

**CABINET – 22 OCTOBER 2019****A VISION FOR LOCAL GOVERNMENT IN LEICESTERSHIRE****REPORT OF THE CHIEF EXECUTIVE****Purpose of the Report**

1. The purpose of this report is to present the draft strategic business case for the development of a unitary structure for Local Government in Leicestershire and to seek the Cabinet's approval for engagement with the Scrutiny Commission.

Recommendation

2. It is recommended that:
 - (a) The draft strategic business case for the development of a unitary structure for Local Government in Leicestershire be approved for engagement with the Scrutiny Commission;
 - (b) The findings of the PwC review of the unitary financial savings proposal for Leicestershire be noted;
 - (a) The draft strategic business case, amended as necessary to take into account the views of the Scrutiny Commission, be submitted to the Cabinet at its meeting on 22 November 2019 for further consideration.

Reasons for Recommendation

3. To enable the Scrutiny Commission to comment on the draft strategic business case for the development of a unitary structure for Local Government in Leicestershire.

Timetable for Decisions (including Scrutiny)

4. Subject to the Cabinet's approval, the draft strategic business case for the development of a unitary structure for Local Government in Leicestershire will be considered by the Scrutiny Commission on 30 October.
5. The Cabinet will receive a final version of the strategic business case at its meeting on 22 November. Although the taking of decisions relating to the draft strategic business case are 'Executive Functions' and therefore a matter for the Cabinet, it is planned that, given the significance of the decision, the report will then be referred to the full council for consideration and debate.

Policy Framework and Previous Decisions

6. The Cabinet at its meeting on 6 July 2018 requested officers to undertake work on the development of outline proposals for a unitary structure for local government in Leicestershire. 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 2018 the County Council set up a politically balanced working party on a unitary structure for local government in Leicestershire. This has met on five occasions.
8. The Cabinet at its meeting on 16 October 2018 considered outline proposals for the development of a unitary structure and agreed that the report should be referred to the scrutiny bodies for consideration. All scrutiny bodies considered the report and the Scrutiny Commission met on four occasions to discuss it.
9. At its meeting on 29 March 2019, the Cabinet received the findings of the Scrutiny Commission's examination of the outline proposals, and additional comments made by the Member Working Party on Unitary Structure for Leicestershire. The Cabinet also agreed that these findings and comments should be taken into account during the development of the strategic business case.

Resource Implications

10. Re-organisation of Local Government in Leicestershire would be a significant undertaking. The business case sets out the investment required, to unlock £30m annual savings, and demonstrates a more than acceptable pay-back period.

Legal Implications

11. 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 in the strategic business case.

Circulation under the Local Issues Alert Procedure

12. 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**

13. The draft strategic business case for the development of a unitary structure for Local Government in Leicestershire is attached as Appendix A to this report. The strategic business case makes the case for change to the future structure of local government in Leicestershire, based on existing authority boundaries.
14. The purpose of the draft strategic business case is to articulate the benefits of the proposed change, to establish the need for investment, to appraise the main high level options for future service delivery and to set out a preferred way forward before further analysis and more detailed planning.
15. The draft strategic business case is part of an iterative exercise which will see more refined analysis and planning as the programme of change develops. The level of included detail will therefore increase over the development phases of this business case for change.
16. A report to the Cabinet on the 29 March 2019 set out the views of the Scrutiny Commission and the Working Party on Proposals for a Unitary Structure of Local Government for Leicestershire, following their consideration of the outline proposals.
17. The comments of the Scrutiny Commission have been addressed in the draft strategic business case as follows:-
 - a. The vision is clearly set out at the start of the draft strategic business case and had a much wider focus than just the financial case for change. The vision is:

“To modernise the local government structure for Leicestershire and:

 - Simplify delivery and improve services;
 - Strengthen accountability;
 - Cut bureaucracy;
 - Reducing duplication and save money for investment in front-line services, people and outcomes;
 - Save money for the taxpayer.”
 - b. The principle of transition first, then transformation, is articulated in Section 7 of the draft strategic business case.
 - c. A detailed description of the Area Committees and Planning Governance Arrangements is set out in Sections 3.3. and 3.4. of the draft strategic business case.
 - d. The centrally managed/locally delivered service model is described in Section 2.6 and supported by a good practice model.
 - e. A devolution framework for parish councils has been developed and the principles underpinning it are outlined in Section 3.5. This includes that

devolution is a choice and that any additional services which a parish or town council delivers on behalf of the unitary council will need to be in line with its policies and priorities.

- f. The financial model describes savings from members' allowances in Section 4.2. The phasing of savings is outlined at 4.1.15 to allow for a 'transition then transformation' approach. There is no assumption that savings will be made from service reductions.
- g. The reasonableness of the savings contained within financial business case has been externally validated by PwC; the report is attached as Appendix B to this report.
- h. Section 4.5 recognises that, in terms of back-office savings, shared services do offer the opportunity to make some of the efficiency savings envisaged in the unitary proposal. However, these benefits will always be materially lower than what can be achieved through merging organisations.
- i. Consideration has been given to the two unitary model and an analysis of the savings this would achieve is set out in Section 5.

18. The key issues raised by the Working Party have also been addressed in the draft strategic business case, as follows:-

- a. Section 3.3 confirms that membership of each Area Committee should comprise the unitary councillors representing the electoral divisions covered by that area committee. Only these members will be able to vote on matters involving the discharge of executive functions within the scope of the delegation to area committees. Each Area Committee will be able to choose one of these members to act as Chairman.
- b. Section 3.4 states that local planning committees will continue to exist once the countywide Local Plan has been adopted, although at this stage there would be scope to change the boundaries, if the new unitary council considered this to be appropriate.
- c. Section 3.5 requires Parish and Town Councils wishing to deliver devolved services to have appropriate governance and monitoring arrangements in place. This would include a greater willingness to devolve services to Council which are accredited through the Local Council Award Scheme run by the National Association of Local Councils. Service Level Agreements would also be put in place when services are devolved.
- d. To reflect the increased role that members would be expected to play, the proposed basic allowance has been increased to £16,000. The final levels of allowances will be set by an Independent Remuneration Panel.
- e. A section on housing services has been added at 2.2.16.

- f. The two unitary council option is analysed in Section 5.
- g. The improved customer experience, through a more responsive service with fewer handoffs, is described throughout Section 2 of the draft strategic business case.

Working Party Meeting: 27 September

- 19. The cross-party working party met on 27 September to consider the draft strategic business case and suggested that the role of area planning committees should be strengthened, to make it clear that the vast majority of planning applications would be determined at area planning committee level, with meetings held in the local area and only local councillors being allowed to serve on the committees. These changes have now been incorporated into the draft strategic business case

Review of Unitary Financial Savings Proposal for Leicestershire

- 20. PwC is the second largest professional services firm in the world and is one of the United Kingdom's Big Four auditors. PwC have been involved in appraising several proposals including Northamptonshire, Oxfordshire, Hampshire, Dorset and Cumbria. They are one of a small number of consultants with extensive experience in this field.
- 21. This report from PwC presents the findings of a review of the savings contained within the Financial Options Appraisal. The overall finding is "the County Council's work represents a sound basis for presenting potential savings to members and for planning next steps. Based on PwC's experience, it covers the expected areas of potential saving and the level of the savings is within the range that we would expect".
- 22. PwC's analysis reviews the approach taken in each of five broad areas of saving: members' allowances; elections; senior management; back office and service management and administration.
- 23. A few minor changes have been to the financial savings proposal since the review by PwC. They are:-
 - a. The proposed basic allowance has increased to £16,000.
 - b. There will be a special responsibility allowance for the Chairmen of Area Committees.
- 24. With regard to the suggestions for improvement made by PwC:-
 - a. As proposals develop, an upper and lower range will be developed for each savings area to help illustrate where the contingency would most likely be applied.
 - b. Section 4.7 on equalisation of council tax clarifies that this is a political choice for the new unitary council and that implementation can be phased following agreement with Government.

- c. Section 4.7.12 sets out the potential for additional transformation savings. However, this would need to be subject to further discussion with members about the level of ambition.
- d. As the proposals develop, undertaking a joint exercise with the district councils to refine the financial information will be explored.

Conclusion

25. Every effort has been made to ensure that the draft strategic business case reflects the comments raised by the Scrutiny Commission and the Member Working Party on Proposals for Unitary Local Government in Leicestershire. The external validation of the Financial Business Case should provide reassurance to members that the County Council's work represents a sound basis for presenting potential savings and for planning next steps.

Equalities and Human Rights Implications

26. 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 Equality and Human Rights Impact Assessments (EHRIAs).
27. 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

Report to the Cabinet on 6 July 2018 - East Midlands Strategic Alliance and Unitary Government in Leicestershire – Timetable for Consideration <https://bit.ly/2ICCXso>

Report to the Cabinet on 16 October 2018 – The Development of a Unitary Structure for Local Government in Leicestershire - <https://bit.ly/2nDG1x4>

Report to the Cabinet on 29 March 2019 – Review of Proposals for a Unitary Structure of Local Government in Leicestershire - <https://bit.ly/33mh8VP>

Appendices

Appendix A – A Vision for Local Government in Leicestershire: Strategic Business Case
Appendix B – PwC Review of unitary financial savings proposal for Leicestershire