

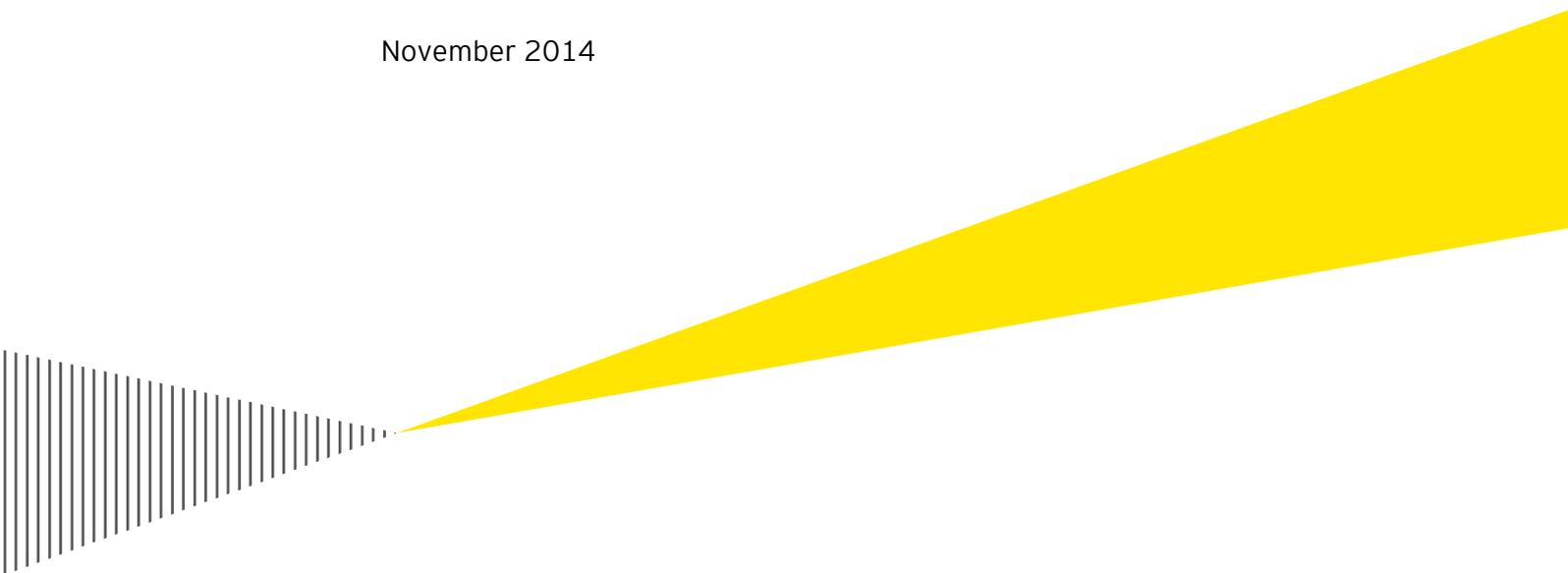
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Oxfordshire County Council

Strategic Financial Case for a Unitary Council

November 2014



Building a better
working world

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1. Executive summary

1.1. Overview

This strategic financial case explores three options for changing the way local government is organised in Oxfordshire. Each option is predicated on the amalgamation of the six existing Councils into a new configuration, the options are:

- Option 1 - The creation of a single, county-wide Unitary Council;
- Option 2 - The creation of two Unitary Councils; and
- Option 3 - The creation of three Unitary Councils.

Analysis of both national and local funding projections for local government, has confirmed a stark picture of decreasing resources and growing demand. As things currently stand, the funding gap in Oxfordshire by the end of this decade could be as much as £71m. The picture nationally is much the same with the Local Government Association (LGA) predicting a national funding gap for local government services of £16.5billion by 2020.

We have assessed the three options against a number of important factors:

- The potential level of savings that can be delivered;
- The impact of changes on service users;
- The practicality of the proposed options; and
- Implementation costs and timeline.

In order to maintain the objective integrity of the analysis within the report, the evidence base that formed the assumptions was gathered from publicly available data and, wherever possible, 13/14 data sources were used. The main information used to build the financial baseline and to develop the financial case for Unitary includes:

- Budget books and statement of accounts;
- Pay policy statements and organisational charts;
- Medium term financial plans (MTFP) and Annual Reviews; and
- Official Local Authority data and reports from industry recognised professional bodies (i.e. CIPFA and SOCITM)

Local government reorganisation is not a straightforward process and each option presents both challenges and opportunities. This objective assessment presents a series of initial, high-level insights, which will need to be subjected to further detailed analysis as part of any next steps.

1.2. Efficiency savings

The three options have the potential to realise efficiency savings based on the removal of duplication and rationalisation across a range of services. We have considered these factors in relation to senior and middle management, duplication of back office functions, the cost of elections, streamlining costs associated with delivering services and optimising the way services are currently assembled.

We have produced upper and lower ranges of savings figures by applying prudent and more challenging financial models. We have also factored in the likely costs associated with implementation as well as the timescales for payback.

In addition to this, we have modelled the savings over a cumulative five - year period, recognising that savings would be phased over a number of years.

The table below sets out the potential savings and costs for each of the three options:

Option	Savings range	Reduction to spend (exc. Care and Education)	Implementation	Payback period	Net cumulative saving	FTE reduction
One Unitary	£26.5m - £32.5m	12.6% - 15.4%	£14.7m - £15.9m	1 - 2 years	£69.2m - £81.1m	444 - 507
Two Unitaries	£10.0m - £15.0m	4.8% - 7.1%	£13.6m - £14.4m	2 - 3 years	£18.6m - £30.2m	174 - 202
Three Unitaries	£1.9m - £6.8m	0.9% - 3.2%	£12.0m - £12.2m	4 - 5 years	£(8.5)m - £5.7m	72 - 92

1.3. Council tax

There are currently variations in the level of Council tax paid across the county due to the differing levels set by individual districts. Reorganisation would enable Council tax levels to be harmonised depending on the preferred option and level of savings realised which can be reinvested.

For the purposes of this report, we have produced two potential harmonisation scenarios. One option is based on pegging Council tax to the current lowest rate payable across the County (West Oxfordshire), which results in a reduction in Council tax bills for over 80% of tax payers. A second option is based on a 5% average reduction in Council tax across the county which sees all taxpayers (including West Oxfordshire) paying less Council tax.

The first option results in a saving of £38 per household when averaged across the county. This would lead to all Districts (aside from West Oxfordshire, already the lowest) seeing a reduction in their annual bill.

The second option would see an average 5% cut in Council tax, leading to an average reduction of £61 and all Districts, including West Oxfordshire, seeing a reduction.

1.4. Streamlining service delivery

Whilst the achievement of efficiency savings is clearly of a high priority given the current financial climate, reorganisation also provides an opportunity to streamline service delivery across the county by shaping services in the newly created organisation(s) around the needs of service users.

Our analysis suggests that this would create better outcomes by:

- Removing existing district boundaries, producing a much clearer commissioning focus on natural communities;
- Enhancing focus on communities, families and individuals;
- Providing better opportunities for communities to plan and act together; and
- Designing new managerial structures which optimise community outcomes.

1.5. Strategic approach

Much of the strategic level planning which affects Oxfordshire is already conducted at county level. However, currently, each district maintains responsibility for a range of services e.g. development control and planning housing needs and investment.

This produces something of an anomaly given that much of the apparatus of government and public sector bodies is at county level, good examples of this being the Clinical Commissioning Group (CCG) which has a coterminous county boundary and the Local Enterprise Partnership (LEP).

Reorganisation would provide the opportunity to:

- Create more strategic, county-wide bodies;
- Facilitate the creation of a single planning authority; and
- Enhance planning capability for economic development, housing etc.

1.6. Conclusions and next steps

Each option presents an opportunity to realise a range of efficiency savings at a time when the local government is facing an increasingly difficult financial climate. There are also a number of challenges which will need to be overcome by developing a clear and more detailed business case based on whichever option is ultimately pursued.

1.6.1. Next steps

This report sets out the potential options at a strategic level which could form the basis of a future model of local government in Oxfordshire. The next steps will include deciding on the most appropriate option, thorough consultation, and building on this strategic case with a detailed business case for the preferred option.

2. Introduction and background

2.1. Purpose of the report

The purpose of this report is to assess the strategic and financial implications of a managed transition to Unitary local government in Oxfordshire. In doing so, we will examine the potential advantages and drawbacks of three different models, these are:

- Option 1 - The creation of a single, County-wide Unitary Council;
- Option 2 - The creation of two Unitary Councils; and
- Option 3 - The creation of three Unitary Councils.

The basis of the report and the research it is constructed upon is two-fold:

- To identify achievable efficiency savings to enable the County to meet some of the considerable financial and demand pressures it is facing; and
- To protect and enhance the quality of front-line service provision.

The strategic business case is predicated on publicly available data and forms a snapshot of each organisation in its existing context. It does not account for any financial planning currently taking place within each organisation and if the case is to be further developed then the assumptions will need to be subject to further testing and refinement.

2.2. Locality overview



The County of Oxfordshire has a population of 655,000 residents and covers an overall geographical area of over 1,000 square miles (260,500 hectares). The County is administered by a County Council and 5 District Councils comprising Cherwell, Oxford City, South Oxfordshire, Vale of White Horse and West Oxfordshire.

As a two-tier County, services are delivered separately with the County assuming responsibility for highways, passenger transport, waste disposal and services for vulnerable children and adults. The District Councils have responsibility for local taxation and benefits along with waste collection and leisure and housing facilities. Each District Council is also the Planning Authority for its area. The table below sets out the population of each of the Districts sourced from 2011 census data and net services expenditure based upon published DCLG Revenue Account Data for 2013/14 in order to give an overview of each of the Councils in terms of scale and spending.

Council	Members	Population	Net Service Expenditure 2013/14*
Oxfordshire	63	655,000	£601.0m
Cherwell	50	141,900	£14.9m
Oxford City	48	151,900	£28.1m
South Oxfordshire	48	134,400	£23.9m
Vale of White Horse	51	121,000	£16.2m
West Oxfordshire	49	104,800	£12.4m

*13/14 DSG removed

2.3. Proposed options for a Unitary Council

A Unitary Council consolidates Council functions into a new single Authority, which assumes responsibility for the full remit of local government services within its geographical area. Unitary local government has a relatively long history. It was first brought into common usage in the Redcliffe-Maude report of 1969 which ultimately led to the Local Government Act (1972) and the reorganisation of much of England's local government, including the creation of a considerable number of new Unitary Authorities. Over the intervening decades there have been repeated attempts to return to the issue with a number of Unitary Councils being created in the late 1990's (Milton Keynes, Luton) and again in 2009 when a number of former County Councils transferred into either single or split into two new Unitary Authorities.

Generally speaking Unitary local government is considered to be an effective means of reducing cost though there are inevitable significant short-term implementation costs. Analysis of the 2009 changes has illustrated a number of considerable savings, beyond general efficiency savings, which are attributable to Unitary status.

EY has undertaken its own analysis of the performance of the 2009 Unitary Authorities, including interviewing a range of key stakeholders. The initial conclusions highlight how consolidation and streamlining has enabled improvements in both efficiency and service impact which are over and above savings from efficiency measures. Given the current financial context of local government and the learning gained from both historical and more recent transitions to Unitary local government, it would seem prudent to explore the potential options for Oxfordshire.

2.3.1. Exploring different Unitary options for Oxfordshire

There is no fixed formula for local government reorganisation. The 2009 cohort followed two models:

- Single Unitary County Councils which merged all functions into a single organisation. These were Cornwall, Wiltshire, Durham, Northumberland, and Shropshire; and
- Two Unitary Councils which created a geographic split within the former County boundary. These were Cheshire East and Cheshire West & Chester, and Central Bedfordshire and Bedford Borough.

There are clearly a number of factors to balance when considering options including historical or natural communities, the ratio of democratic representation, relative complexity, service efficiency and the quantum of efficiency savings possible. Often one of these factors will very much affect the others so for example a single Unitary is likely to save the most money over the long term but is also likely to have an effect on democratic representation, while a multi-Council option will do much the opposite in that there will be increased democratic representation (i.e. number of Councillors across the County) but is unlikely to save as much over the long term. In terms of a strategic business case there are a number of objective factors which are critical:

- Reducing the cost of back office and administrative functions which are often duplicated in two-tier structures;
- Improving service efficiency based on the premise of eliminating the organisational and bureaucratic barriers which often encumber delivery and planning;
- Upholding and improving democratic representation and political accountability by streamlining the role of elected members but ensuring that they remain close to the community infrastructure across the County; and
- Predicating any new structural options on the basis of geographic and cultural identity ensuring that natural and historic communities are recognised and protected.

This report will explore the following three options:

-
- One Unitary Council in which all previous County Council and District Council responsibilities are merged and taken over by a single entity;
 - Two Unitary Councils in which two new entities would be created which will take over all responsibilities of the current County and District Councils; one covering the area currently administered by Oxford City District Council and the other combining the area covered by the remaining four District Councils; and
 - Three Unitary Councils in which three new entities would be created to take over all responsibilities of the current County and District Councils. These three Unitary Councils would cover separately the areas of North Oxfordshire, Oxford City and South Oxfordshire.

3. Case for change

3.1. Introduction

The six Councils which make up the County of Oxfordshire, in common with most Councils across the country, are facing a series of largely unprecedented challenges. While history demonstrates that periods of fiscal challenge are nothing new to the vast majority of Councils, the current mix of financial, social, demographic and even technical challenges facing local Councils over the mid-term is considerable.

There is little that Councils such as those within Oxfordshire can do to influence the funding settlements they receive, and, while demand management is playing an increasing role in the strategic planning of many Councils, the reality of an ageing and ever more socially diverse society means that costs associated with these services are likely to continue to grow. All of this, combined with on-going governmental resistance to any significant increases in Council tax, means that the range of variables available for Councils to affect their financial prospects is narrowing.

However, reconfiguring and optimising service design and commissioning through collaboration and integration, offers opportunities to reduce administrative and managerial duplications, releasing more resources to address demand pressures and creating leaner, fitter and more resilient organisations in the process that are better equipped to deal with the challenges they will face in the immediate and mid-term future. Reconfiguration would also go some way to addressing the specific challenge that the vast majority of planning at strategic level for economic, transport and social infrastructure programmes is conducted at sub-regional (i.e. County) level. This frequently leads to inconsistency in terms of the incentives for change being at different levels which is a particular challenge in terms of infrastructure and could lead to competitive disadvantage for the County as a whole.

While commendable progress has been made on collaboration in Oxfordshire over recent years, the inherent weaknesses of the two-tier system serves to undermine the potential of efficiency savings over the long term. Some of these inherent weaknesses are:

AREA	CONSIDERATION
Administrative and managerial	Even with the recent collaboration which has taken place, there remain six separate organisations which need to be sustained across the County with inherent inefficiencies.
Duplication of effort and responsibility	Responsibility for services such as planning, economic development and housing are currently split across different organisations across the County as well as duplication of back office and managerial functions.
Customer focus	Are residents best served by having two separate delivery organisations in the same locality?
Strategic planning	Given the different and at times confusing roles and responsibilities between planning, highway infrastructure and housing for example - who do potential investors go to?

While there are explicit financial weaknesses associated with two-tier local government in terms of the multiples of particular job functions in a given area, the potential 'soft' impact on services should not be underestimated. Over the last twenty years local government has evolved from service deliverer to service commissioner. The increasing complexity of ever more diverse communities means that local government can no longer act alone, but rather as a central partner at local level; identifying and predicting demand and working with others to commission sustainable solutions. This evolution has in many ways outpaced two-tier arrangements; services such as community safety, health (for example, the Clinical Commissioning Group (CCG) coterminous boundary with the County and the LEP) and economic development are increasingly overseen by multi-agency partners with the role of Councils being to use their local democratic legitimacy to lead outcomes which best fit the needs of the area.

Speaking with a single and unified voice, Unitary Councils have the potential to lead these debates more effectively, combined with the control of the statutory functions it needs to more effectively facilitate and drive change.

This sentiment was recently echoed by Lord Heseltine in his review of local growth entitled *'No Stone Unturned; In Pursuit of Growth'*. In it he stated:

"England has 353 principal authorities. Some of these are single Unitary authorities; others operate in tiers of District and County Councils. The number of different Councils doing similar things remains costly and confusing. For many, the range of different systems is baffling too."

No Stone Unturned; in Pursuit of Growth

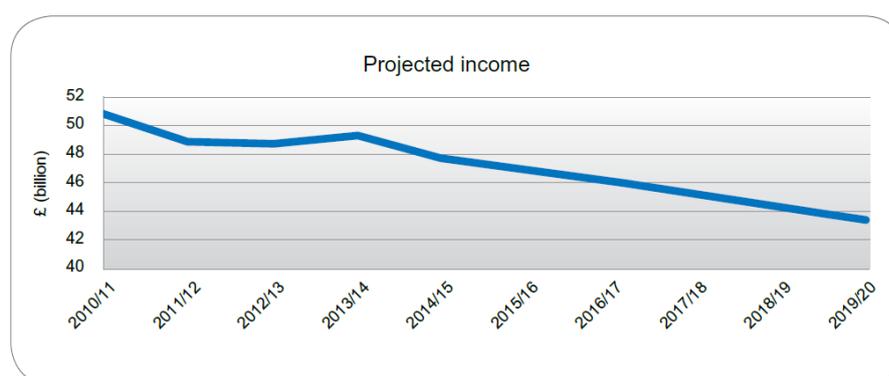
3.2. Local Government funding projections

3.2.1. Income

The financial challenges facing local government over the foreseeable future have been well documented, as have the considerable efficiency savings which have already been achieved by the sector over the last four years. Based on Treasury predictions for UK growth and taxation, in addition to local government and others own projections for on-going demand pressures, these financial challenges are unlikely to be cyclical but rather structural. Put simply, less resources to deal with increased service demand is likely for the foreseeable future.

At the recent MJ 'Future Forum'; a gathering of senior local government leaders and finance professionals, this outlook was set out by the Institute for Fiscal Studies (IFS), who assessed that the austerity policies being pursued by the current government have gone some way to achieving the reduction of the spending deficit, but that more remains to be done. In short, the message from a wide range of local government finance experts is that based on current figures, budgetary pressures will remain a key issue for the foreseeable future.

The graph below highlights the projected central grant income available to local government based on projected Departmental Expenditure Limits (DELs) up to 2020.

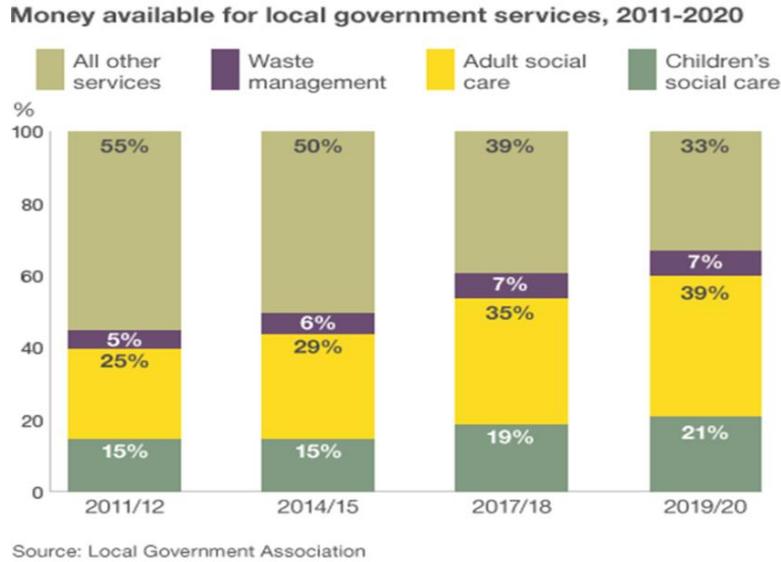


LGA Future Funding Outlook 2014

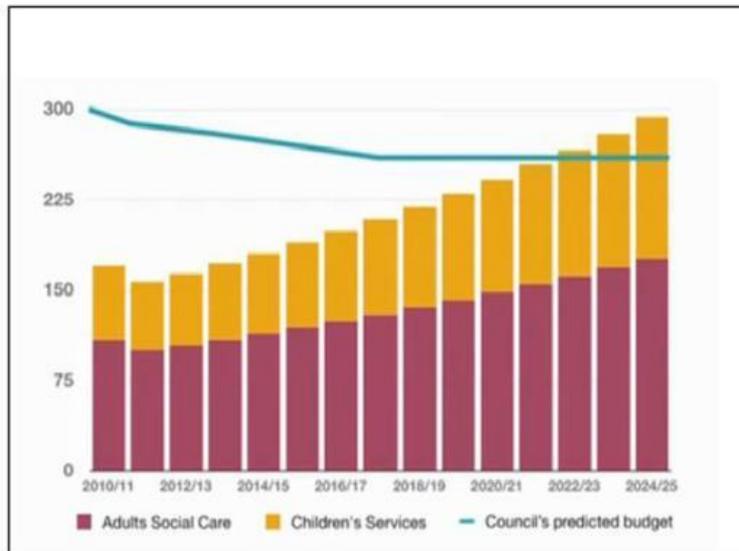
3.2.2. Service pressures

Alongside this, it is important to consider the impact of increasing cost pressures driven by a range of social, economic and demographic pressures. A report by the Local Government Association (LGA) in 2012 which was based on in-depth research with a wide range of Councils set these demand pressures in stark terms. In particular, it illustrated the effects of escalating cost pressures from services to

vulnerable older people and children, outlining “a likely funding gap of £16.5 billion per year by 2019/20, or a 29% shortfall between revenue and spending pressure” - the effect of this can be seen clearly in the chart below.



The results of this will have a considerable and growing effect on local government budgets over the coming years. Some years ago Barnet Council in London, in modelling the combined effects of budget reductions and cost pressures, produced what was quickly coined 'the graph of doom'. This can be seen below.



Source: Barnet 'graph of doom' INLOGOV

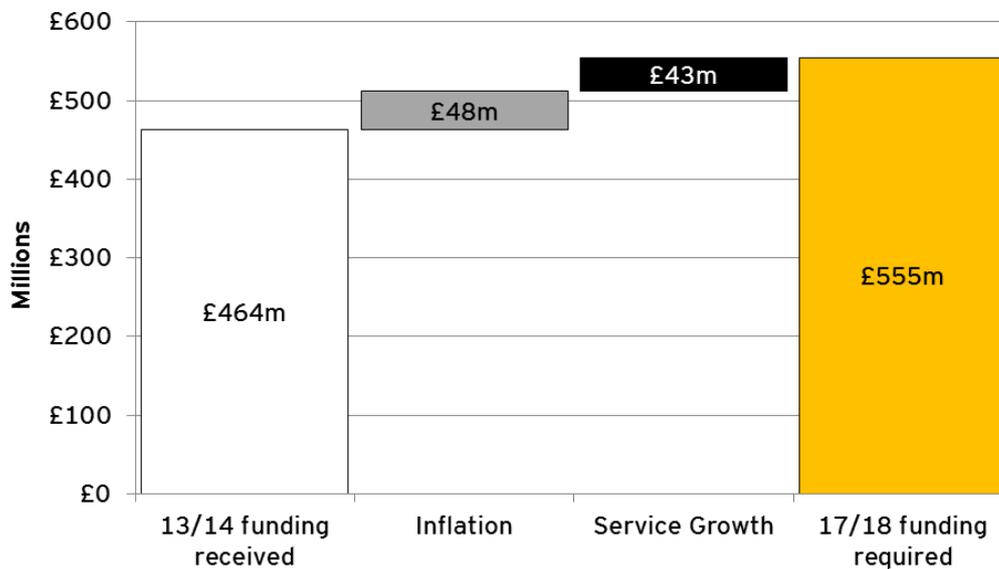
This slide sets out in stark terms the effects of growth in children’s and adults services against Council budgets should current trends continue. As can be seen, the effects of this by early in the next decade will be that Councils will only have resources for these two services and indeed, these will be in deficit.

Finally, in assessing the funding outlook for the six Councils going forward, it is important to recognise the efforts which have been made across the County over the course of the last six years. The integration of managerial functions in South Oxfordshire and Vale of White Horse was innovative when it was executed in 2008. This saved significant amounts through reducing duplication and is a model

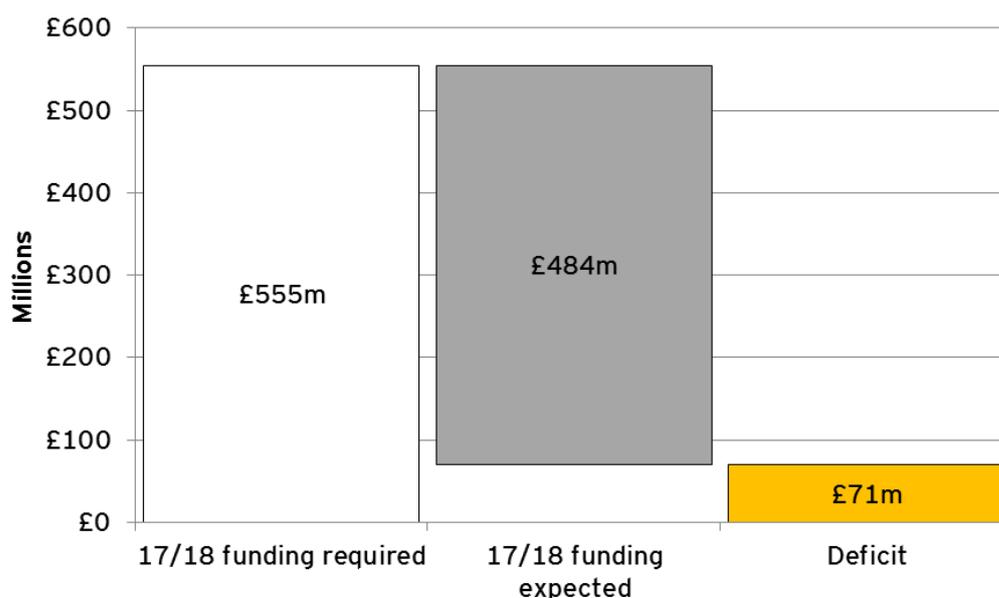
which has subsequently been replicated across other parts of the County. There are also similar examples of good practice across the County which have done much to drive efficiency.

3.2.3. Funding projection for the County Council

County Councils are facing huge financial pressures and this is expected to continue into the immediate future and over the medium term. As set out above, demand for services will continue to grow as an effect of an ageing population and a number of other factors but funding is unlikely to increase enough to counteract this. Based on published data from the DCLG, Oxfordshire County Council received £464 million from its main sources of funding in 2013/14 but as the graph below illustrates, it is estimated that funding would need to increase by £91 million over the next four years in order to maintain current levels of service. This should also be considered alongside current sizable cost pressures faced by the County, which include deficits to highways and infrastructure of £165m and property backlog maintenance of £66m.



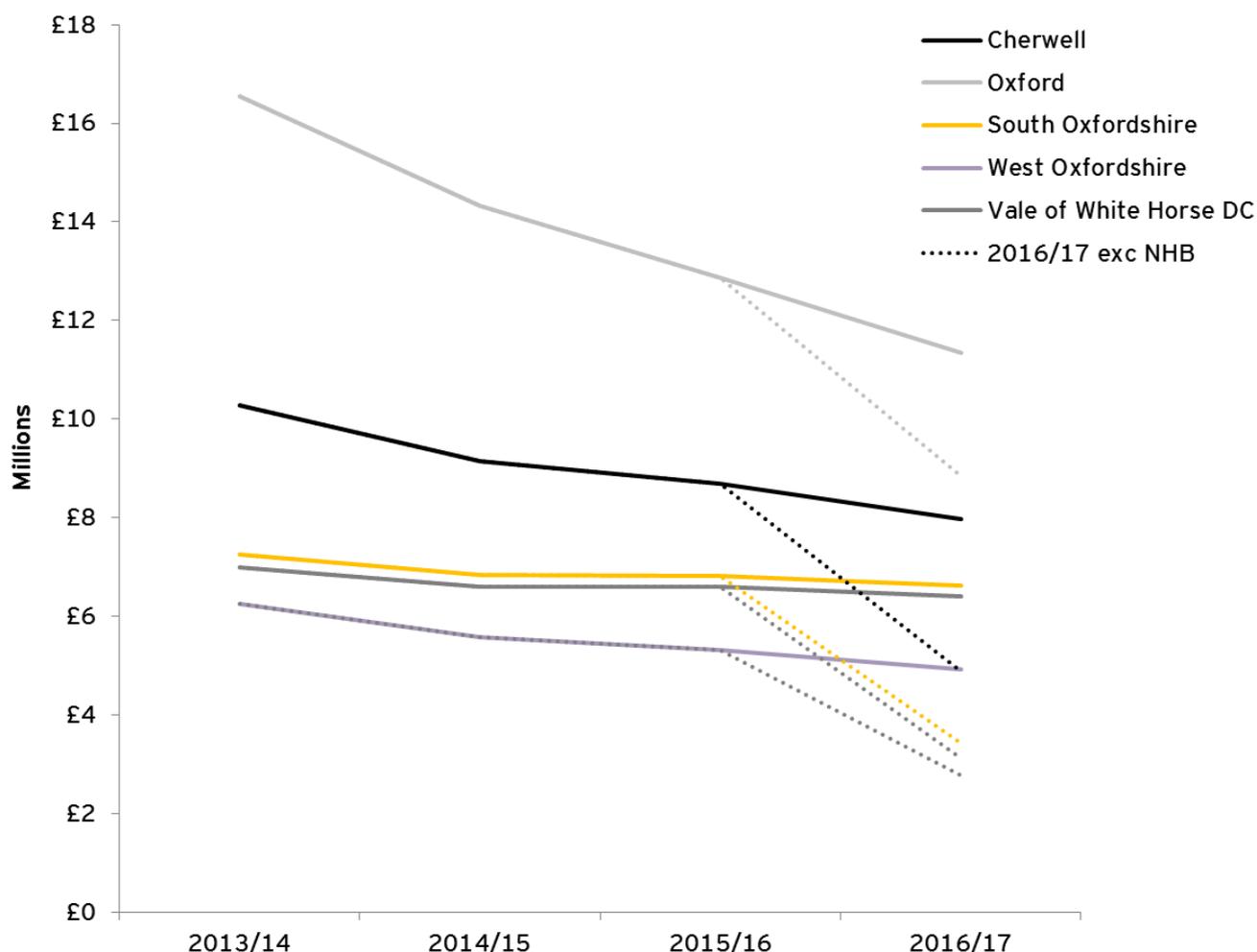
The DCLG data projects funding for Oxfordshire County Council will increase to £474 million in 2015/16 and extrapolating this figure using the average yearly increase in funding, it is projected that the Council will receive £484 million from its main sources of funding in 2017/18. This leaves Oxfordshire County Council with a potential £71 million funding deficit which will have to be met by either reducing expenditure or increasing income. This deficit will represent 13% of the funding required in 2017/18.



3.2.4. Funding projections for the District Councils

It is not only County Councils that are facing financial pressures, District Councils are also facing reductions to their funding in the immediate future, and the funding projections below highlight this. The graph shows the decrease in settlement funding assessment (SFA) that is anticipated for each of the District Councils over the next four years. The funding projections for 2013/14, 2014/15 and 2015/16 are based on published data from the DCLG, and the 2016/17 projection is then extrapolated using the average funding reduction across the Districts from the previous three years.

The New Homes Bonus (NHB) is a grant paid by central government to local Councils for increasing the number of homes and their use and it forms a significant percentage of the settlement funding District Councils receive. It is understood that the future of NHB is far from certain and has been subject to a review. Furthermore, even if it were to continue, it is likely to be reviewed once more following the general election in 2015. With this in mind, it is prudent to model the potential impact the loss of this funding would have on the District Councils and the graph below models the significant risk should NHB be reduced or possibly removed.



By creating new Unitary arrangements in Oxfordshire and replacing the existing six Councils with one of the options set out above, there will be a significantly increased opportunity to:

- Align and assimilate administrative and managerial functions to deliver better value for money;
- Harmonise the existing levels of Council tax and reduce bills for a majority of residents across the County;
- Enable more streamlined service delivery across the County;
- Create more robust and resilient organisation(s) through exploiting managerial synergies;
- Adopt a more strategic approach to service commissioning with a clearer focus on locality impact by removing some of the artificial boundaries which currently exist; and
- Align incentives for infrastructure delivery and housing growth at strategic level.

These opportunities are explored in more detail through this section.

3.3. Delivering better value

Compared with the existing arrangements, the three options have the potential to reduce the cost of local government in Oxfordshire as follows:

- Option 1 - A single Unitary Council model could save up to £32.5m;
- Option 2 - A two Unitary Council model could save up to £15.0m; and
- Option 3 - A three Unitary Council model could save up to £6.8m.

3.3.1. Potential efficiency savings

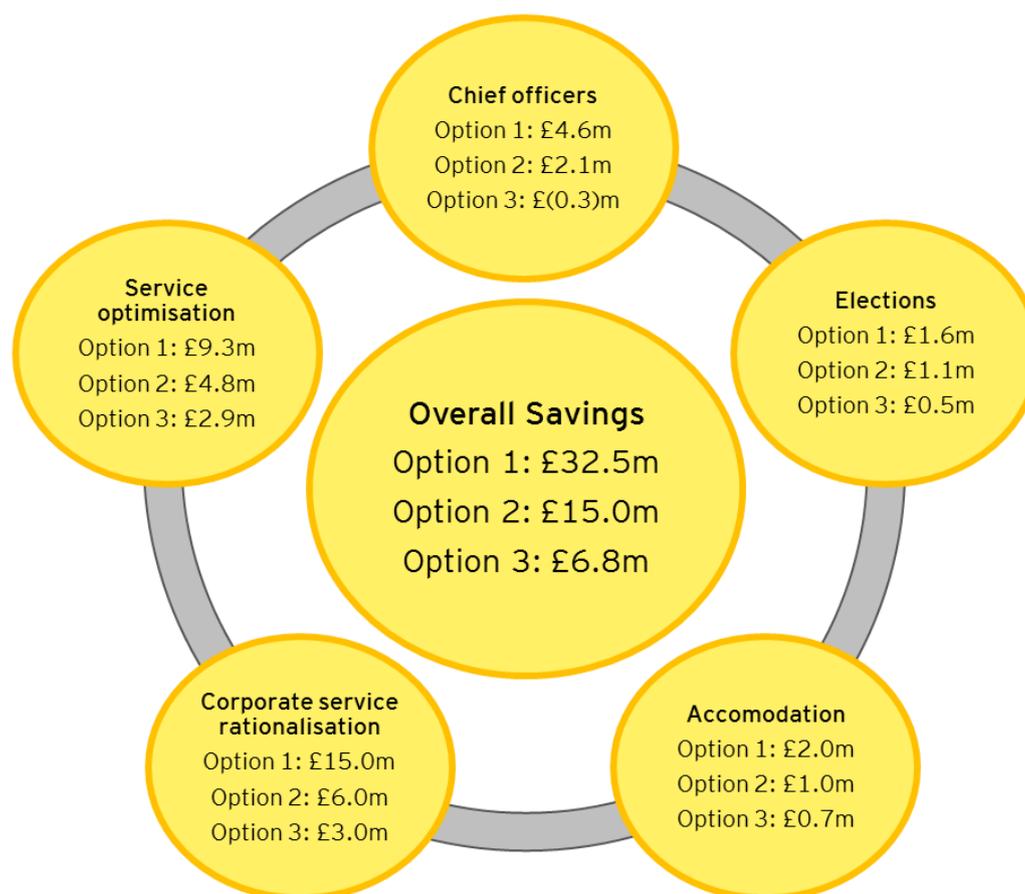
We recognise that delivering better value is not merely about reducing cost. Nonetheless, given the sheer scale of the fiscal challenge facing Oxfordshire there is a pressing need to examine all aspects of at least non-operational expenditure and identify where savings can be re-directed to offset cost pressures. We have summarised the scope of potential savings in the table below:

AREA OF SPEND	KEY ISSUES
Chief officers	Even with sharing arrangements in place, Oxfordshire still has 5 (4 f.t.e.) Chief Executive Officers, 12.5 Directors and 41 Assistant Directors/Heads of Service.
Elections	Oxfordshire is currently represented by a total of 309 elected members. The pattern of election cycles across the County and Districts are as follows: <ul style="list-style-type: none"> • Oxford elects in alternate years, half the Council each time • Cherwell and West elect most areas three of every four years • South and Vale elections occur every four years
Accommodation	There are Council offices and assets all across the County, each of which need to be operated and maintained.
Corporate services	Each organisation needs services such as ICT and back office services such as finance, payroll and HR to function effectively. Could this be consolidated?
Frontline services	While the operation of frontline services should remain untouched, are there savings to be made by reducing the managerial overheads required to deliver them and optimisation of service delivery processes and mechanisms?

We have assessed each of these areas of spend in turn and modelled potential savings across the three options. We have examined these savings against a set of assumptions and the following publicly available data:

- Budget books and statement of accounts;
- Pay policy statements and organisational charts;
- Medium term financial plans (MTFP) and Annual Reviews; and
- Official Local Authority data and reports from industry recognised professional bodies (i.e. CIPFA and SOCITM)

The diagram below sets out the potential financial savings that can be delivered across the three options considered. These savings are explored in more detail in the financial case (section 4).



3.3.2. Harmonisation of council tax

The following table represents the combined charge for District and County Council tax across the County. The average District plus County rate that is paid is £1329, however, there is some variance in what is currently paid within individual Districts whereby Oxford City pay £46 more and West Oxfordshire pay £38 less than this figure.

Council	Total band D equivalents	District Element	Band D District + County*	Movement from average
Cherwell	50,793	£124	£1332	£3
Oxford City	41,291	£167**	£1375	£46
South Oxfordshire	52,607	£115	£1323	£(5)
Vale of White Horse	45,965	£117	£1325	£3
West Oxfordshire	42,442	£82	£1290	£(38)

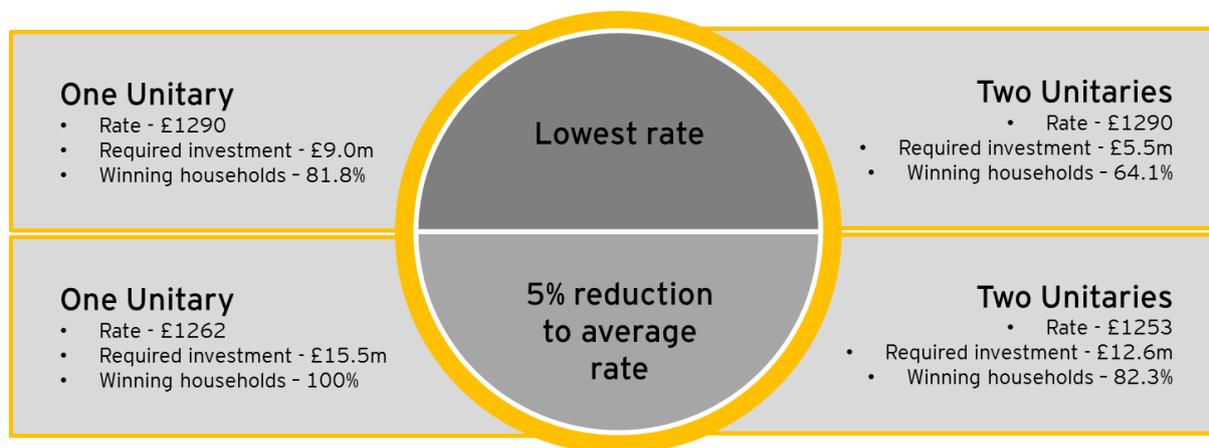
*County element £1208

** Figure adjusted down from £274 to reflect parish council element akin to the other districts

Given these discrepancies, moving to a Unitary model of service delivery offers the new Council(s) the opportunity to harmonise Council tax rates and directly share the financial benefits of the new structure with households in Oxfordshire. The two approaches that have been explored in the current report include application of:

- Lowest rate - involves harmonising Council tax for all households to the lowest rate currently paid in the County (i.e. £1,290 in West Oxfordshire); and
- 5% reduction to average rate - which involves harmonising to 5% below the average rate currently paid within the County.

The diagram below represents the application of these harmonisation approaches to the one and two Unitary options under review, and is based on the assumption that the latter option comprises an Oxford City Unitary and Unitary that is made up of the remaining four District Councils. Notably, as the third option under consideration introduces geographical variables that are currently unknown, this would have to be subjected to further detailed analysis before harmonisation could be modelled. However, as this option also involves the formation of the Oxford City Unitary, outcomes would not significantly deviate from the two Unitary option detailed below.



As shown in the diagram above, applying the lowest rate harmonisation approaches to a one Unitary model indicates that across the County, the current average band D Council tax charge for the combined County and District could reduce by 2.9% (equating to an average saving of £38 per household, per year). This means that, for a savings reinvestment of £9.0m out of up to £32.5m, 190,657 (i.e. 82%) Oxfordshire households would see a reduction in their Council tax bill. Most importantly no households would experience an increase, given that the baseline would be pegged to the existing lowest level.

However, by reinvesting £15.5m out of up to £32.5m and applying an overall average decrease of 5% across the County, all 233,099 Oxfordshire households could benefit from an average saving of £61 per year. The breakdown of how households could benefit within each of the current Districts is represented below, indicating that the biggest relative winners would be households in Oxford City who could experience an annual saving of up to £113 per year.

Council	Option	One Unitary		Two Unitaries	
		Annual household reduction	Annual household saving	Annual household reduction	Annual household saving
Cherwell	Lowest rate	3.1%	£42	3.1%	£42
	5% reduction	5.3%	£70	5.9%	£79
Oxford City	Lowest rate	6.2%	£85	0.0%	£0
	5% reduction	8.2%	£113	0.0%	£0
South Oxfordshire	Lowest rate	2.5%	£33	2.5%	£33
	5% reduction	4.6%	£61	5.3%	£70
Vale of White Horse	Lowest rate	2.6%	£35	2.6%	£35
	5% reduction	4.8%	£63	5.5%	£72
West Oxfordshire	Lowest rate	0.0%	£0	0.0%	£0
	5% reduction	2.2%	£28	2.9%	£37

Notably, by moving to a multiple Unitary option that splits out Oxford City, the number of benefitting households would significantly reduce by up to 36%. This is largely because, as the Oxford City Unitary only involves the integration of a single District into the new structure, Council tax could not be harmonised here. The required reinvestment level under this option would be £5.5m due to the fact that Oxford City Council tax would remain at current levels. This means that the biggest winner under a single Unitary option (i.e. Oxford City) would not benefit at all under options two or three. It is also worth considering that up to 80% of savings may have to be reinvested to realise harmonisation of Council tax within the remaining Unitary.

3.4. Streamlining service delivery

Managed correctly, the organisational consolidation intrinsic to a shift to Unitary local government will provide a huge opportunity to redesign both managerial structures and more importantly, service outcomes much more closely around the needs of service users. There are a number of ways this can be achieved.

3.4.1. Focusing accountability

Local Councils are the most natural conduit for local accountability based on their democratic mandate and the sheer range of services they are involved in at a local level. This affords a governing mandate which progressive Councils will use to adopt a position of 'first among equals' in working with other organisations and agencies to co-ordinate and prioritise local services. Such accountability could be enhanced further through Unitary status by removing any confusion which exists in two-tier areas and enabling both elected members and staff to engage more directly with communities.

The three options considered in this report are likely to each result in differing levels of member representation across the County, the details of which can be found in appendix A. Whichever option is ultimately pursued will also benefit from the creation of effective mechanisms to work with both parish and town Councils ensuring that accountability remains as local as possible. Oxfordshire already benefits from a sophisticated network of around 300 town and parish Councils which will provide a firm basis for further improved local connections.

This in turn could enable the new Council(s) to place a premium on diverse and sometimes distinct local need, combined with the strategic delivery power to ensure that relevant outcomes are achieved.

3.4.2. Removing boundaries

The shift to Unitary status would require the removal of the existing municipal boundaries. This will enable increased focus on natural or whole communities and in turn, remove many of the managerial barriers which currently exist. This will present a clear opportunity to create a better locality focus because:

- Better outcomes can be planned, commissioned and delivered because the removal of municipal boundaries will encourage a greater degree of strategic planning, providing more targeted and integrated services across the County
- Services can be targeted more effectively at specific challenges based on a County-wide view of communities, families and individuals
- Natural communities can plan and act together to influence the type and quality of services in their area

3.4.3. Aligning commissioning

Services which have impact and resonance with local communities are designed around specific outcomes, but these outcomes can become obscured when separation of managerial culture, resources and capacity are introduced.

In simple terms, the creation of Unitary local government could help reduce the number of delivery partners and strip away much of the bureaucracy which can obstruct clear community outcomes. Combined with clear managerial and political leadership, this clarity can help create the conditions for greater levels of innovation and creativity in service commissioning and delivery, it can enable the new Council(s) to more effectively partner with local communities and focus on the effective co-design of better outcomes as a result.

Over time, and managed effectively with the existing network of parish and town Councils, this alignment of capacity and resources will enable better management of demand and the potential for sustainable efficiency savings to be locked into the new organisational culture.

3.4.4. Managerial synergy and resilience

The creation of new organisational structures which would be an inevitable consequence of reorganisation presents an opportunity to design in a new culture of management and governance which is leaner, fitter and better able to cope with future changes and demand.

Private sector mergers often cite this, along with resource consolidation, as a central factor in exploring the possibility of bringing different organisations together. The reality for local government managers is that many of the relative certainties which existed even relatively recently are no longer relevant. The ability to negotiate, influence, lead and adapt have rapidly overtaken the more traditional administrative and transactional skills traditionally associated with local government.

The establishment of managerial resilience and innovation, along with the ability to be organisationally nimble, are increasingly becoming pre-requisites of long-term planning and the development of Unitary local government presents a unique opportunity to exploit this.

3.5. A more strategic approach

Identifying and co-ordinating key stakeholders is central to the emerging community leadership role which more progressive Councils are now realising. Over the last decade, successive governments have attempted to codify this notion in policy terms through a variety of initiatives such as Local Area Agreements, Total Place, Public Service Agreements and City Regions. While the policy terminology might be subject to ongoing change, the central thinking based on increasing strategic planning and resource allocation at local level, continues to develop.

The division between municipal boundaries and respective responsibilities found in two-tier areas encumbers the ability to work cohesively across the whole County. This is not to deny good work which has gone on and continues to go on across the County due to the hard work and leadership of many people. Rather it is to recognise that progress is currently made despite the local government structures and not because of them. Unitary status presents an opportunity to redress this.

For example, in Oxfordshire currently there is:

- No single planning Authority - each District has responsibility for its own relatively small geographical area;
- No single, integrated housing strategy
- No single economic and social planning for the area as a whole

Additionally, given the County-wide remit of the relatively new Clinical Commissioning Group (CCG), the ability to plan and resource better health outcomes across the County would be greatly enhanced with the introduction of a simplified and more streamlined approach at Council level.

In addition to the CCG, there is a wide range of service planning, commissioning and delivery apparatus which currently exists at County rather than District levels including the Local Enterprise Partnership (LEP), many of the bodies which support and represent the voluntary and community sector. There is also a government backed 'City Deal' in place which straddles the existing District boundaries.

Given the fact that the financial climate remains somewhat tenuous, combined with an inevitably more competitive environment for attracting new investment, there is a real danger that those areas who struggle to demonstrate clear strategic intent and capacity will simply lose out to those who can. Of course the stimulus for economic growth is complex and manifold; however the role of a determined and strategically driven Council can act as a 'golden lever' to investment as has been seen repeatedly in numerous places over recent years.

Finally, there is an argument that increasing the strategic focus of the County by enabling an enhanced role for natural communities, will unlock considerable social impact. While this has an indirect rather than direct financial emphasis, social impact is increasingly seen as a central tenet of community cohesion and could well serve to underpin and enhance the wider efforts for growth.

3.6. Additional considerations

Whilst a transition to Unitary status has the potential to deliver significant benefits, there are also a number of additional considerations which would need to be carefully planned for. The considerations below would need to be subjected to further detailed analysis and planning before any comprehensive conclusions can be drawn on a final blueprint for Unitary local government.

3.6.1. Pooling resources

Reserves

When exploring the possibility of creating one or more Unitary authorities in Oxfordshire, it is sensible to consider the level of reserves that each of the Councils hold. Currently Oxfordshire County Council and the five District Councils each hold and manage their own reserves separately but the creation of a Unitary Authority in Oxfordshire could allow these funds to be pooled and potentially managed more efficiently. All Councils are required to hold financial reserves in order to help them manage variations between their planned and actual budgets, and to strategically plan the use of finances to support activities over the medium and long term. The table below sets out the current level of usable reserves in the 2013/14 financial year for Oxfordshire County Council, Oxford City, South Oxfordshire and Vale of White Horse Council and in the 2012/13 financial year for Cherwell and West Oxfordshire District Councils.

Council	Net Service Expenditure 2013/14*	General fund	Earmarked	Unapplied capital receipts/ grants	Total usable**	Unapplied usable % of expenditure
Oxfordshire	£601.0m	£21.5m	£130.2m	£68.7m	£220.4m	15%
Cherwell	£14.9m	£3.7m	£10.9m	£30.4m	£45.0m	230%
Oxford City	£28.1m	£3.6m	£29.9m	£22.6m	£56.1m	93%
South Oxfordshire	£23.9m	£35.6m	£15.9m	£30.3m	£81.8m	276%
Vale of White Horse	£16.2m	£9.5m	£3.3m	£6.8m	£19.6m	101%

West Oxfordshire	£12.4m	£10.7m	£1.8m	£8.1m	£20.6m	152%
Total	£696.5m	£84.6m	£192.0m	£166.9m	£443.5m	36%

*13/14 DSG removed

**Minus HRA reserves

Housing Revenue Account (HRA)

One or more Unitary Authorities in Oxfordshire would also be able to pool together their Housing Revenue Accounts (HRA). The HRA specifically accounts for spending and income related to the management and maintenance of an authorities housing stock. The HRA is a ring-fenced account meaning that it is kept separate from other Council accounts and funds held within it cannot be used to cover the costs of other Council services. Rather these must be spent on maintaining current housing stock or possibly improving or buying new assets should surplus funds be available.

There is also a slightly wider issue relating to land availability as the resources and potential development land are not currently aligned meaning that the demand for new housing, particularly social housing, is unmet. Reorganisation could present an opportunity to take a more strategic view of this challenge in addition to providing additional collateral against which to maximise future borrowing potential. The table below sets out the total number of dwellings held by the Council and Districts based upon DCLG published data, and the income each Council receives. In total, Oxfordshire Councils received income of approximately £19.7 million in the financial year 2013/14.

Council	13/14 housing stock	13/14 HRA Income
Oxfordshire	0	£0.0m
Cherwell	160	£0.3m
Oxford City	7,624	£19.1m
South Oxfordshire	0	£0.0m
Vale of White Horse	110	£0.3m
West Oxfordshire	0	£0.0m
Total	7,894	£19.7m

3.6.2. Harmonisation of pay and conditions

The new Council(s) would need to create a single framework for structure and reward across each organisation. While serving to capture any remaining pay anomalies, this may well also produce potential harmonisation costs, similar to 'single status' procedures.

3.6.3. Member representation

Any reduction in the number of elected members is likely to invoke considerable political debate. We have modelled each option in terms of the ratio of electors to elected members, but the impact of any reductions will have to be managed.

3.6.4. Assets

It is important to recognise that the assumptions regarding property assets is based on a prudent assessment of future need based on potential FTE requirement. Additionally, the modelling is purely revenue based, so does not consider any (potentially substantial) capital receipts which would result from a property rationalisation programme.

We have made high level assumptions about the quality and potential upkeep of the existing property portfolios across the County in addition to the likely scale of accommodation required by the newly created organisation(s). However, it is possible, if not probable, that there will be a requirement to invest in some of the accommodation retained to ensure that it is fit for purpose.

Finally, reconsideration of the property portfolio will offer the potential to reshape public buildings around current need across the County rather than it being simply based on an historic portfolio. This will provide a genuine opportunity to not only realise considerable revenue savings but also ensure that public access points are designed around need.

3.6.5. Harmonising service delivery

Addressing variations in service standards in order to ensure consistency and quality of service delivery across the new organisation(s) has the potential to involve investment in equipment and skills in the short-term.

3.6.6. Senior and specialist recruitment

The current market for senior local government professionals, while recovering from the extremely challenging conditions experienced between circa 2008 - 2012, remains difficult in terms of attracting strong candidates. There are several factors contributing to this difficulty including continued uncertainty in the wider economy and employment market, resulting in increased numbers of managers staying put rather than accepting the perceived risk of moving to a new role, however attractive. In addition to this there is a continued downward pressure on senior salaries, due to ongoing political pressure and the resulting media scrutiny. Finally, there are factors in specific service areas such as Children's Services which are experiencing serious supply challenges, exacerbating this situation still further. The combination of these factors will significantly increase risks associated with senior recruitment, particularly for Options 2 and 3, where a requirement to simultaneously approach the market for up to three Directors of Children's Services would present a significant challenge.

3.7. Conclusions

The analysis above suggests there is a strong case to explore the potential of Unitary local government in Oxfordshire. Our findings suggest that this would present the opportunity to:

- **Deliver better value** for money by tacking managerial and administrative duplication and waste while protecting and indeed potentially enhancing frontline services;
- Provide a **direct benefit to a majority of Council tax payers** by harmonising taxation levels across the County;
- Create a **more strategic approach** to service planning, commissioning and delivery, which will create better outcomes for service users; and
- **Enhance and streamline service delivery** ensuring that outcomes are more bespoke and therefore relevant to distinctive community needs.

4. Financial Case

4.1. Summary

The summary of the analysis illustrates that Unitary Local Government in Oxfordshire could help to ease growing pressure on frontline services. Each of the three proposed options assessed aims to reduce the expense of maintaining six independent government organisations, which currently have their own management teams, infrastructure and bureaucracy. Most importantly, all of the options offer the potential to free up funding to reinvest in reducing Council Tax, direct this back into frontline services, and/or help towards meeting the expected future funding deficit. This could also help to offer service users better value for money and build a more resilient Council for the future.

Each of the options have been summarised in the table below to reflect the lower and upper ranges for savings targets, implementation costs, payback period, net cumulative savings and FTE reduction.

Option	Savings range	Reduction to spend (exc. Care and Education)	Implementation	Payback period	Net cumulative saving	FTE reduction
One Unitary	£26.5m - £32.5m	12.6% - 15.4%	£14.7m - £15.9m	1 - 2 years	£69.2m - £81.1m	444 - 507
Two Unitaries	£10.0m - £15.0m	4.8% - 7.1%	£13.6m - £14.4m	2 - 3 years	£18.6m - £30.2m	174 - 202
Three Unitaries	£1.9m - £6.8m	0.9% - 3.2%	£12.0m - £12.2m	4 - 5 years	£(8.5)m - £5.7m	72 - 92

The largest potential annual savings figure of up to £32.5m (by moving to a single Unitary Council) comprises the following savings areas:

- Up to £4.6m in chief officer savings;
- Up to £1.6m in having fewer Members and running fewer Elections;
- Up to £2.0m from reducing the use of accommodation;
- Up to £15.0m from corporate service rationalisation; and
- Up to £9.3m from service optimisation.

A £32.5m saving represents 4.7% of total net expenditure of £696.5m across all services within the County Council and the 5 District Councils. Notably, as Care and Education services are uniquely provided by the County Council, FTE and non-pay expenditure for these services was not included in the addressable spend figures when quantifying savings. This should also help to protect the integrity of these services £32.5m actually represents up to 15.4% of an adjusted addressable net expenditure figure of £211.0m.

The cost of implementing the proposed changes is estimated to be £12.0m - £15.9m, depending on which of the options is selected, and largely relates to costs resulting from a reduction in FTE and disaggregation costs. The following implementation plan is applicable to all the options and dictates the potential timeline for realisation of savings and implementation costs. The cost of implementation has been forecast to take between 3 and 4 years:

- Year 1: Senior Management and Democratic change;
- Year 2 and 3: Service and middle management restructuring, redesign of support services / infrastructure and rationalisation of assets; and
- Year 4: Full service integration and contract harmonisation.

Over the five years a move to a Unitary Council could offer up to a £81.1m cumulative saving when the phased delivery of benefits is considered. These considerable savings could play a key role in creating streamlined and resilient frontline services in the face of external funding pressures and increasing demand for services. The payback period across the range of options has been modelled between one and five years post implementation.

It is notable that, splitting Oxfordshire into more than one Unitary Council could reduce the saving by up to £25.7m per annum. Furthermore, it is likely that a multi-Unitary model would cost significantly more to implement after removing costs associated with headcount reductions. This is due to inflated staffing and member induction costs and significant additional contingencies for the disaggregation of the current County Council. In particular, approximately 50% of the current County Council's staff may need to be accommodated elsewhere to allow for the disaggregation of current services across the new Unitary Authorities. Finally, consideration should also be made around the expense and practicality of maintaining the delivery of integrated County wide services such as fire and rescue, under a new multi-Unitary model.

In subsequent sections there is a detailed breakdown of the analysis and assumptions that sit behind these high-level figures. Following which there is an appraisal of each of the Unitary options considered in this report.

4.2. Benefits

4.2.1. Overarching savings assumptions

Although profile of benefit alter across each of the options the same service baseline and generic savings assumptions were applied within each savings area. The overarching analysis approach and savings assumptions for each savings area are outlined in the tables below:

- Chief officers savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Chief officers	District and County actual roles and sourced from headcount breakdowns from published annual reports.	Each new Unitary Council will need a single Chief Executive, 4 - 5 Directors and 14 - 16 Heads of Service.
	Senior costs include the top three tiers of management.	Chief officers will be paid salary bands currently in operation at the County level.
	Work share arrangements for senior management in Cherwell, South Oxfordshire, Vale of White Horse and West Oxfordshire were applied as per detail in pay policy statements.	
	Salaries were sourced from published financial statements.	
	Assumed on-costs of 25% have been added where these were not explicitly detailed.	

- Elections savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Members	Actual numbers of Members and allowances (including basic, special responsibility, travel and subsistence) were sourced from County and District websites.	<p>Assumed that the number of Members for the new Unitary Authority would be scaled down as per the relative size of the new Unitary Council (see Appendix A).</p> <p>Allowances for new Members will be equal to average amounts currently paid out at the County level.</p> <p>Members savings relate to impact of member unit reductions on current baseline spend on allowances.</p>
Elections	<p>The pattern of election cycles was understood from information provided by the County. This indicates that at least one District and/or the County run an election each calendar year and some form of election is planned each year for the next 4/5 years.</p> <p>An average unit cost per member per election within the County was derived from the total cost of a County election, which was provided by the County.</p> <p>An average unit cost per member per election within the Districts was estimated from information published in the 2013/14 Oxford City budget book.</p>	<p>Assumed that the number of Members for the new Unitary Authority would be scaled down as per the relative size of the new Unitary Council (see Appendix).</p> <p>Unit cost for Unitary elections will be equal to the average unit cost per member currently paid at the County level.</p> <p>Election savings relate to impact of member unit reductions on current baseline spend on elections.</p>

- Corporate accommodation savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Accommodation	<p>A high level figure for maintaining property (i.e. FM costs) calculated via cost of required workspaces within each Council building.</p> <p>Unit cost of workspaces in Oxfordshire sourced from the Total Office Cost Survey (TOCS) 2010.</p>	<p>The saving figure for accommodation is based on facilities management spend for the number of workspaces required as a result of estimated total FTE reduction.</p> <p>This does not currently consider the valuation of occupied properties, which could also be released via FTE reductions.</p>

- Corporate service rationalisation savings assumptions:

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
ICT applications and infrastructure	<p>Spend on FTE and applications/infrastructure was assumed as a percentage of total service expenditure (3%) sourced from SOCITM data and corroborated by evaluating ICT service spend in other Unitary Authorities.</p> <p>Oxfordshire County and Districts budget books indicate that spend on ICT FTE represents 50% of total assumed ICT expenditure. As such, assumed that applications and infrastructure represent 1.5% of service expenditure.</p>	<p>ICT application and infrastructure savings comprise 1.5% of the difference between current total service expenditure across the Districts and County and revised service total expenditure for the new Unitary/s after savings from all other areas have been applied.</p>
Corporate services FTE	<p>A baseline total FTE in Districts was established from gathering data in 2013/14 budget books, where available.</p> <p>Work share arrangements for FTE between South Oxfordshire and Vale of White Horse were applied as per information available Districts websites.</p> <p>An estimate of the split of FTE across corporate service areas (i.e. ICT, HR, Finance and Customer Services) was profiled using data from Oxfordshire County, and Cherwell and Oxford City Districts, and extrapolated the remaining District Councils.</p> <p>The County provided the overall 9% to 91% FTE split for management versus staff across all FTE in Oxfordshire (excluding chief officers), which was applied.</p> <p>A 17% to 83% split was observed across all FTE (excluding chief officers) in a staff breakdown for Cherwell. An average of 13% to 87% management to staff split was then extrapolated to the overall FTE numbers in the District Councils.</p> <p>Pay grades were taken from pay policy statements for each Council and grades of £40,000 and above were assumed to represent management salary. A 25% increase was applied to these figures to represent on-costs.</p>	<p>Assumed that corporate services middle management and staff in new authorities will be paid the average salaries currently paid by the County and Districts.</p> <p>The staff required in a new Unitary Authority would be equal in number currently employed by the County Council plus 10% - 20% of District employees.</p>

- Service optimisation savings assumptions

AREA	BASELINE ANALYSIS	SAVINGS RATIONALE/ASSUMPTIONS
Middle management	<p>An estimate of the split of FTE across delivered services (i.e. Community, Environment, Planning and Care) was profiled using data from Oxfordshire County, and Cherwell and Oxford City Districts, and extrapolated the remaining District Councils.</p> <p>Assumptions for work sharing, management to staff FTE splits and pay grades were applied as per the analysis detailed above for corporate services FTE.</p>	<p>No savings would be made from spend or FTE from Care and Education services.</p> <p>All delivered services middle management and staff in new Authorities will be paid the average salaries currently paid by the County and Districts.</p> <p>Regardless of size and number, new Unitary Councils will require 100% retention of frontline service delivery staff. The number of managers needed would be equal to current County managers plus 60% - 70% of District managers.</p>
Optimisation of service expenditure	<p>Net baseline expenditure for the different service areas was obtained for the County and Districts via 13/14 CLG Revenue Account data.</p> <p>13-14 DSG income/expenditure was obtained from the County 13/14 statement of accounts and removed from the overall Care and Education figure for the County.</p> <p>These data were then clustered into different service areas (i.e. Community, Environment and Care and Education) and centralised services were apportioned equivalently across these groups. Following this estimated spend on FTE was removed from each service area.</p>	<p>High level percentage savings were applied to delivered services to reflect efficiencies from economies of scale, integration and service optimisation. These percentages adjust as per the relative size of the new Unitary Authority/s for a given option.</p>

4.2.2. Option 1 savings - One Unitary Council

The overall potential savings range for this option is £26.5m - £32.5m. In the table below is a summary of how these high level savings profile across each of the main savings area:

Area	Savings Lever	Unit Reduction	Indicative Annual Value
Chief officers	Reduction in senior officers	36 - 39 FTE	£4.2 - £4.6m
Elections	Reduction in members allowances	191 - 211 Members	£0.8m - £1.0m
	Reduction in election costs	191 - 211 Members	£0.4m - £0.6m
Accommodation	Reduction in office space required	444 - 507 Workspaces	£1.8m - £2.0m
Corporate service rationalisation	Rationalisation of ICT via reduced service expenditure	1.5% of £26.2m - £32.0m	£0.4m - £0.5m
	Reduction in middle management	48 - 54 FTE	£2.8m - £3.2m
	Reduction in staff	320 - 360 FTE	£10.0m - £11.3m
Service optimisation	Reduction in middle management	40 - 54 FTE	£2.4m - £3.2m
	Optimisation of current service expenditure	3% - 5% of £121.7m	£3.7m - £6.1m

4.2.3. Option 2 savings - Two Unitary Councils

The overall potential savings range for this option is £10.0m - £15.0m. In the table below is a summary of how these high level savings profile across each of the main savings area:

Area	Savings Lever	Unit Reduction	Indicative Annual Value
Chief officers	Reduction in senior officers	14 - 20 FTE	£1.3 - £2.1m
Elections	Reduction in members allowances	162 - 187 Members	£0.4m - £0.7m
	Reduction in election costs	162 - 187 Members	£0.1m - £0.4m
Accommodation	Reduction in office space required	174 - 202 Workspaces	£0.9m - £1.0m
Corporate service rationalisation	Rationalisation of ICT via reduced service expenditure	1.5% of £10.0m - £14.7m	£0.2m
	Reduction in middle management	19 - 21 FTE	£1.1m - £1.3m
	Reduction in staff	127 - 143 FTE	£4.0m - £4.5m
Service optimisation	Reduction in middle management	14 - 18 FTE	£0.8m - £1.1m
	Optimisation of current service expenditure	1% - 3% of £121.7m	£1.2m - £3.7m

Those savings assumptions that are unique to Option 2 refer to the requirement to scale the formation of three new Unitary Councils. These are as follows:

- Double the number of chief officers would be required
- To maintain the current FTE structure across corporate and delivered services at Oxford City Council in its entirety

4.2.4. Option 3 savings - Three Unitary Councils

The overall potential savings range for this option is £1.9m - £6.8m. In the table below is a summary of how these high level savings profile across each of the main savings area:

Area	Savings Lever	Unit Reduction	Indicative Annual Value
Chief officers	Reduction in senior officers	(9) - 1 FTE	£(1.5) - £(0.3)m
Elections	Reduction in members allowances	133 - 162 Members	£0.0m - £0.4m
	Reduction in election costs	133 - 162 Members	£(0.2)m - £0.1m
Accommodation	Reduction in office space required	72 - 92 Workspaces	£0.6m - £0.7m
Administrative Overheads	Rationalisation of ICT via reduced service expenditure	1.5% of £2.0m - £6.7m	£0.0m - £0.1m
	Reduction in middle management	10 - 11 FTE	£0.6m
	Reduction in staff	64 - 71 FTE	£2.0m - £2.3m
Delivered Services	Reduction in middle management	7 - 9 FTE	£0.4m - £0.5m
	Optimisation of current service expenditure	0% - 2% of £121.6m	£0.0m - £2.4m

Those savings assumptions that are unique to Option 3 refer to the requirement to scale the formation of three new Unitary Councils. These are as follows:

- Triple the number of chief officers could be required
- To maintain the current FTE structure across corporate and delivered services at Oxford City Council in its entirety
- To reduce the reduction of FTE from corporate and delivered services from the remaining Districts by 50%

4.2.5. Non-financial benefits

The non-financial benefits are also generic and can be clustered into the main savings areas. These are represented in the table below:

AREA	SAVINGS LEVER	BENEFIT
Chief officers	Reduction in senior officers	Bringing together diverse expert management resource could help to devise and implement tactical decisions and policy initiatives Could aim to retain the best leadership talent
Elections	Reduction in members allowances Reduction in election costs	Streamlined political accountability and clarity within a single-tier system Reduced bureaucracy and perceived uncertainty around the roles and responsibilities of Members
Accommodation	Reduction in office space required	Retention of better properties Enhanced opportunity for departmental integration through co-location Encourage the locality and community based reconfiguration of services
Corporate service rationalisation	Rationalisation of ICT via reduced service expenditure Reduction in middle management Reduction in staff	Ability to attract and retain high calibre ICT professionals to support frontline service innovation and transformation Ensuring hardware, applications and infrastructure are fit-for-purpose Selective retention of ICT that optimises service delivery Opportunity to integrate the best talent and optimise the quality of internal support services A resilient corporate core that shares a unified view of how best to support the Council Improved streamlined decision making through implementation of robust corporate governance structures
Service optimisation	Reduction in middle management Optimisation of current service expenditure	Redesign the overall structure and management roles to reflect the needs, values and target culture of the new organisation To attract and retain high performing talent across key services, supporting innovation and change Facilitation of knowledge and skills sharing from a broader range of experiences and contexts Opportunity to move towards outcomes based service delivery Consolidated and strengthened business relationships with external providers

4.3. Implementation and payback

4.3.1. Overarching implementation assumptions

Implementation costs relate to the investment required for the creation of one or more Unitary Councils. The non-recurrent costs detailed below are for the implementation of the single Unitary option but apply to all proposed options. These have been developed on the basis of the following assumptions and include:

- The cost of FTE reduction is based on removing up to 39 of the most senior posts at an average cost of £50k, and the remaining 468 posts at an average cost of £16k. This assumption is in line with published data and averages across the public sector from the "CIPD/KPMG 2008 LMO Survey";
- The approach and cost estimates for the implementation project team, Member induction, corporate communications, branding and professional services are largely based on the experience of other authorities;
- The ICT costs are based on the integration and replacement of core service systems (e.g., housing, planning, local taxation, regulatory services);
- The implementation team costs reflect the costs to employ 25 FTE at an average salary of £38k;
- Disaggregation costs to reflect the costs involved with baselining and assessing the current single County structure with a view to splitting and reforming into new Unitary models; and
- As experience from other authorities who have moved to Unitary status indicates that transitional costs are often underestimated, contingency funds of have been built in to the 3 year delivery timescale

4.3.2. Option 1 - One Unitary Council

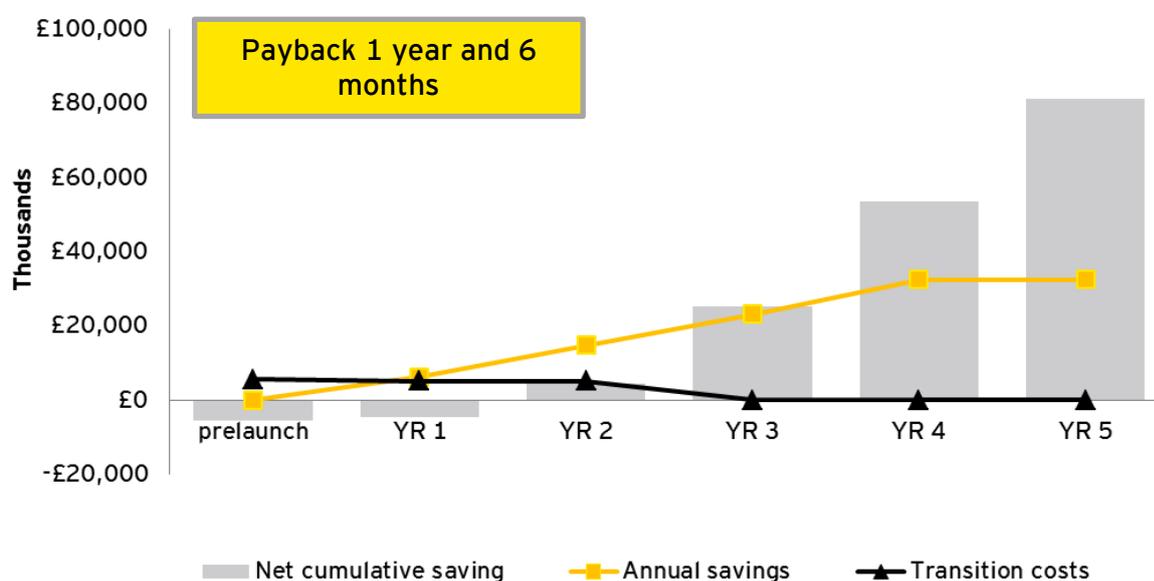
The profile of implementation costs for Option 1 has been modelled in line with the high level implementation plan and overarching assumptions set out above. The table below represents the upper range of these potential costs and also details how these factor in across the 3 year delivery timescale:

Investment area	Overall	YR 0	YR 1	YR 2
Planning and pre - launch	£0.5m	£0.5m	£0.0m	£0.0m
IT Costs and new system training	£2.0m	£1.0m	£1.0m	£0.0m
FTE reduction	£9.2m	£1.9m	£2.9m	£4.4m
Implementation programme team	£1.0m	£0.5m	£0.3m	£0.2m
Professional services	£0.3m	£0.1m	<£0.1m	<£0.1m
Corporate comms and branding	£0.3m	£0.1m	<£0.1m	<£0.1m
Staff induction	£0.1m	£0.1m	£0.0m	£0.0m
Member induction	<£0.1m	<£0.1m	£0.0	£0.0m
Disaggregation costs	£0.0m	£0.0m	£0.0m	£0.0m
Transitional contingency	£2.4m	£1.2m	£0.7m	£0.5m

The biggest investment area required to deliver Option 1 relates to FTE reduction. However, this is also the area that could deliver the majority of efficiency savings. As the current County structure would remain there would not be a requirement for disaggregation costs for this option and given that this is the most straightforward of the options to implement, costs for corporate communications and branding, professional services and ICT are also comparatively reduced.

Potential total non-recurrent implementation costs of £14.7m - £15.9m results in a payback period of 1 year and 6 months. The graph below represents the payback period for this option given the upper

range of savings and implementation costs across the proposed high level implementation timeline. This data also indicates that the net cumulative saving for Option 1 across the first five years has the potential to be up to £81.1m.



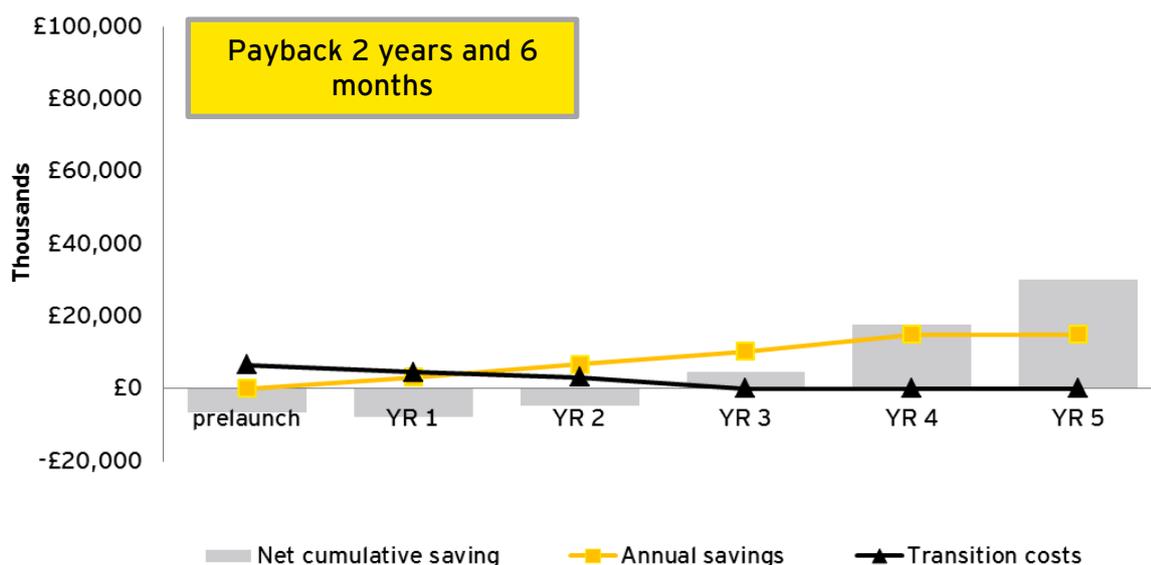
4.3.3. Option 2 - Two Unitary Councils

The profile of implementation costs for Option 2 has also been modelled in line with the high level implementation plan and overarching assumptions set out above. The table below represents the upper range of these potential costs and also details how these factor in across the 3 year delivery timescale:

Investment area	Overall	YR 0	YR 1	YR 2
Planning and pre - launch	£0.6m	£0.6m	£0.0m	£0.0m
IT Costs and new system training	£2.5m	£1.3m	£1.2m	£0.0m
FTE reduction	£3.8m	£1.0m	£1.1m	£1.7m
Implementation programme team	£1.0m	£0.5m	£0.3m	£0.2m
Professional services	£0.5m	£0.2m	£0.2m	£0.1m
Corporate comms & branding	£0.5m	£0.2m	£0.2m	£0.1m
Staff induction	£0.1m	£0.0m	£0.0m	£0.0m
Member induction	<£0.1m	<£0.1m	£0.0m	£0.0m
Disaggregation costs	£2.0m	£1.0m	£0.6m	£0.4m
Transitional contingency	£3.4m	£1.7m	£1.0m	£0.7m

The biggest investment area required to deliver Option 2 again relates to FTE reductions, however this is significantly reduced from Option 1. Services currently in operation within the County would need to be split so that they could be delivered across the two new Authorities, thus resulting in sizable disaggregation costs. Given the increased potential complications of setting up two vs. one new Unitaries, implementation costs for communication and branding, professional services and IT could end up being comparatively higher.

Potential total non-recurrent implementation costs of £13.6m - £14.4m should result in a payback period of 2 years and 6 months. The graph below represents the payback period for this option, assuming the upper range of savings and implementation costs, across the proposed high level implementation timeline. The data indicates that the net cumulative saving for Option 1 across the first five years has the potential to be up to £30.2m.



4.3.4. Option 3 - Three Unitary Councils

The profile of implementation costs for Option 3 has also been modelled in line with the high level implementation plan and overarching assumptions set out above. The table below represents the upper range of these potential costs and also details how these factor in across the 3 year delivery timescale:

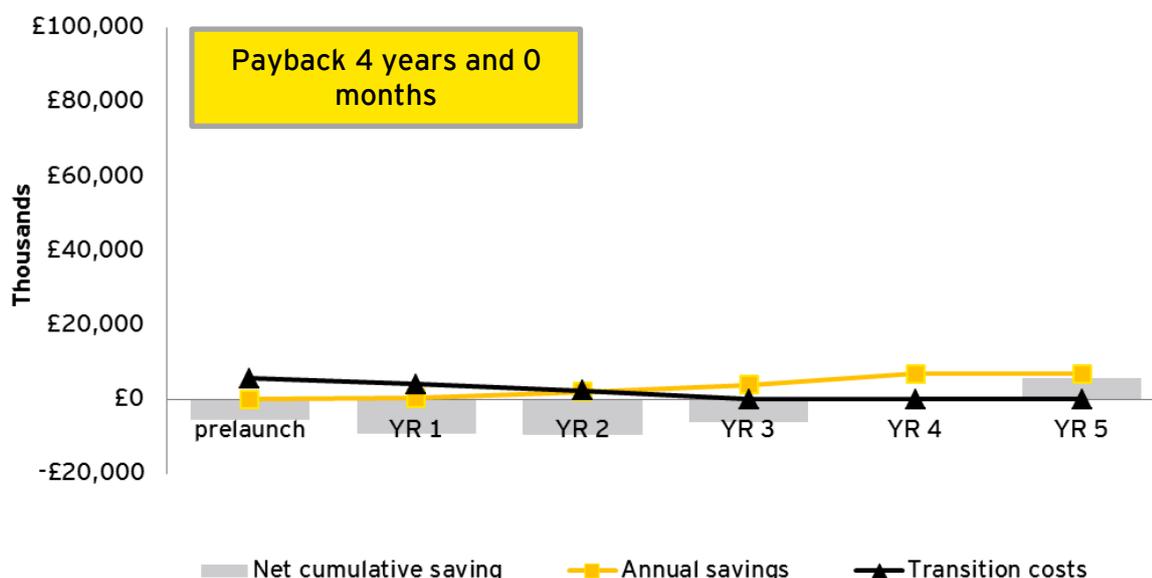
Investment area	Overall	YR 0	YR 1	YR 2
Planning and pre - launch	£0.6m	£0.6m	£0.0m	£0.0m
IT Costs and new system training	£2.5m	£1.3m	£1.2m	£0.0m
FTE reduction	£1.5m	<£0.1m	£0.5m	£0.9m
Implementation programme team	£1.0m	£0.5m	£0.3m	£0.2m
Professional services	£0.6m	£0.3m	£0.2m	£0.1m
Corporate comms & branding	£0.8m	£0.4m	£0.2m	£0.2m
Staff induction	£0.1m	£0.1m	£0.0m	£0.0m
Member induction	<£0.1m	<£0.1m	£0.0m	£0.0m
Disaggregation costs	£2.0m	£1.0m	£0.6m	£0.4m
Transitional contingency	£3.0m	£1.5m	£0.9m	£0.6m

The biggest investment area required to deliver Option 3 no longer relates to FTE reduction with this option, as this is the lowest relative to the other options. The main investment area relates to IT costs and new system training, as this is likely to be the least straightforward option to implement. The extra potential complication of this option also impacts on higher costs for communication and branding, and professional services. Furthermore, as per Option 2, there are likely to be extensive costs to disaggregate County services.

The lower end of this option requires an expansion of leadership teams and increased expenditure on members. This has been captured as a negative saving rather than an implementation cost as the increased expenditure required would be recurrent (i.e. not just required for implementation of the new Council). Notably, additional investment to cover the cost hiring new employees for the leadership teams have been included within required start - up costs.

Potential total non-recurrent implementation costs of £12.0m - £12.2m results in a payback period of 4 years and 0 months. The graph below represents the payback period for this option, assuming the upper range of savings and implementation costs, across the proposed high level implementation

timeline. The data indicates that the net cumulative saving for Option 3 across the first five years has the potential to be up to £5.7m.



4.4. Options appraisal

4.4.1. Introduction and approach

Three options for reorganising the function of local government in Oxfordshire have been explored in this report as follows:

- Option 1 - The creation of a single, County-wide Unitary Council;
- Option 2 - The creation of two Unitary Councils; and
- Option 3 - The creation of three Unitary Councils.

A sensitivity analysis of these options has been carried out based on assessment of the following areas:

- Potential Savings - to understand the impact of each Unitary option on overall savings targets
- Impact for service users - to capture the positive and negatives aspects of how District and County services will change from the perspective of the service user and the level of disruption they may experience
- Practicality - to understand feasibility of shared working across services and restructuring political landscape
- Implementation - to provide an overview of the relative costs and challenges to implement

For each of these areas a rating (red/amber/green) has also been applied to indicate the following:

- **Red** - provides a poor result relative to other options
- **Amber** - provides a satisfactory result relative to other options
- **Green** - provides the best result of all of the options

The methodology has been summarised in the table below:

ASSESSMENT AREA	RATING			COMMENTS
Potential Savings	R	A	G	NARRATIVE
Impact for service users	R	A	G	NARRATIVE
Practicality	R	A	G	NARRATIVE
Implementation	R	A	G	NARRATIVE

4.4.2. Option 1 - One Unitary Council

ASSESSMENT AREA	RATING	COMMENTS
Potential Savings	G	Modelling indicates that this option will deliver the greatest potential savings of £26.5m - £32.5m
Impact for service users	G	A Unitary model could enhance user experience via streamlined services, and reduced duplication and bureaucracy Service users may benefit from continuity in the delivery of care, education and community services. However, suggested levels of political representation may be lower under this option than for other options.
Practicality	G	There should be limited requirement for service redesign and intuitive restructuring of democratic landscape. A single Unitary structure should support transfer of skills, capabilities, knowledge and best practice through shared working arrangements
Implementation	G	As this option involves the greatest FTE reduction, implementation costs are higher - however, this still represents the fastest payback period across all the options. Implementation will be challenging, but this has been successfully done elsewhere and there are ample opportunities to learn from others in this respect.

Option 1 proposes the creation of a single, County-wide Unitary Council to cover the whole of Oxfordshire. The creation of a single Unitary Council should result in the largest potential amount of savings, based as it is on the concept of amalgamating six separate organisations into a single entity.

Any change to an organisations practice and/or structure is likely to have some impact on service users as the transition to new ways of working is embedded. In this regard, Option 1 is likely to have the least relative impact given that it involves minimal disruption to existing County services with an agglomeration of District level services to County scale.

Option 1 also benefits from greater practicality given that the transition to an organisation which is already in place should reduce the need for new administrative materials, County-wide branding and marketing, and thus avoid incurring additional implementation costs.

Implementation is likely to be challenging given that there will be a concurrent reorganisation of managerial and administrative structures while integrating new services from District level. Nonetheless, this must once again be seen in relative terms and it is advantageous that new services can be integrated into existing structures.

4.4.3. Option 2 - Two Unitary Councils

ASSESSMENT AREA	RATING	COMMENTS
Potential Savings	A	Savings are likely to be significantly lower than the single Unitary option. This is driven by the extra costs of an additional senior management team, required duplication of corporate services and service managers across the two Councils, and reductions in service delivery efficiencies due to decreased potential economies of scale.
Impact for service users	A	<p>There is still scope for potential improvements via streamlining services, removing duplication, reducing bureaucracy and optimising delivery but on a smaller scale to a single Unitary.</p> <p>This option requires the merger of District Councils and further disruption by splitting the current County Council's functions in two. As such, service users with care needs are likely to fall under the remit of an entirely new Council.</p> <p>Suggested levels of political representation should be higher than for a single Unitary and the creation of two Councils may offer a greater locality focus.</p>
Practicality	A	<p>Shared delivery of services may need to be redesigned around new agreed Council boundaries.</p> <p>As two Unitaries call for additional political representation it may be more straightforward to restructure the democratic landscape</p> <p>Forming two Unitaries could reduce the scope to transfer capabilities, knowledge and best practice via shared working arrangements.</p>
Implementation	A	<p>Due to considerable reductions to savings, overall implementation costs represent a high percentage (approx. 90%) of annual savings.</p> <p>Disaggregating the existing County Council structure is likely to introduce additional complications, as well as time and cost pressures. In particular, there is likely to be increased cost and difficulty in finding and attracting additional chief officers to fill required roles in the new Unitary Authorities. This could be particularly problematic for roles such as Director of Children's for which there are already Nationwide shortages and recruitment problems.</p> <p>Notably, however, this option has also been implemented successfully in other Counties.</p>

Option 2 proposes the creation of two new Unitary Councils in Oxfordshire, and these are assumed to inherit responsibility for all services within their geographic area. Savings are likely to be lower than for a single County Unitary, as the creation of two Unitaries should require additional administrative and managerial structures.

A two Unitary solution may, at least in the short-term, have a greater impact on service delivery as in addition to the alteration to District level services; it would also involve the separation of existing County services such as Adults and Children's Social Care. In the longer-term, residents may benefit from a smaller scale organisation which has a greater ratio of political representation per elector.

In practical terms, although there is a precedent for the creation of two new Unitary Councils, this does not mean that it would be more practical than a single Unitary structure. This is largely because

new working arrangements and managerial structures would have to be introduced and embedding into a new organisational culture. All of these can be overcome, but are likely to take longer than Option 1.

Implementation of Option 2 will require careful planning given the relatively complex requirement to simultaneously separate (County) and join (District) services while embedding two wholly new organisations.

4.4.4. Option 3 - Three Unitary Councils

ASSESSMENT AREA	RATING	COMMENTS
Potential Savings	R	<p>Similar to option 2, the formation of an additional Unitary Authority may result in further reduction of savings and is similarly driven by the higher recurring costs of an additional senior management teams, duplication of corporate services and service managers across the three Councils, and reductions in service delivery efficiencies due to decreased potential economies of scale.</p> <p>Notably, this option could require hiring more senior officers as current numbers are not sufficient to staff the three Unitary Councils. This, and the fact that senior officers will need to be paid County level salaries significantly impacts upon total recurrent savings.</p>
Impact for service users	R	<p>As per reductions in potential for savings, creating three Unitaries also reduces the scope for streamlining services, removing duplication, reducing bureaucracy and optimising delivery.</p> <p>The creation of three Councils from the single County structure currently in operation is likely to offer the most disruptive option. As with option 2, service users with care needs will also fall under the remit of an entirely new Council.</p> <p>Suggested levels of political representation will be higher than for both the single and two Unitary models, which could offer the strongest locality focus. However, the three Unitary split may not be as straightforward to communicate to the general public.</p>
Practicality	A	<p>Increased political representation under a three Unitary model could mean that restructuring the political landscape would be more straightforward. Notably, this will depend on how effectively new boundaries are drawn up.</p> <p>Many of non - financial benefits around work and knowledge sharing may reduce due to the creation of more Unitary Councils. Moreover, the shared delivery of services may need to be redesigned around new agreed Council boundaries - this is likely to become more complicated when there are more new Council structures to consider.</p>
Implementation	R	<p>Although the FTE reduction is lower for a three vs. one or two Unitary model, the same disaggregation implementation costs and issues apply as per the two Unitary option. Furthermore, disaggregating of County services is also likely to bring other additional work sharing and time pressures.</p> <p>It is also likely that these cost and implementation pressures may be higher to cover the requirement for roles, marketing, communications and branding across the three new Unitaries. However, there are examples of Councils who have split beyond two Unitaries, and lessons learnt from these Authorities indicate it is feasible.</p>

Option 3 proposes the creation of a further organisation within Oxfordshire and would see the creation of three Unitary Councils across the County. Unsurprisingly, Option 3 reduces the potential scope of savings due to the requirement to create three organisational structures.

The potential impact on services due to disruption is likely to mirror Option 2, as both options require the creation of new bureaucratic and managerial structures. Notably, this could also be exacerbated for Option 3, in the creation of three rather than two new organisations.

The practicality of this option is again similar to the two - Unitary model and would similarly require careful management. However, there is logical to Option 3 in geographical terms, and there is nothing to suggest that the new structures could not resonate with natural communities and/or communities of interest.

A shift to three new organisations will present greater relative challenges in terms of implementation given the logistical and administrative challenges that may need to be overcome. While a shift from a County to more than two Unitary Councils is not without precedent (Berkshire was divided into six Unitary Councils in the late 1990's), it is nonetheless far from commonplace and there is little in terms of practical experience which could be drawn on to support the process.

4.5. Summary

All the options assessed in this report offer the potential to deliver significant savings, which could help to improve service user's experiences, reduce bureaucracy and protect delivered services. Savings profiles vary considerably across options, with the formation of a single Unitary (Option 1) offering the largest potential financial benefit at up to £81.1m over a 5 year period and a stable annual recurring saving of up to £32.5m. This breaks down as follows:

- Up to £4.6m in chief officer savings;
- Up to £1.6m in having fewer Members and running fewer Elections;
- Up to £2.0m from reducing the use of accommodation;
- Up to £15.0m from corporate service rationalisation; and
- Up to £9.3m from service optimisation.

The relative assessment of each option is summarised in the table below:

Option	Savings	Impact	Practicality	Implementation	Payback period
One Unitary Councils	Up to £32.5m				1.5 years
Two Unitary Councils	Up to £15.0m				2.5 years
Three Unitary Councils	Up to £6.8m				4.0 years

5. Conclusions and next steps

5.1. Conclusion

Oxfordshire has made considerable progress over recent years in reducing the cost of services in the County and mitigating the impact of reduced funding for services from central government.

However, the analysis in this report shows that these financial pressures combined with increased costs associated with demographic and social changes over the coming decade means that even based on the of savings already made by the County; by 2017/18 the County could be facing a funding deficit of over £70m per year.

This report has explored three options for reorganising the function of local government in Oxfordshire as a response to this financial challenge in addition to protecting and enhancing the quality of frontline services across the County. A summary of conclusions is set out below:

5.1.1. Financial savings

All of the options for local government reorganisation in Oxfordshire have the potential to deliver significant financial savings, with Option 1 (single Unitary Council) having the potential to deliver the greatest level of financial savings with a potential cumulative 5 year saving of £81.1m and a stable annual recurrent saving of up to £32.5m. This saving breaks down as follows:

- Up to £4.6m in chief officer savings;
- Up to £1.6m in having fewer Members and running fewer Elections;
- Up to £2.0m from reducing the use of accommodation;
- Up to £15.0m from corporate service rationalisation; and
- Up to £9.3m from service optimisation.

The other two options all carry significant additional costs (effectively reducing overall benefits) through:

- The extra cost associated with two or three senior management teams
- The increased number of members required for two authorities, and their associated allowances also weakens the savings that could be achieved. This is based on the assumption that each Authority would have approximately 100 - 120 members and the special responsibilities allowances will be double across two organisations compared to one. There will also be an increase in associated election costs and democracy support;
- The accommodation required by two or three organisations based upon a proportional reduction in facilities costs based on FTE reduction.
- The consolidation of other corporate services (HR/Finance/ Legal/property etc.) into two or three organisations rather than a single organisation could reduce possible savings further.
- Any efficiency from frontline service area optimisation that could be achieved through creation of a single Unitary Council would also be likely to be diluted by a multi Unitary option.
- There could also be increased transitional costs related to training, communications, inductions and implementation for creation of two or three new organisations.

5.1.2. Impact on services

It is likely that the structural changes associated with each of the options will lead to some degree of impact on service delivery; we have therefore made an assessment of the likely impact of this against each option.

- The creation of a single County Unitary is likely to have the lowest relative impact on services given that a County wide structure already exists with the assumption that existing District services can be up scaled and subsumed into this structure
- The creation of two or three Unitary Councils is likely to have a greater impact given that both existing County and District services would have to be split down and amalgamated simultaneously and migrated into two or three wholly new organisations

5.1.3. Practicality

Each of the options will require local consultation, the creation of a detailed business case and primary legislation to proceed in the next parliament. In addition to this we have considered:

- A single County Unitary represents the most straightforward organisational platform though which all existing services could be delivered of all of the options.
- Two Unitary Councils would still be relatively straightforward, though there would be a need for service and democratic boundaries to be redrawn to some extent, which would need to be clearly communicated. This option would also require the two new Councils to replace all existing stationary, branding, road signs etc. This practicality issue is exacerbated further for Option 3 with three new authorities being created.

5.1.4. Implementation

Implementation in each case has been assessed in terms of the relative challenges and associated costs of change.

- A single County Unitary is likely to be the most straightforward to implement as there is minimal disruption to existing County services and consolidation of District services
- A two or three Unitary solution requires the separation of existing County services in addition to the consolidation of District services (for Option 3 only) into two newly created organisations

5.2. Next steps

While the coalition government has made it clear that there should be no consideration of further Unitary bids during the current parliament, the debate over local government reorganisation and especially two-tier areas has seen increasing interest in recent months. It is likely to be an important factor in the debate about local government in the forthcoming general election campaign.

Notwithstanding this, the lead in time for the last round of reorganisation was approximately two years from concept through to the new organisations being established. Therefore, the suggested next steps would be:

- Undertake consultation with stakeholders as required;
- Once a preferred option or has been identified, this strategic business case will need to be developed into a detailed business case which involves a much more granular assessment of the numbers, issues and context involved;
- From the detailed business case, develop service planning and transition arrangements for the new organisation(s); and
- Create an indicative overarching implementation plan, including timescales, key Senior Responsible Officers (SROs) and resourcing.

Appendix A - Estimating a Council size

A.1. Context

Councils, particularly in England, come in a variety of shapes and sizes. This is primarily as a result of the fact that since the 1972 Local Government Act, there has been no comprehensive attempt to reorganise local government in totality. Consequently, there is no fixed formula for calculating the size of the 'ideal' Council across the country. This is recognised by the Local Government Boundary Commission for England (LGBCE) which attempts to take into account local considerations when recommending Council size and composition.

However, there is a balance to be struck in proposing Council size, between the level of representation in a given area (expressed as a ratio of number of electors per Councillor) and the practicalities of Council size in terms of decision making and strategic planning. These variables are intrinsically linked; a greater number of Councillors will reduce the overall number of electors per Councillor but will inevitably increase the overall size of the Council and vice versa. The Boundary Commission will take a close interest in any proposal for Councils which put forward proposals of significantly more than 100, on the basis of the practicalities of decision-making, but will also seek to see a reasonable ratio of electors per Councillor - it would therefore seem prudent to explore options around this number.

In deciding the most appropriate size for Oxfordshire, we have taken into account a number of factors, which include:

- Ratio of electors to Councillors;
- The demographic and geographical profile of Oxfordshire;
- The specific nature and characteristics of Oxfordshire; and
- Outline guidance from the LGBCE.

A.1. Existing Council size across the County

As a baseline, the current composition of Councils across Oxfordshire is as follows:

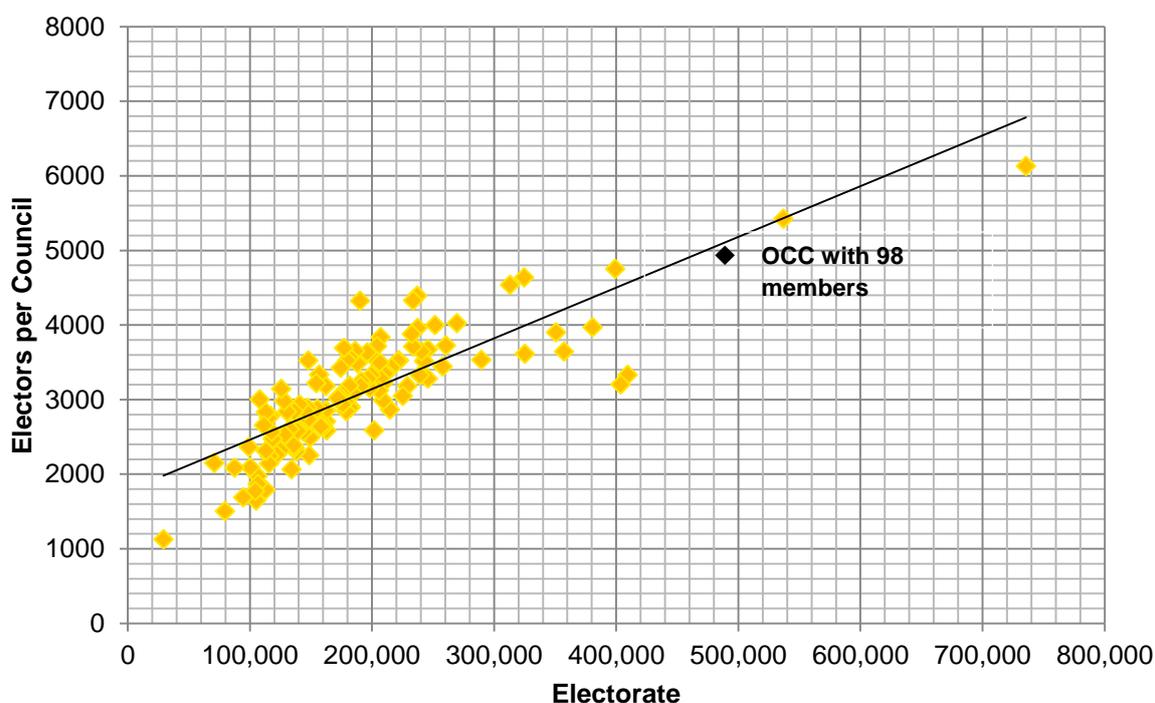
Council	Electorate	Council Size	Ratio of Electors per Councillor
Oxfordshire	502,253	63	7,972
Cherwell	109,418	50	2,188
Oxford City	111,823	48	2,330
South Oxfordshire	105,001	48	2,188
Vale of White Horse	95,442	51	1,871
West Oxfordshire	80,693	49	1,647

A.3. Specific factors

Ratio of Electors per Councillor

According to the LGBCE, the total electorate in Oxfordshire in 2014 is estimated to be 502,253. We have modelled each of the options, setting out the implications in terms of the ratio of Councillors per elected member. The scatter graph below plots out all upper tier Councils in England outside London based on electorate size and level of democratic representation, with a line of best fit having been included.

An indicative Council of 98 members has been plotted onto the diagram for illustrative purposes and demonstrates a close alignment with the line of best fit.



Geographical Considerations

The county of Oxfordshire covers a relatively large geographical area at 260,000 hectares, although that is still considerably smaller in geographical size than some of the other recently converted Unitary counties. In terms of representation, geographical size is a consideration in terms of potential future size, as access to constituents is an important consideration.

The table below sets out analysis of Council size and geographical area. An indicative new Oxfordshire County Council of 98 members has been inserted and would be just below the average of 2746 hectares per Councillor at 2658.

Authority	Area in hectares	Size of Council	Hectare per Councillor	Council Type
Northumberland	501,300	67	7482	Unitary County
Shropshire	319,731	74	4321	Unitary County
Herefordshire	217,973	58	3758	Unitary District
East Riding Of Yorkshire	240,763	67	3593	Unitary District
Wiltshire	325,535	98	3322	Unitary County
Cornwall	354,594	123	2883	Unitary County
Oxfordshire	260,492	98	2658	Unitary County
North Lincolnshire	84,631	43	1968	Unitary District
Durham	222,605	126	1767	Unitary County
Cheshire East	116,637	82	1422	Unitary District
Cheshire West & Chester	91,664	75	1222	Unitary District
Central Bedfordshire	71,567	59	1213	Unitary District
AVERAGE		73	2746	

A.4. Option 2 assumptions

Option 2 proposes the creation of a two Unitary structure for Oxfordshire. In order to accommodate the additional demands of additional service responsibilities for the new Councils (each would have a Children's and Adult's services department for example) we have assumed a 25% increase (on Option 1) in Councillors, which would create an overall county coverage of 123 elected members, though the ratio of this number per Council would depend on electorate and geographical size respectively.

Based on two Unitary Councils with electorates of 112,000(Council 'A') and 390,000 (Council 'B'), the electorate and geographical ratios are:

Council	Electorate	Overall proportion	Nominal Council size	Electors per Councillor	Geographical Size	Hectares per Councillor
A	112,000	22%	27	4148	4560	169
B	390,000	78%	96	3980	255,932	2666

A.5. Option 3 assumptions

On a similar basis to the assumptions set out above, we have modelled Option 3 as requiring a 50% increase in representation from Option 1 which would create an overall representation figure of 147 for the county and would be subject to the same electorate and geographical considerations in terms of division.

Based on three Unitary Councils with electorates of 112,000(Council 'A') and 390,000 (Council 'B'), the electorate and geographical ratios are:

Council	Electorate	Overall proportion	Nominal Council size	Electors per Councillor	Geographical Size	Hectares per Councillor
A	112,000	22%	32	3394	4560	143
B	200,000	40%	59	3333	125,615	2129
C	190,000	38%	56	3333	130,317	2327

A.6. Boundary Commission guidance

Guidance from LGBCE seeks to strike a balance between the ratio of representation to elector and the effective and efficient management of the Council. They specifically do not provide rigid guidelines on overall Council size:

"In our opinion, local government is as diverse as the communities it serves, providing services, leadership and representation tailored to the characteristics and needs of individual areas. Our aim, in an electoral review, is to recommend 17 electoral arrangements, including a Council size, which is right for the local authority in question."

Local Government Boundary Commission England Technical Guidance 2014

Therefore, the overall shape and size of local government in Oxfordshire should strike a careful balance between statistical proximity to the wider sector and local conditions, specifically, meeting local needs.

Appendix B – Service optimisation assumptions

B.1. Overview

This area of savings relates to reductions in the cost of delivering non-corporate services (i.e. those services not classified as corporate services for the purpose of this analysis). It breaks down as two key categories:

- Savings through duplication of roles across the District Councils (for the purpose of this analysis, it has been assumed that there is no duplication in service delivery roles but there is 30% duplication across middle management of those service delivery roles).
- Savings through optimising the way services are delivered. The efficiencies are based on taking a whole systems approach to service redesign without the artificial boundaries of two-tier government impeding innovation. Specifically, savings should be achievable through procurement scale and contract management, convergence of systems and processes, better use of assets and optimising processes through utilising regional best practice.

A 3 - 5% optimisation savings range has been assumed across non-corporate services after staffing costs have been extracted from the cost base. However, it should be noted that there is an assumption that across care and education (accounting for £485.5m of a total £696.5m net spend) optimisation savings cannot be made.

Set out below are some examples with evidence from other local authorities of the types of service optimisation savings that can be delivered through this process. More detailed analysis of service delivery across all Oxfordshire authorities to understand the specific opportunities service by service would be required to quantify how the 3 - 5% could breakdown across services.

B.2. Waste

It is assumed that a reduction could be achieved through, for example:

- | | |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Moving to a single waste collection service | <p>Better shift management, reduction in the number of vehicles, consolidation on to a single contract, unification of collection methods, reduction in team management but perhaps less opportunity across the team. Requirement to retain local knowledge.</p> <p>Evidence from other case studies indicates considerable savings can be achieved.</p> <ul style="list-style-type: none"> • Dorset Waste Partnership - £1.4m p.a. • Somerset Waste Partnership - £1.5m p.a. • East Sussex - £30m over 10 years • East Kent Waste - £30m over 10 years |
| ii. Reduction in the collection cost per head | <p>There is considerable variation in the cost of collection per head. Whilst some of this variance may be due to geography and local context, there is an assumption that the service could reach the benchmark unity cost per head.</p> |
| iii. Unification of pay | <p>Eliminating the variation in pay across the Districts which</p> |

will increase the retention of staff in teams.

- iv. **Greater market presence and commercial clout** Through joint procurement, savings could be achieved through standardisation of specifications, reduced number of procurements and leveraging a greater volume of spend.

B.3. Regulatory

It has been assumed that a saving against current budgets can be achieved through, for example, using a more efficient delivery model across Oxfordshire for the delivery of regulatory services, ensuring greater integration across historically two-tier functions.

- i. **Creation of a Single Building Control Service** There is an opportunity to create a single Building Control service. This would be the consolidation of multiple services into one.

There will be efficiencies through a reduction in senior management posts, in sharing facilities, integration of local teams, and scheduling of work.

- ii. **Integration of pest control and environmental health** Efficiencies can be achieved through the integration of pest control and environmental health, which are currently fragmented across the two-tier structure. This will enable the integration of roles, teams and functions.

B.4. Planning

It is assumed that a reduction against net budgets could be achieved through service optimisation as a result of creating a single planning Authority.

- i. **Creation of a Single Planning Authority** The efficiencies of a single planning Authority include the reduction in the number of local plans produced leading to efficiencies in the consultation process, and elimination of inefficiencies resulting from the 5 plans being unaligned.

Professionalisation of the planning service leading to attracting greater expertise and retention levels, leading to better quality decisions and fewer appeals. There will also be some efficiency in the planning policy process.

There will be efficiencies in closer and more co-ordinated working between the Highways Authority and the Planning Authority.

An ability to plan more strategically across the area and to direct resources where there is greatest need.

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| ii. Business Application Consolidation | A single planning Authority will facilitate the consolidation of planning case management systems, and building control. The support and maintenance of these systems can also be significant. |
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B.5. Local Taxation & Benefits

There is currently a significant variance in the unit cost and performance of this administrative and support function across the County.

It has been assumed that the unit cost of local taxation collection and benefits administration could be harmonised to at least maintain the current performance across Oxfordshire District Councils. If this performance improvement were achieved, significant savings could be realised.

Furthermore, the analysis does not include any savings associated with housing benefits due to the national implementation of the “Universal Credit” and welfare reform, led by DWP.

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| i. Creation of a Single Revenues & Benefits team | Achieving an efficiency level equating to current upper quartile performance, through integrating teams and distributing workloads to improve productivity |
| ii. Business Application Consolidation | Consolidation of the IT systems, resulting in reduced support and maintenance costs. This is taking account of a number of outsourced teams. |

B.6. Highways & Street Cleaning

It has been assumed that a saving could be made against current service expenditure for open spaces and street cleaning through service efficiencies. The opportunity areas include asset management (e.g., plant rationalisation and vehicles), procurement (consolidating contracts, rationalise suppliers), integration of contract management teams, combining roles such as parking with environmental enforcement, better shift management and scheduling.