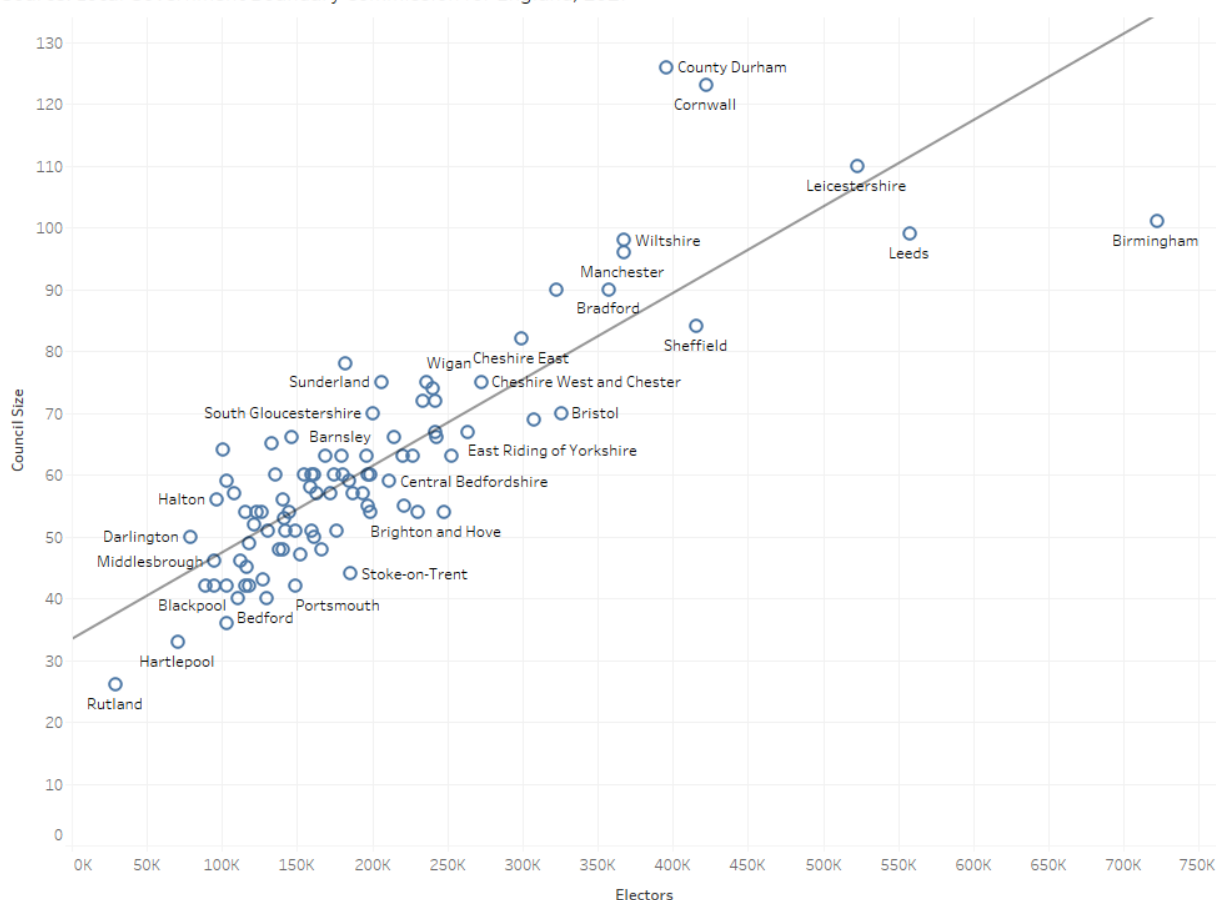
75. The removal of a tier of governance for Leicestershire would lead to a reduction in the number of councillors. Such a reduction gives rise to criticism of a 'democratic deficit' in a unitary structure compared to a two tier structure. Whilst the role of the councillor is not wholly related to the responsibilities of the councillor's particular local authority, it is noted that in two-tier areas, the numbers of district councillors will significantly outnumber the county councillors. In the case of Leicestershire, the County Council (55 members) is responsible for 81% of local government expenditure and the district councils collectively (254 members) are responsible for 19% of that expenditure. At this stage and subject to the views of the Boundary Commission at a later stage, it is suggested that a single unitary council for Leicestershire would have 110 councillors; twice the size of the existing County Council but reducing the overall number of councillors (across the current county and district councils) by 199.

76. Analysis has been undertaken to compare council size and number of electors for single tier local authorities, and a 'line of best fit' developed. That analysis suggests that a council size of 110 would be in line with the council size of other unitary authorities comparable in size. This is illustrated in the chart below.

Electorate vs. Council Size (Single Tier Local Authorities exc. London Boroughs)

Source: Local Government Boundary Commission for England, 2017

Authority Name
All



77. The Boundary Commission also considers factors such as governance, scrutiny and the role of the councillor when undertaking a review.
78. To strengthen local leadership, recognising that there will be a reduction in the number of local elected representatives, it is proposed that the unitary councillor would be supported to undertake an enhanced role in supporting the council's strategic direction and a higher profile community leadership role, which would include the following:-
- To act as 'steward of the place', i.e. a more identifiable local leadership role, working across the locality in partnership with others;
 - To be proactive in supporting, encouraging and enabling community capacity building;
 - To build and maintain relationships with local partners and facilitate their involvement in the community;
 - To oversee the use of an individual budget for community capacity building/to support local projects.
79. It is also proposed that local leadership would be strengthened through the development of Local Area Committees. The building blocks used to define Area Committees would be electoral divisions, local delivery arrangements such as the health and social care Integrated Locality Teams and parliamentary constituencies. They would also need to have roughly similar sized populations.

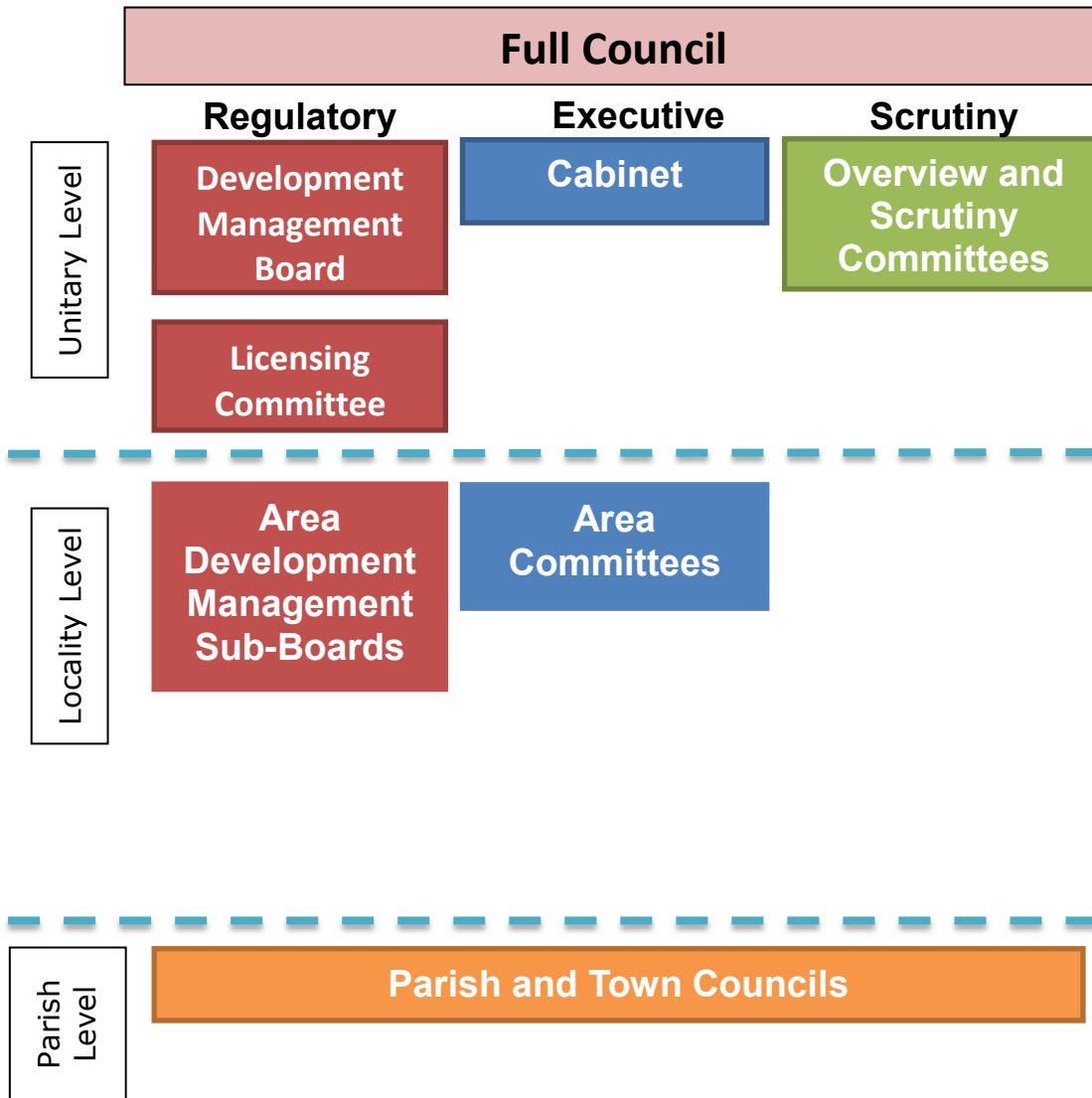
In addition it is crucial that the areas should reflect natural communities in terms of the economic and local interests and identities.

80. A suggested role for the Area Committees could be:-
- (i) To provide a locality focus to strategic decision making and be able to influence strategic outcomes such as a county-wide Local Plan by acting as a key consultee;
 - (ii) To set local priorities over and above the core service offer which will be consistent across the county;
 - (iii) To produce an '*Area Priority Plan*' reflecting the local priorities and to allocate a devolved revenue budget to support delivery of local priorities;
 - (iv) To agree some Traffic Regulation Orders and be responsible for some delegated funding for local highways measures;
 - (v) To engage local residents, organisations and stakeholders in the best way it sees fit.
81. Through funding a local priority set out in the Area Priority Plan, an Area Committee could also commission an additional service for its locality. This might include areas such as:-
- Public realm (publicly accessible free and open spaces);
 - Supporting the local economy;
 - Capacity building;
 - Community services (including leisure, culture and art);
 - Promoting community cohesion and wellbeing;
 - Supporting the local voluntary and community sector;
 - Community transport;
 - Community safety measures.
82. It is important that the Area Committees would be able to take decisions which have been delegated to them, so they would be formally constituted committees of the Unitary Council, although there is no requirement for them to be politically balanced. Each Area Committee could co-opt additional members as it saw fit, such as Town and Parish Council representatives or business, voluntary sector and statutory partners.
83. In addition to the Area Committees, it is proposed to establish separate Area Development Management Sub Boards, spanning the footprint of two or more Area Committees, which would be responsible for the local determination of planning applications when the Officer Scheme of Delegation does not apply. The membership of these Sub Boards does not need to reflect political balance, provided that their remit is limited to local matters.
84. Based on analysis of the current level of business undertaken by District Planning Committees, four Area Development Management Sub Boards would determine approximately nine planning applications per month, whereas five Area Development Management Sub Boards would determine approximately seven planning applications per month.
85. The proposed governance model for Planning is set out in the table below. It is acknowledged that there would need to be a regional or sub-regional level to take

into account the relationships with neighbouring councils, particularly Leicester City Council, in terms of economic growth and development.

Level	Governance Proposal	Remit
Unitary Level	Cabinet/ Council	<ul style="list-style-type: none"> • Development Plan Making:- <ul style="list-style-type: none"> • Single Local Plan (strategic and non-strategic policies, minerals and waste, mineral safeguarding, infrastructure plan) • Neighbourhood Plans • Local Transport Plan • Supplementary Planning Documents (housing, energy, historic environment, biodiversity, design, green space, landscape) • Community Infrastructure Levy (or S106 policy) • Other Policy Documents (e.g. Conservation Area Appraisals, Development briefs)
	Strategic Development Management Board	<ul style="list-style-type: none"> • Response to the impact of major developments outside Leicestershire on county residents • Determination of Planning Applications for:- <ul style="list-style-type: none"> • Strategic and/or Large scale major developments (including Minerals and Waste) • Developments that are a significant departure from policy
	Officers (delegated decision making powers)	<ul style="list-style-type: none"> • Planning and other applications (e.g. Listed Building Consent, Tree Preservation Orders, Rights of Way, Advertisement Control etc.) and discharge conditions unless the local member makes a sound request that it be considered by the Development Management Sub-Board • Enforcement Matters • Appeals
Local Level	5 Area Development Management Sub-Boards (average 7 applications per month)	<ul style="list-style-type: none"> • Planning Applications referred by local members • Designation and amendment of conservation areas • Public Rights of Way • Tree Preservation Orders
Parish Level	Town and Parish Councils	<ul style="list-style-type: none"> • Potential for competent councils (within the meaning of the Localism Act 2011) to determine minor applications • Ability to prepare Neighbourhood Plans • Consultee on planning applications

86. The diagram below illustrates the proposed unitary structure:-



Possible responsibilities

- Strategic, area wide decision making including social care, education, strategic planning, environment and transport, regulatory services, housing, leisure and recreation, public health, strategic management of revenue and benefits;
- National, regional and strategic partner engagement.

- To provide a locality focus to strategic decision making and be able to influence strategic outcomes;
- To set local priorities over and above the core county-wide service offer;
- To produce an 'Area Priority Plan' reflecting the local priorities and to allocate a devolved revenue budget to support delivery. Local Priorities listed in 'Parish Level' below as areas for possible devolvement to Parish/Town councils;
- To agree some Traffic Regulation Orders and be responsible for some delegated funding for local highways measures;
- To engage local residents, organisations and stakeholders.

- Where requested, build capacity to take on an enhanced community and service delivery role, to possibly include:-
Public Realm (e.g. grass cutting), Promoting community cohesion, wellbeing, Local Economy support, Supporting the local VCS, Capacity building, Community Transport Community Services (Leisure, Culture, Arts), Community Safety.

Town and Parish Councils

87. Consideration can be given to the creation of new Town Councils to cover currently 'unparished' areas.
88. Local leadership can be strengthened through giving town and parish councils an enhanced role where this is requested. Key to this would be to ensure where powers and responsibilities are devolved that funding is provided. It is likely that a number of existing Parish Councils, as well as any that are newly established, would request support to build their capacity to take on an enhanced role, to include:-
- (i) Engaging with the community to identify and address local issues and aspirations;
 - (ii) Encouraging social action and developing community managed services;
 - (iii) Enhancing their role in service delivery and devolution, including via asset transfers.
89. Following the County Council's Annual Parish Council Liaison Event in July 2018 it was mutually agreed to hold a focus group of parish and town councils. This was held on the 20 September and those present provided the following view on the principles of a unitary structure for local government in Leicestershire and the role local councils could play:
- (i) General support, particularly from larger councils, for a unitary structure and strengthening the role of local councils;
 - (ii) Appreciation for early engagement and a commitment for ongoing discussions.

Literature Review

90. The national financial position has, in recent years, led to the production of reports from a number of consultancies and local government commentators about the benefits of moving to a unitary structure. A summary of what appear to be the most relevant reports, including the report commissioned from Ernst and Young by the County Council in 2014, is set out below.

Ernst & Young (EY) Report February 2014: Strategic Financial Case for a Unitary Council for Leicestershire

91. The key findings in this report were as follows:-
- A single unitary council could save up to £30m per annum and would generate a Net Present Value saving of nearly £90m over five years. The cost of implementing the required changes was estimated at £12.8m with a forecast payback period of just over one year.
 - A dual unitary council structure would deliver savings but £12m per annum less (39%) compared to a single unitary council.

- Harmonising council tax charges at the lower level would represent greater value to the Leicestershire council tax payer. EY estimated this would cost £7.7m per year.
- A stronger locality focus could be achieved through:-
 - (i) The elimination of municipal boundaries and organisational silos;
 - (ii) The simplification of the delivery landscape; and
 - (iii) Creation of greater local democratic accountability.
- A unitary council would have greater strategic impact through the reduction in the number of individual organisations that need to be involved in discussions, planning and delivery. It would also provide the opportunity to create:-
 - (i) A single planning authority;
 - (ii) A single integrated housing strategy; and
 - (iii) Strategic planning for the area as a whole.

92. The EY analysis also identified a number of potential liabilities and risks which would need to be evaluated in more detail if the case for a unitary council were progressed to a further stage including: employee pay harmonisation; service level standardisation; and designing an effective democratic structure.

93. It should be noted that, in response to criticisms of this report made by the Liberal Democrat Group at the time, there were four points of clarification or correction made, viz:

- Names of Councils, page 5 – the titles of Hinckley and Bosworth, Melton and Oadby and Wigston were incorrectly shown as district and not borough councils.
- Service expenditure, page 5 – as indicated, the figures were extracted from Government data and were correct.
- Population figures, page 5 – EY used mid-year population estimates from 2008. Later figures could have been used.
- Elected Members, page 25 – the total should have been 309, not 316. Incorrect numbers were shown for Blaby, Charnwood and Melton.

94. The above did not impact on the key findings set out in paragraph 91.

95. In developing the case for a unitary structure of local government in Leicestershire, officers have reviewed and updated the methodology used by EY. The areas that savings can be derived from are similar in the majority of subsequent financial studies and still entirely relevant. However, the opportunity has been taken to update savings calculations by using the latest published information and to broaden the sources of information, where possible, to reduce the likelihood of a

material error. This is a process that will continue, as new information becomes available.

InLoGov Report 2015: Building Better Collaboration - Improving Collaborative Behaviours in Local Government

96. This report commissioned by the District Councils' Network was supportive of retaining the status quo. It focused on the role of district councils and suggested that "the energy invested in debates about structure would be better focused on improving services and outcomes through collaborative behaviours. Indeed, perhaps the longevity of the present municipal arrangements bears a certain amount of testimony to their relative success. Whilst the arguments about confusion for citizens and inefficiency remain; a system that allocates local services and a local voice to districts and more strategic and cost-sensitive services to counties has stood the test of time".
97. However, the report recognised shortcomings in the current system and recommended greater collaboration between districts as a way of delivering better local services, savings and efficiencies. It found that, because of their size and the nature of their services, districts were well placed to lead collaborative projects. It also suggested that behaviour, culture and trust are far more important to collaboration than the structures through which people work.
98. The report did not make reference to either the estimated or actual level of savings which could be achieved through greater collaboration between district councils. It also focussed essentially on district councils rather than the two-tier structure per se.

EY Report September 2016: Independent Analysis of Governance Scenarios and Public Service Reform in County Areas (National Report)

99. This report examined six scenarios using national data across the then remaining 27 two-tier counties in England. The table below shows the indicative level of savings for the average county. The results gave a national picture and it was noted that further detailed analysis would be required to ascertain precise savings in each area. Nevertheless the proposed savings for the average council were broadly in line with other studies.

Scenario	Payback Period	Annual saving post implementation
Single Unitary	Two years two months	£23m - £29m
Two Unitaries	Three years two months	£13m - £19m
Three Unitaries	Seven years	£4m - £10m
Shared support services	Four years eleven months	£2m - £8m
Merged Districts	Three years eight months	£6m – £10m
Three Unitaries and a Combined Authority	Seven years plus	£3m - £10m

100. Figures are based on an average county size i.e. population of 800,000 and spend of £930m. For comparison, Leicestershire's population is 690,212 with a spend of £791m.
101. The report also highlighted the savings achieved by the unitary councils created in 2008/9 reorganisations, compared to their projected savings. This is illustrated in the table below. In most cases, savings exceeded the target set, based on whether the council took opportunities to redesign structures and services and deliver transformation or whether they simply re-organised and 'scaled up' current ways of working.

Unitary	Projected Saving	Estimated savings achieved
Cornwall	£17m per year	£25m per year
Wiltshire	£18m per year	£25m per year
Northumberland	£17m per year	£28m per year
Durham	£22m per year	£22m in year one
Shropshire	£20m per year	£20m per year

102. In terms of public sector reform, the report found a correlation between the scenario that delivers the highest level of savings and that which relates best to key areas of public service reform. Areas such as social care and health integration, economic growth, transport, crime and financial viability and sustainability benefit from maximising economies of scale, clear governance, enhanced coterminous boundaries with partner agencies and high change capacity.
103. The report also noted that all the larger county unitary authorities established in 2009 have implemented models which enhance community governance and address the risks highlighted in the report.

ResPublica Report (November 2017): Devo 2.0: The Case for Counties (National Report)

104. The report found that due to funding pressures and increased demands on key services, maintaining the status quo of local government structures in two-tier areas such as Leicestershire is not an option. County unitaries would provide a recognised and identifiable unit of administration that corresponds to the appropriate scale of operation required for strategic decision making and development.
105. The District Councils' Network responded to this report by arguing that local government reorganisation should focus on the needs of local people and place at a local geography residents can recognise and relate to, where incentives to grow can be seen to work and where councils are small enough to solve problems one family at a time. The question of what constitutes a 'local geography' was left open.

Legislative Position and Government Criteria for Reorganisation to a Unitary Structure

106. Part 1 of the Local Government and Public Involvement in Health Act 2007 sets out a procedure for local government structural and boundary changes in England. This provides for the Secretary of State to invite any 'principal authority' (defined as a County or District Council) to make one of the following proposals:-

- **Type A:** a proposal for a single tier of local government for a county area based on existing county boundaries.
- **Type B:** a proposal for a single tier of local government for an area which is currently a district or two or more districts based on existing district boundaries.
- **Type C:** a proposal for a combination of a whole county or one or more districts in that county with an adjoining county or counties or district(s).
- **A combined proposal:** a combined proposal is a proposal consisting of (1) one or more Type B proposals and one or more Type C proposals; or (2) two or more Type B proposals or (3) two or more Type C proposals.

107. The invitation from the Secretary of State may either specify the type of proposal invited or allow the Authority to choose the type of proposal it submits. In responding to an invitation, the Authority is required to have regard to any guidance from the Secretary of State on what a proposal should seek to achieve and matters to be taken into account in formulating a proposal. Guidance issued in 2006 ('Invitations to Councils in England') sets out the approach and criteria with which proposals were required to conform as follows:

"i) the change to the future unitary local government structures must be:

- *affordable, i.e. that the change itself both represents value for money and can be met from councils' existing resource envelope; and*
- *supported by a broad cross section of partners and stakeholders; and*

ii) those future unitary local government structures must:

- *provide strong, effective and accountable strategic leadership;*
- *deliver genuine opportunities for neighbourhood flexibility and empowerment;*
and
- *deliver value for money and equity on public services".*

108. Following the Caller report on Northamptonshire County Council in February 2018, the Secretary of State (in his invitation letter for revised structural proposals to the Northamptonshire principal authorities) provided guidance as follows:

"A proposal should seek to achieve for the area concerned the establishment of a single tier of local government, that is the establishment of unitary authorities:

- a. *which are likely to improve local government and service delivery across the area of the proposal, giving greater value for money, generating*

savings, providing stronger strategic and local leadership, and which are more sustainable structures;

- b. which command a good deal of local support as assessed in the round overall across the whole area of the proposal; and*
- c. where the area of each unitary authority is a credible geography consisting of one or more existing local government areas and having a substantial population that at a minimum is substantially in excess of 300,000”.*

109. On receipt of a proposal in response to an invitation, the Secretary of State for Housing, Communities and Local Government (MHCLG) may request advice from the Local Government Boundary Commission on any matter relating to the proposal.

110. The Secretary of State may:-

- a. Make an order implementing the proposal with or without modification;
- b. Implement an alternative proposal submitted by the Local Government Boundary Commission with or without modification; or
- c. Decide to take no action.

111. Before making any order, the Secretary of State is required to consult every Authority affected by the proposal (except the authority or authorities which made the proposal) and such other persons as he considers appropriate.

Options and Appraisal

112. The Cabinet decision of 6 July requested outline proposals for a unitary structure. The following initial appraisal looks at two options: a single unitary council and two unitary councils. The MHCLG population criterion alone rules out a three way split and also challenges a two way split.

113. At this outline proposal stage, the approach adopted in the options appraisal is to consider financial and non-financial aspects. It draws on learning from other Councils (single and dual Unitary Councils within a county).

114. The Cabinet decision of 6 July did not request an analysis of the status quo. The current thinking is that retention of a two-tier structure in any form, however, could not be expected to meet fully the requirements of the drivers for change identified elsewhere in this report.

Financial Assessment

115. The following table summarises the financial implications of the two options set out above. More detailed financial information, including a breakdown of where the net annual savings come from, is included in paragraphs 118 – 122.

Option		Net annual Saving	4 year MTFS saving	Cost of implementation
1	Single unitary Council for Leicestershire	£30m	£100m	£19m
2	Two unitary Councils for Leicestershire	£18m	£60m	£18m

116. Savings for both options are derived in a similar way and are set out in the table below. The key differences reducing the financial benefits of the two unitary option are:

- a. County wide services need splitting to create two new services. This results in additional senior and middle management.
- b. More organisations exist, which will require a greater total level of back office and infrastructure support. These costs tend to be fixed in nature.
- c. The two unitary councils are smaller organisations than the existing County Council, resulting in a loss of purchasing power.
- d. Salaries to attract the right people will not be materially lower in the smaller organisations. For some posts, where there is already a shortage of good candidates, salaries are likely to be the same.

Category	Savings Rationale
Members Allowances	Fewer organisations will mean that the number of elected members can be reduced, although those that remain will have greater responsibility.
Elections	Elections for district and county members are held in different years. Having one set of elections for fewer members will cost less. The operations to maintain the register of electors can also be combined.
Senior Management	A management structure is required to manage each organisation and the services within it. Having fewer organisations and joining up similar services will mean that management savings can be realised.
Back office	Joining up and running services in a similar way will simplify the back office support requirements greatly. Combined with the benefit of only having one set of back office services rather than one in each organisation will allow support to converge on common systems, infrastructure, policy and process. Benefit is enhanced by fewer staff in totality reducing the office space requirements.
Service management and administration	Joining up and running services in a similar way will allow management and administration roles to be combined and the best practice from the current disparate services to be selected for the whole county. Further benefit will be secured from improved procurement and contract management.

117. The implementation costs for both options are derived in a similar way and are set out in the table below. The single unitary option benefits from there being no requirement to disaggregate services and the dual unitary option is cheaper in some areas due to the lower level of change and related savings.

Category	Rational
Staff redundancy cost	A significant proportion of the unitary financial benefits comes from reducing the number of staff employed, particularly at a senior level. Staff have a legal and contractual right to compensation for loss of their job.
Cost of integrating and decommissioning IT systems	Investment will be needed to integrate and replace the core service systems, including the merging of necessary historic service information.
Transformation team	An integration team will be required to perform the detailed service design work for the new organisation/s, implement the changes and ensure service continuity.
Support functions (Finance, HR, Legal, etc.)	The integration team will need access to significant levels of specialist advice and support.
Communications	Residents and partners will need to understand any changes to their access of services.
Merging of Operations	It is likely that there will be instances of contracts being terminated early to avoid duplication of running costs. Organisations differences will also need to be removed so that a unitary council operates as one organisation, for example harmonisation of employment terms and conditions.

118. The latest estimate of cost and benefits is set out in the table below. The majority of savings could be made without any impact upon the services delivered to residents. The savings that do impact front line services are limited to administration, management and procurement activity that should not be detrimental to the actual service and in some cases beneficial. Even for services where a successful local partnership is operating improvements are expected to be delivered, for example:

- a. Co-ordination of seven different organisations in a partnership requires significant management and administration effort. In a single organisation governance arrangements can be much less bureaucratic with fewer meetings and less co-ordination required.
- b. Disagreements between organisations do not arise.
- c. Formal agreements such as legal contracts and for information sharing do not need to be put in place.
- d. Quicker decision making is possible with just one governing organisation and a more straightforward relationship for partners.

Annual Savings	Single Unitary £ million	Two unitary £ million	Difference £ million	
Members Allowances	0.5	0.3	0.2	40%
Elections	0.9	0.9	0.0	0%
Senior Management	5.6	3.5	2.1	38%
Back office	17.4	10.5	6.9	40%
Service management and administration	8.5	5.3	3.2	38%
Contingency	(2.9)	(2.9)	-	0%
Total	30.0	17.6	12.4	41%
Implementation cost	(19.0)	(17.5)	1.5	7%

119. The expected payback period for the single unitary would be within two years of the organisation being created. Senior management and democracy savings would be delivered from day one, benefiting from advanced design work. A significant proportion of back-office costs would also be delivered early although not all due to the requirement to close the old organisations and the phased expiry of contracts. Similarly the service management and administration savings would be phased, reflecting the likelihood of longer term contracts and the focus on back-office savings.
120. The implementation of a dual unitary structure is only cheaper due to the lower level of redundancies. The payback would take longer due to the proportionately higher implementation costs and the complexity of dividing up services such as social care.
121. A contingency has been included against the savings to reflect the early development stage of these proposals. As more information becomes available it may be possible to increase the savings delivery.
122. The financial estimates will be updated as new information becomes available. Before any business case were submitted to Government it is expected that independent verification of the modelling would be undertaken.

Beneficiaries of savings

123. Austerity will dictate that the majority of savings will go towards ensuring the on-going sustainability of services. This would allow existing services to be protected from cuts that would otherwise be inevitable. Ultimately which services are protected will be a matter for the unitary council, but this would be informed by public consultation.
124. Adoption of a unitary council would mean that some of the direct financial benefit was naturally shared with residents through harmonisation of Council Tax. Residents in a unitary council's geography would all pay the same level of tax, which is usually set at the level of the lowest district council charge. For the single unitary council up to £8 million of the savings would be used for reduced Council Tax bills, although the final number would depend upon the impact upon town and

parish councils and actual level of charges. The reduction in Council Tax bills for a two unitary model is potentially less, as the lowest charging district council would be different in each unitary area unless a conscious choice was made to reduce bills in an identical way.

125. The future financial situation is very uncertain, but the proposed scale and speed of savings delivery should create the ability for some investment in services. Devolved revenue budgets to support delivery of local priorities have been mentioned earlier in the report. Capital investment, for example for leisure facilities or improvements to roads, is another option that can be used to improve local services in a targeted way. There should also be sufficient resources to invest and improve some countywide services. Gaining the views of Leicestershire residents would be vital in targeting investment at the right areas.

Non-financial assessment

126. The options been evaluated against the MHCLG non-financial criteria together with similar studies that have been undertaken elsewhere within the country. In summary:
127. **Option One:** A single unitary council for Leicestershire. A single unitary model would reduce the number of elected members, but would strengthen their role as explained in paragraphs 71 – 86. It would create the opportunity to reduce the number of senior and middle managers and more importantly to integrate the delivery of local government services in Leicestershire. Combined, these would be likely to improve outcomes for citizens and business and to reduce the cost of the Council being in business, giving rise to the possibility of Council Tax being reduced, key services better protected against further funding pressures and certain services being enhanced.
128. **Option Two:** Two unitary councils for Leicestershire: A two unitary model for Leicestershire would be likely to bring many of the benefits to citizens and businesses described in Option 1 (a single unitary council for Leicestershire) and would see relatively more elected members. It would, however, mean that there would be duplication in democracy and organisational structure: two senior leadership teams, two Council Cabinets, two ways of delivering services in different parts of the County. It would also mean that creating a single transport and housing plan for the County and working with strategic partners would be more difficult. Whilst a two council model could base its design on collaboration and shared services between the councils, it is an accepted position in national studies that the savings are reduced by as much as approximately 40% compared to developing a single Council.
129. The criterion relating to a 'good deal of local support' cannot be tested without stakeholder engagement and subsequent public consultation.

Appraisal

Government Criteria	Option 1: Single Unitary Council	Option 2: Two Unitary Councils
Credible geography	<ul style="list-style-type: none"> • 'Leicestershire' is a well-established and recognised name. • Leicestershire is the outer circle of a functional economic area, Leicester and Leicestershire, recognised by Government. The interdependencies of city and county are a key part of that functional coherence in terms of the economy, employment and infrastructure. 	<ul style="list-style-type: none"> • Any division of Leicestershire, say north/south or east/west would have to demonstrate how this was not an arbitrary division. The only comparable division has been the two County CCGs (West; East and Rutland) but they are now moving into a single arrangement covering either all of Leicestershire (and Rutland) or LLR (City, County and Rutland). • In other counties the only instance of a two-way split was Cheshire, now East and West.
Population substantially in excess of 300,000	Leicestershire's population is 690,212 (mid-2017 population estimate).	A population substantially in excess of 300,000 is unlikely to be a population just below or just above a 5% excess. To exemplify, a north/south split would be 331,369 and 358,843.
Improves service delivery, including innovation	<ul style="list-style-type: none"> • Integration of services, genuinely joined up in planning and delivery. • Confusion over responsibilities eliminated for public and organisations. • Reinvestment in front-line services. • Innovation opportunities, e.g. greater digitalisation, property rationalisation. 	<ul style="list-style-type: none"> • Benefits would be similar to a single unitary but on a smaller scale. • The disadvantages of the disaggregation of social care services, now on a county footprint, would have to be taken into account, including the impact on partners and safeguarding boards and related arrangements.
Greater value for money	<ul style="list-style-type: none"> • Council tax and business rates income maximised on front-line services, not expensive management tiers and corporate costs. • 'Overhead costs', i.e. support services reduced to 6% in line with the County Council costs. Districts' average cost is 15%. 	The duplication of departments, management teams/structures and service providers for two councils would reduce the value for money to the taxpayer.

Government Criteria	Option 1: Single Unitary Council	Option 2: Two Unitary Councils
Yield significant cost savings	Predicted savings are £30m per year.	Predicted savings are £17.6m per year.
Provide stronger strategic and local leadership	<ul style="list-style-type: none"> • Strategic leadership provided by a single, elected voice able to speak for Leicestershire on all local government and public sector and other matters affecting the county. • Local leadership strengthened through Area Committees with delegated decision making and devolved funding. • Opportunity for town councils: large settlements and market towns currently without a town council include Coalville, Hinckley, Loughborough, Market Harborough and Melton Mowbray. 	<ul style="list-style-type: none"> • Strategic leadership would be less effective with no single voice for Leicestershire. • Engagement with regional agreements, neighbouring councils and partnership working could be problematic in the event of disagreement. • Local leadership would in part be dependent on the credibility of the locality and if this option offered the opportunity for new town councils.
Delivering a more sustainable structure in respect of finance, partnership and beyond.	<ul style="list-style-type: none"> • Ongoing reinvestment in front-line services through significant annual savings and economies of scale. • Creates optimum integration of health and social care with CCGs moving from the present three to one for LLR or two (one county, one city). 	<ul style="list-style-type: none"> • The ongoing benefits in terms of savings, reinvestment in services and consolidation of services would not be as great compared to a single unitary. • The need to create two social care authorities to replace one would be unhelpful and unwelcome in operational and planning terms to NHS partners locally, regionally and nationally.

Working Party

130. At its meeting on 26 September the County Council resolved:

- a) That this Council:
 - i) notes that plans for a unitary structure of government in principle for Leicestershire were drawn up after a positive endorsement by the Conservative Group at its meeting on 26th June 2018 and were communicated promptly and appropriately to stakeholders in the usual way;
 - ii) has started a much needed and long overdue debate on the future provision of local government services in the county, which leaders of the seven district councils have recognised is in need of reform;
 - iii) recognises that continuing austerity and cost pressures for services are placing councils of all types in an impossible financial position, requiring Councils such as Leicestershire to consider a unitary structure;
 - iv) recognises that plans for an East Midlands Strategic Alliance to counterbalance the West Midlands Combined Authority require further work and agreement amongst regional leaders and stakeholders before a business case is submitted to the Secretary of State;
 - v) notes that the information to be provided in the Cabinet report will allow Members to undertake detailed scrutiny of the level of savings including savings that have been achieved by other Councils who have already undertaken local government reorganisation;
 - vi) recognises that Leicestershire County Council must be allowed to pursue its right to self-determination of policy via the democratic process and that this Council respects the rights of other local authorities to do the same.
- b) That this Council notes:-
 - i) That in line with the decision of the Cabinet on 6th July 2018 proposals for a new unitary structure for local government in Leicestershire will be published in a report to the Cabinet on Friday 5th October;
 - ii) That the proposals will provide a basis and framework for Scrutiny Bodies, members and stakeholders to consider and make representations on the future shape of local government in Leicestershire;
- c) That recognising the need for member involvement, a cross party group be established to consider the proposals and advise the Cabinet on the next steps including a timescale for consultation;

- d) That the Chief Executive be asked to include proposed terms of reference for the cross party working group in the report to the Cabinet on 16th October, 2018.

131. In respect of parts c) and d) of the resolution, the following terms of reference for the working group/party are proposed for consideration:

- (i) To consider and receive feedback on the proposals put forward by the Cabinet on 16th October and in the light of this and any work and analysis may undertake to advise the Cabinet on the next steps.
- (ii) In undertaking this role, to recognise the separate and distinct role of the Scrutiny Commission and its Committees to examine the Cabinet's proposals. The Working Party will consider the views and comments made by the Scrutiny Commission and its Committees.
- (iii) To consider also the views and representations made by stakeholders.
- (iv) If it wishes, to consider any alternative proposals put forward by a District Council(s).
- (v) To be able to commission work on issues that it considers may assist it in discharging its prime role of advising the Cabinet on the way forward.

132. Whilst the meetings of the Working Group will be in private to allow it to explore issues and options in detail, the reports it produces will be in the public domain.

133. As the Leader referred to at the County Council meeting on 26 September, the working party will have a politically balanced membership of ten:

Conservative	7
Liberal Democrat	2
Labour	1

This enables representation to include members with an electoral division in each district area.

Strategic Alliance

134. There is little to report since the meeting of the Cabinet on 6 July, but to recap:

- The East Midlands is disadvantaged in terms of the ability to influence Government and attract investment or devolution opportunities compared to the West Midlands. There is an elected mayor and a combined authority for the West Midlands. Their most recent devolution deal (2017) includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and £250m to be spent on local intra-city transport priorities. The first devolution deal (2015) included over £1bn investment to boost the West Midlands economy.

- Effective leadership of the combined authority lies with the elected mayor and the leaders of the 7 constituent authorities, all unitary. There is also a category of 'non-constituent authorities' which includes other councils and LEPs.
- The East Midlands has delivered the highest GVA relative to public investment in transport of any UK nation or region since 2010. Yet, with a population of over 4.5m is the biggest industrial area not to have a devolution deal.
- The table below extracted from the most recent HM Treasury report gives examples of how the East Midlands is losing out to the West Midlands:

	Economic Affairs			Of which: Transport		
	2011-12 outturn	2015-16 outturn	% increase	2011-12 outturn	2015-16 outturn	% increase
South East	416	591	42.1	213	365	71.4
West Midlands	430	505	17.4	206	342	66.0
London	869	1,196	37.6	649	973	49.9
England	534	664	24.3	298	444	49.0
South West	443	508	14.7	188	277	47.3
Yorks & Humber	510	615	20.6	259	380	46.7
North West	496	603	21.6	275	401	45.8
UK	596	703	18.0	319	441	38.2
North East	527	558	5.9	223	299	34.1
East	543	610	12.3	286	365	27.6
East Midlands	465	475	2.2	209	260	24.4

Infrastructure Projects	£ per head (15/16)
London	1,079
North West	702
England	582
Yorks & Humber	489
South East	488
East	468
West Midlands	445
South West	428
North East	418
East Midlands	352

Railway Expenditure	£ per head (15/16)
London	746
England	251
North West	203
East	191
South East	180
Yorks & Humber	180
West Midlands	143
North East	110
South West	94
East Midlands	91

Source: HMT Public Expenditure Statistical Analysis 2017.

- The Secretary of State for Housing, Communities and Local Government, who is the Midlands Engine Champion, has asked the East Midlands County Leaders for a business case for a strategic alliance by the end of 2018. Derbyshire County Council has been leading on this work. Leicestershire County Council has set out its position that currently more work is required in regard to clarity of purpose, governance and 'asks' of Government, to be undertaken in conjunction with the three city councils.

135. At the time of writing it is not possible to expand on the announcement by the Chancellor of the Exchequer at the Conservative Party Conference to establish a development corporation for the area around Toton, linked to the planned HS2 hub.

Conclusion

136. The Cabinet resolution of 6 July requested officers to undertake work on the development of a unitary structure and to prepare outline proposals. Taking account of the Government's criteria for new unitary councils, two options have been identified.
137. The financial and non-financial initial appraisal points to a single countywide unitary structure for Leicestershire as the best fit against the Government's criteria and therefore the best model for meeting present and future challenges.
138. The key benefit of a single unitary structure for Leicestershire would be to maximise financial savings to protect and invest in front-line services currently provided by both the County Council and the District Councils. Other benefits drawn from the initial appraisal include:-
- a. A single point of accountability and responsibility for the quality and consistent delivery of all council services, led by a single executive function and a single managerial function;
 - b. A single platform on which to build more effective partnerships with business and other public sector bodies, notably the NHS;
 - c. A single geography for economic growth, with one council accountable for spatial planning, asset management, housing, infrastructure and transport.
 - d. A enhancement of existing county-wide social care, public health and safeguarding services by integrating responsibilities for housing, benefits and leisure and amenity services.
139. The initial key challenge to a single unitary structure for Leicestershire would be to provide assurance that residents and local communities feel connected to the work of the new Council and are able to shape their communities, based on local need.

140. A two unitary council structure would not maximise financial savings. The initial appraisal also shows that benefits overall would be less than in a single unitary council and that in particular:-

- a. The establishment of two unitary councils would require the disaggregation of existing county-wide services such as Children's and Adults Social Care, creating additional management and service delivery cost and potential inconsistency in service;
- b. More widely, the opportunities afforded by a single unitary structure cannot be present.

141. This model would be challenged in relation to any natural geography, how it would work with partners, with the functional economic area of Leicester and Leicestershire, and how it would relate to local communities.

Equalities and Human Rights Implications

142. Due to the complexity and scope of the proposal and possible wide scale impact of the changes proposed the Council will adopt a strategic approach to conducting EHRIAs.

143. EHRIAs will be carried out during all programme phases and stages to create a new unitary structure. Through such an approach the council will meet the Public Sector Equality Duty by delivering the following objectives:

- Identifying and seeking to mitigate the potential equality and human rights impacts of the proposal on those with protected characteristics.
- Identifying and seeking to maximise the equality and human rights opportunities of the proposal for those with protected characteristics.
- Ensuring that a unitary structure for Leicestershire will positively contribute to the elimination of discrimination and the advancement of equality for all.
- Adopting a "Vision Statement" for Equality and Diversity for the unitary structure for Leicestershire that demonstrates positively and proactively promotes the elimination of discrimination and advancement of equality for all.

Background Papers

144. Report to the Cabinet on 6 July 2018 - East Midlands Strategic Alliance and Unitary Government in Leicestershire – Timetable for Consideration
<http://politics.leics.gov.uk/documents/b12920/Urgent%20Item%20-%20Strategic%20Alliance%20and%20Single%20Council%20-%20Timetable%20Friday%2006-Jul-2018%2014.00%20Cabinet.pdf?T=9>

List of Appendices

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