

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

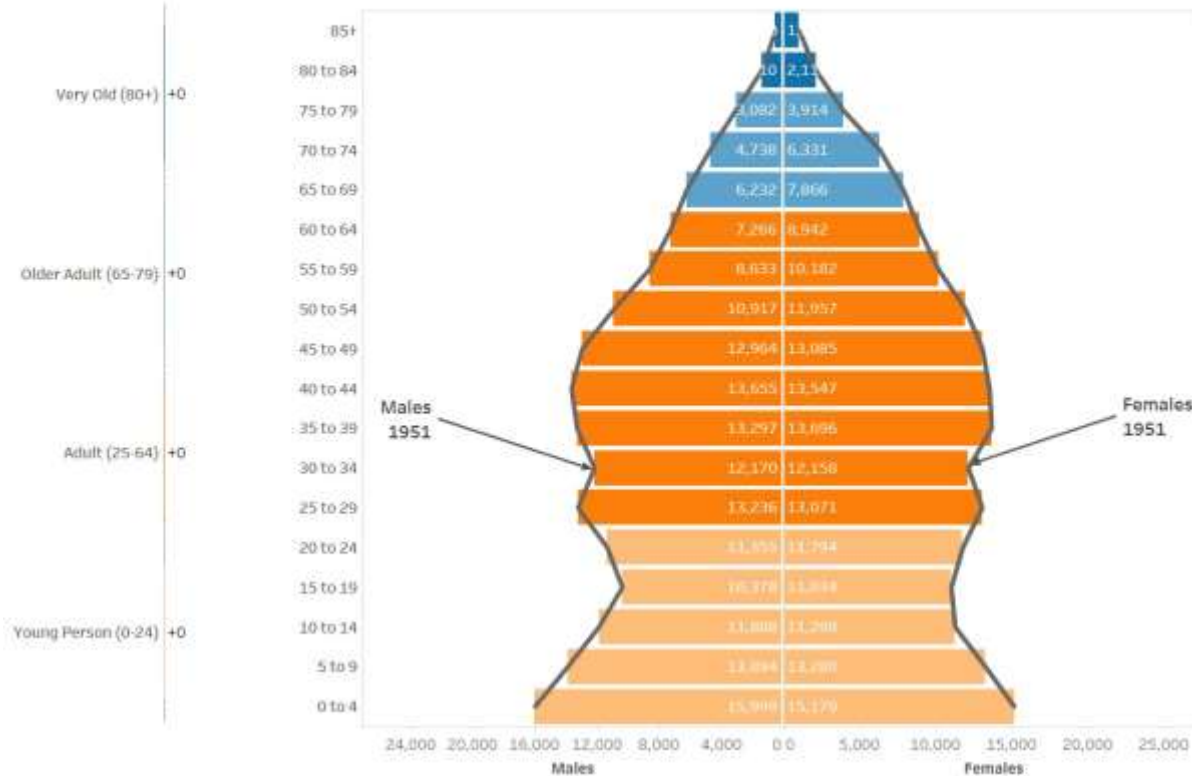


Leicestershire population change (1951 to 2041)



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

Difference since 1951



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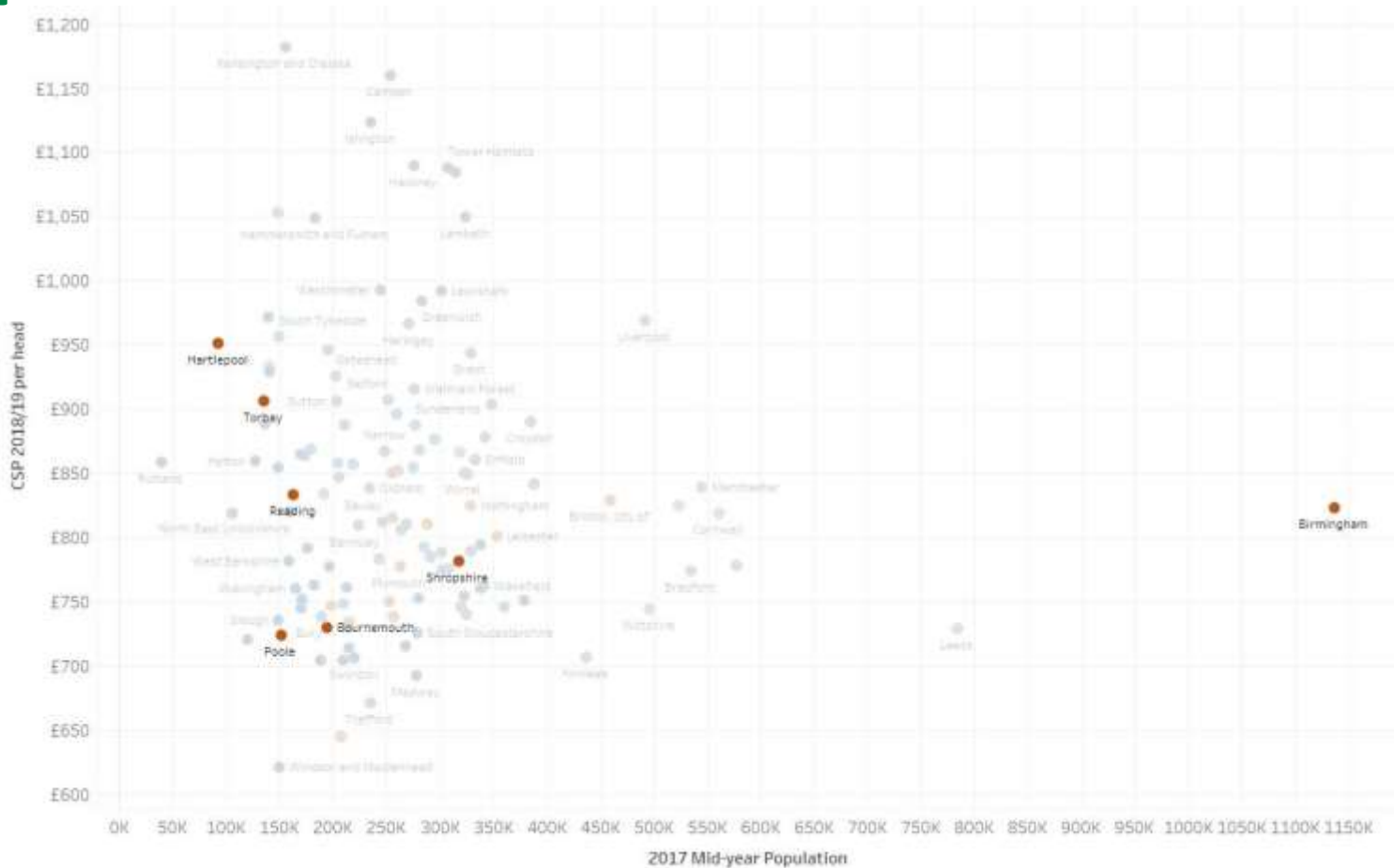
Unitary vs Shared Service

“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 – Other Unitaries



Implications of Scale – Authority Types

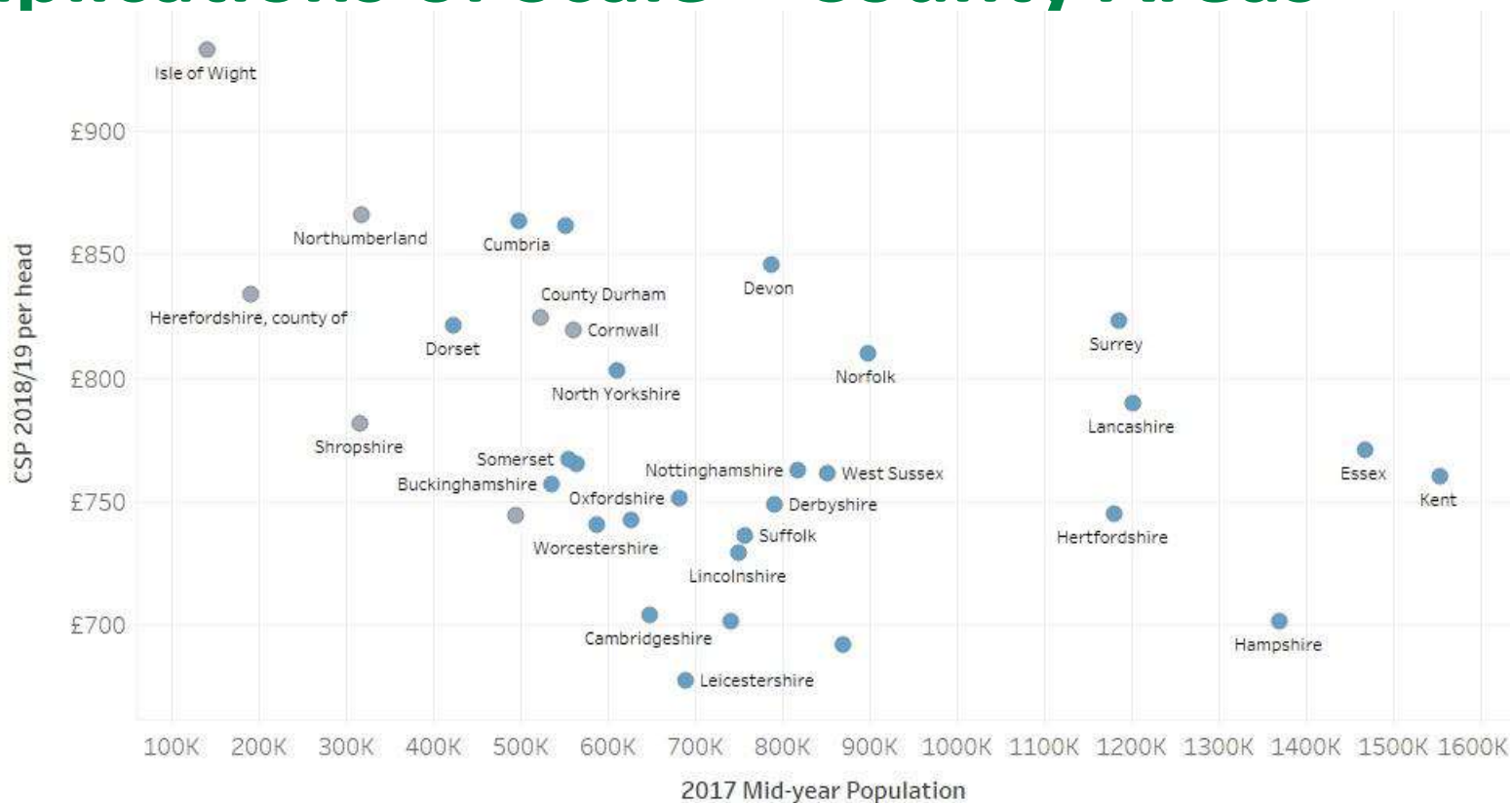
All England

| | 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



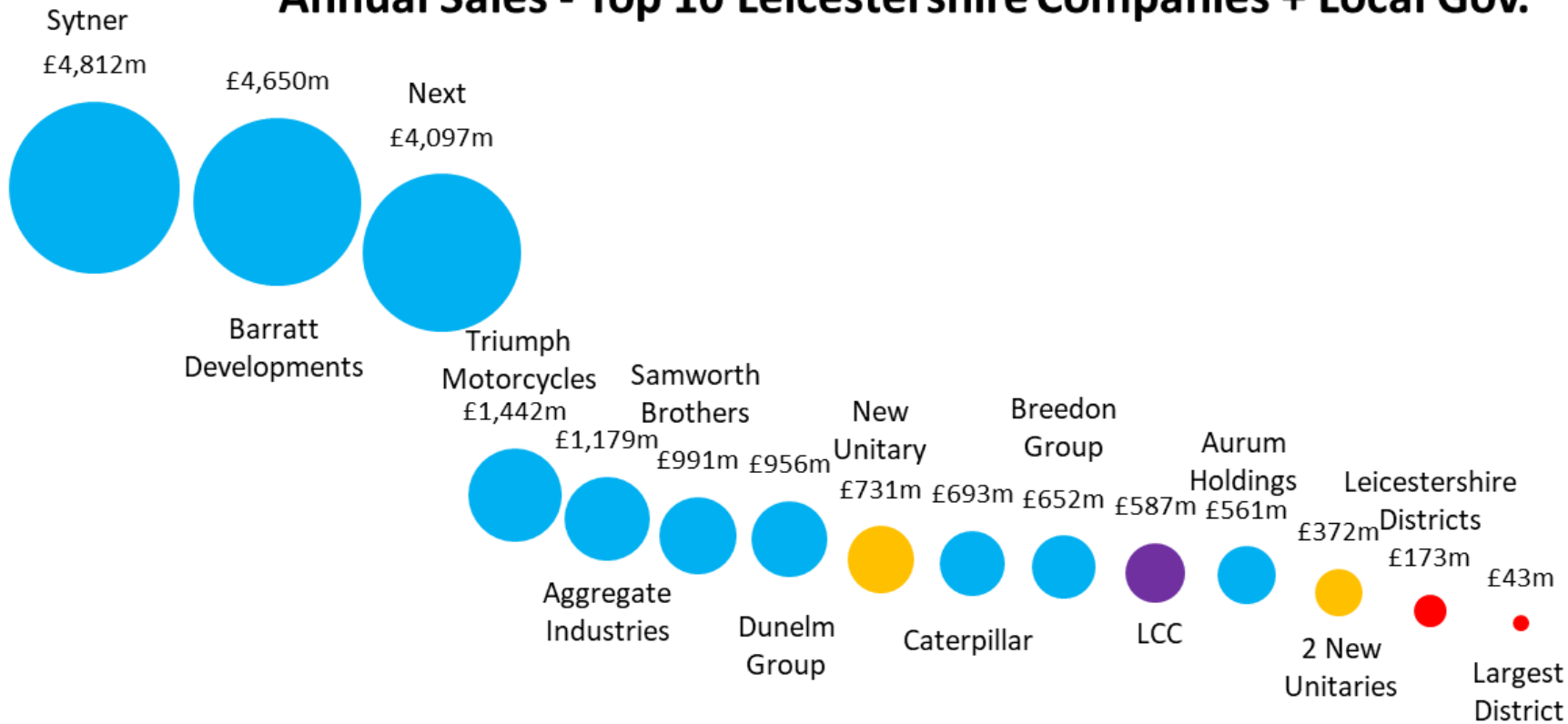
Authority Type
■ County Council
■ County Unitary

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%) |

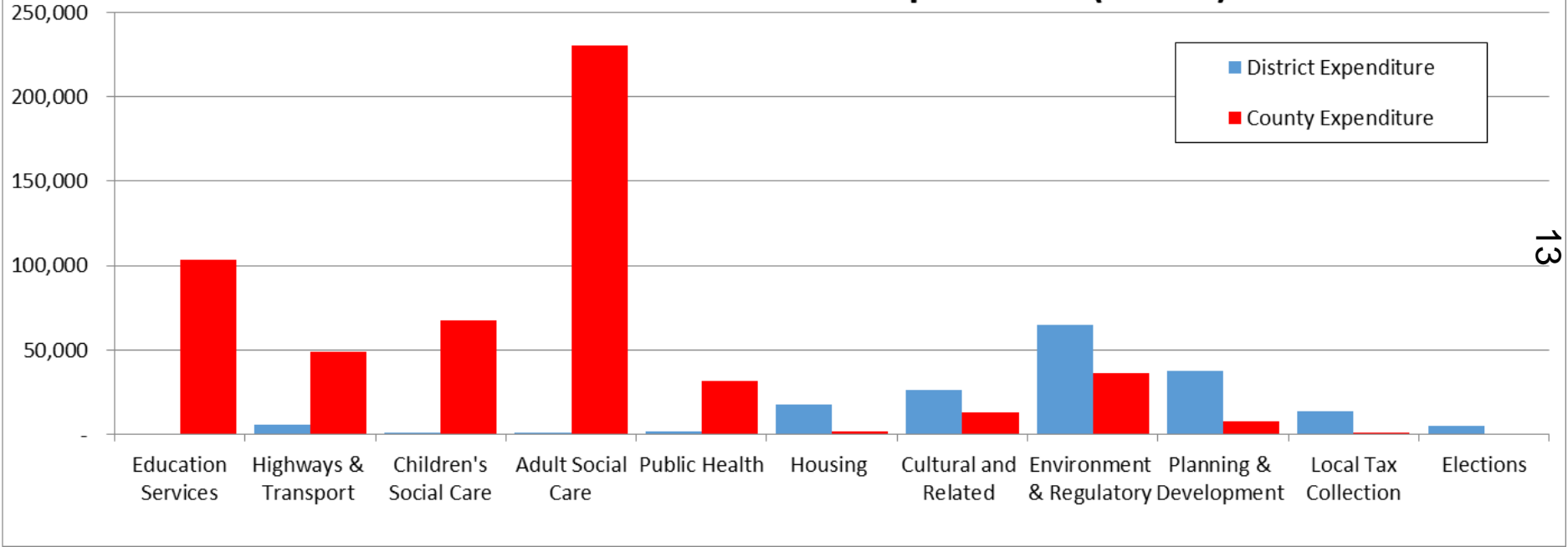
Implications of Scale - Diseconomies

Annual Sales - Top 10 Leicestershire Companies + Local Gov.



Implications of Scale - Diseconomies

Leicestershire Service Expenditure (£'000s)



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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% |

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 |

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Savings – Elections

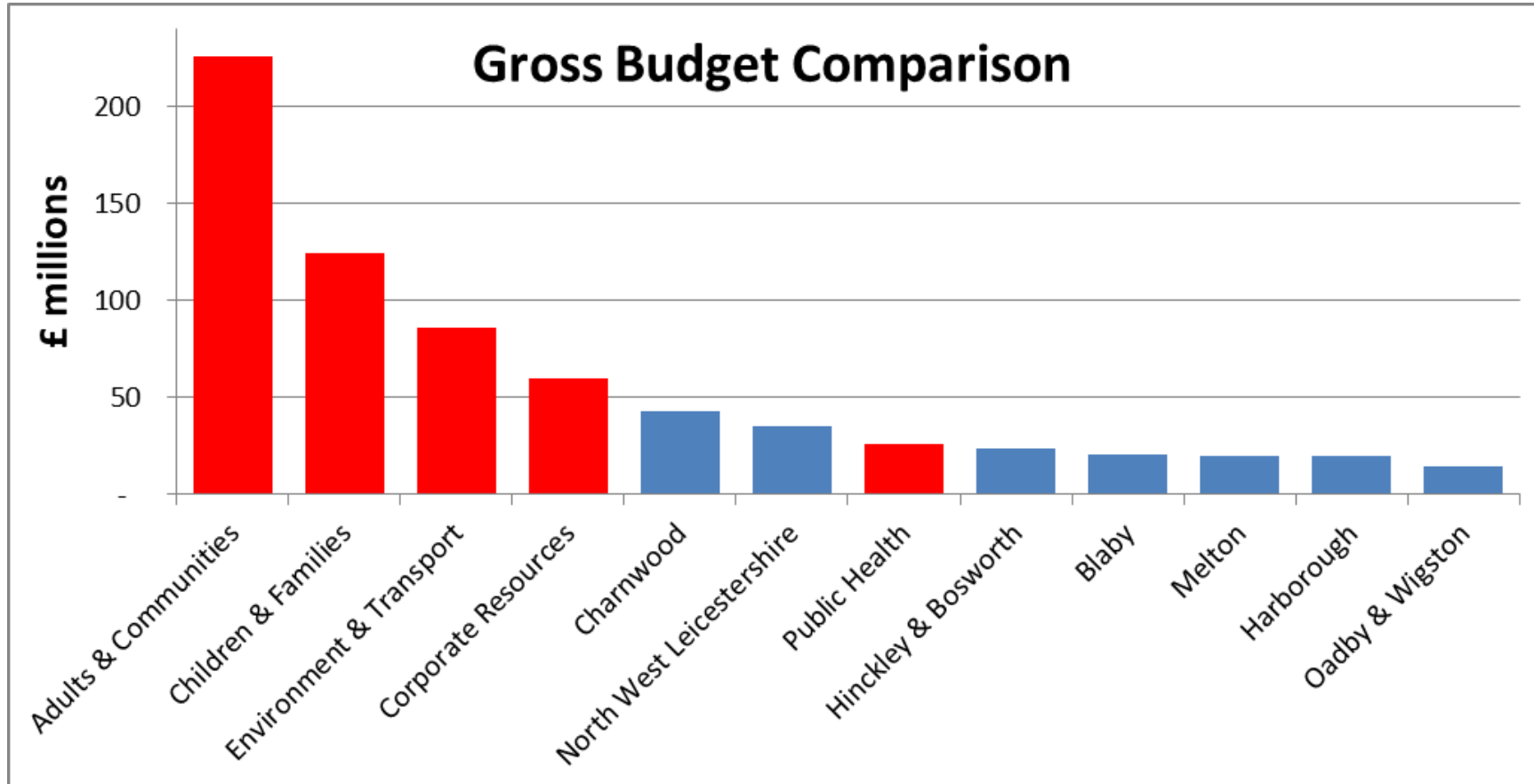
| | Cost of elections £ millions | £ per head of population |
|-------------------------------|---------------------------------------|--------------------------------|
| District | 3.6 | 5.4 |
| County | 0.8 | 1.3 |
| Total Leicestershire | 4.5 | 6.6 |
| Unitary Comparators (average) | 2.3 | 4.5 |
| 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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