



LOCAL PARTNERSHIPS

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HM TREASURY

POTENTIAL OPTIONS FOR THE RECONFIGURATION OF LOCAL AUTHORITIES IN DORSET

Summary Output

19 July 2016





1. ROLE OF LOCAL PARTNERSHIPS.

- Local Partnerships were asked by the nine Councils, via the LGA, to look at the financial implications, up to 2024/25, of:
 - A 'Single County Unitary'.
 - A 'Two Unitary' solution involving three different configurations.
 - A 'No Change' option.

The three different configurations considered for the 'Two Unitary' solution were;

- Poole, Bournemouth, Christchurch and East Dorset "Larger Conurbation (LC)" and a "Rural County Unitary" (RC)
- Poole, Bournemouth and Christchurch "Medium Conurbation (MC)" and a "Rural County Unitary" (RC)
- Poole and Bournemouth "Smaller Conurbation (SC)" and a "Rural County Unitary" (RC)

It was not in our remit to:

- Make the case/ advocate a particular option.
- Consider the viability and sustainability of the options.
- Submit a full Business Case.

Our approach has been focussed on understanding the savings and transition costs associated with reconfiguration, including the impact of harmonising Council Tax.

- We worked with each Authority's S151 officer to establish baseline data and have taken into account the experience of the last wave of Unitary Councils and recent "business cases".
- We are confident in the calculations made on the assumptions adopted and the information analysed. However, we are projecting nearly 10 years ahead, a period which presents significant uncertainty and the estimates must be assessed in that context.

2. NO CHANGE POSITION

The table below shows the annual projected financial position of each Dorset Council. The key point to note is that over the period 1st April 2017 to 31st March 2025, Councils will need to find savings totalling £82.2m to achieve a balanced position. Of this amount, £51.9m will need to be found before 2019/20, the assumed first year of any revised local government structure. The corollary of that being that any new structure will need to find an additional £30.4m in savings between incorporation in 2019/20 and the end of the analysis period 31 March 2025.

Council	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s
North Dorset	(1,239)	(321)	(619)	95	(643)	54	53	53
West Dorset	(1,556)	(1,061)	(1,013)	157	(361)	88	86	87
Weymouth & Portland	(1,665)	(949)	(1,079)	85	(309)	17	18	20
Purbeck	(480)	30	(50)	54	(629)	30	30	30
Christchurch	0	(1)	(76)	43	45	44	44	42
East Dorset	0	(1)	(670)	128	69	69	67	66
Poole	(3,460)	(5,882)	(2,172)	(957)	(2,029)	(92)	(82)	(71)
Bournemouth	(8,000)	(7,632)	(797)	(4,020)	(3,635)	(537)	(551)	(562)
Dorset	(11,152)	(8,550)	(9,930)	(1,464)	(935)	388	446	508
Total	(27,552)	(24,367)	(16,406)	(5,879)	(8,427)	62	112	173
<i>Cumulative Total post '18/19</i>		-	16,406 -	22,285 -	30,712 -	30,650 -	30,538 -	30,365
<i>Cumulative Total</i>	(27,552)	(51,919)	(68,325)	(74,204)	(82,631)	(82,569)	(82,457)	(82,284)

3. FINANCIAL IMPLICATIONS OF THE UNITARY OPTIONS

Savings

The assessment of savings achievable from reconfiguration has predominantly focussed upon the opportunity to rationalise roles across senior and mid-management and within corporate functions.

By agreement, our approach has been more limited for service areas, excluding Public Health; Adult Social Care; Children's Services; Education and Housing Services completely from our consideration.

The table below shows the full annual impact of savings (mid point value within a range of between +/-10%) that we estimate to be achievable from the areas we have assessed.

Area	SUC	Two Unitary LC			Two Unitary MC			Two Unitary SC		
	£m	RC	LC	£m	RC	MC	£m	RC	SC	£m
Staffing & Organisation	28.2	7.9	13.1	21.0	10.1	10.9	20.9	11.7	9.2	20.9
Democratic Representation	1.1	0.4	0.7	1.1	0.6	0.6	1.1	0.6	0.5	1.1
Property	0.5	0.2	0.2	0.4	0.2	0.2	0.4	0.2	0.1	0.4
ICT	0.6	0.2	0.3	0.5	0.2	0.2	0.5	0.3	0.2	0.5
<u>Service Line Savings</u>										
Planning	0.7	0.5	0.2	0.7	0.4	0.0	0.4	0.4	0.1	0.4
Cultural & Related Services	0.3	0.1	0.4	0.5	0.1	0.3	0.5	0.2	0.3	0.5
Environmental & Regulatory Services	2.8	0.8	1.0	1.9	1.6	0.9	2.5	1.4	0.9	2.2
Highways & Transport Services	0.8	0.0	0.8	0.8	0.0	0.8	0.8	0.0	0.8	0.8
Waste	0.9	0.2	0.3	0.5	0.2	0.2	0.5	0.3	0.2	0.5
External Audit	0.5	0.2	0.1	0.3	0.2	0.1	0.3	0.2	0.1	0.3
TOTAL	36.4	10.4	17.2	27.6	13.6	14.2	27.8	15.2	12.4	27.6

2016 price base

3. FINANCIAL IMPLICATIONS OF THE UNITARY OPTIONS

Transition Costs

There will be costs incurred in transitioning to a new structure, largely emanating from terminating employment, adapting property and ICT, and resourcing the programme costs involved in 'change' implementation. The table below sets out the total, one-off costs (mid-point within a range of between +/-10%) that we estimate will be incurred across the areas considered.

Area	SUC	Two Unitary LC			Two Unitary MC			Two Unitary SC		
	£m	RC	LC	£m	RC	MC	£m	RC	SC	£m
Redundancy	7.0	2.2	3.6	5.8	2.9	2.9	5.8	3.4	2.3	5.8
Relocation	2.7	1.1	0.4	1.6	1.2	0.5	1.7	1.5	0.3	1.8
Retirement	1.4	0.4	0.6	1.1	0.6	0.5	1.1	0.6	0.5	1.1
HR	1.6	0.5	0.9	1.4	0.7	0.7	1.4	0.7	0.7	1.4
Property	2.2	1.1	1.8	2.9	1.5	1.4	2.9	1.7	1.2	2.9
Transitional Resources	1.9	0.9	1.3	2.2	1.3	1.1	2.4	1.1	1.1	2.2
ICT	1.8	0.7	1.0	1.7	1.0	0.7	1.7	0.9	0.8	1.7
Public Consultation	0.4	0.2	0.3	0.4	0.2	0.2	0.4	0.2	0.2	0.4
Shadow Council	2.2	1.4	2.0	3.4	1.8	1.7	3.5	1.7	1.7	3.4
Induction	0.6	0.2	0.4	0.6	0.3	0.3	0.6	0.3	0.3	0.6
Closedown	0.3	0.1	0.2	0.3	0.1	0.1	0.3	0.1	0.1	0.3
Service Reconfiguration	1.0	0.4	0.6	1.0	0.5	0.5	1.0	0.6	0.4	1.0
Contingency	2.1	0.8	1.3	2.1	1.0	1.1	2.1	1.2	1.0	2.1
TOTAL	25.4	10.1	14.4	24.5	13.2	11.8	24.9	14.1	10.6	24.8

Cash terms

We have not assumed any capital receipts from downsizing the property estate but our initial assessment is that receipts of between £17m-£25m could potentially be achievable.

3. FINANCIAL IMPLICATIONS OF THE UNITARY OPTIONS

Council Tax Harmonisation

There will also be financial implications arising from the need to harmonise the Council Tax rates paid by residents across Dorset. These currently vary as follows;

	Bournemouth	Christchurch	East Dorset	North Dorset	Poole	Purbeck	West Dorset	Weymouth & Portland
2016/17 rate (£)	1,293	1,454	1,471	1,381	1,258	1,441	1,399	1,553
Est Town Council precept		(150)						(150)
	1,293	1,304	1,471	1,381	1,258	1,441	1,399	1,403

The advice from DCLG is that council tax harmonisation would have to be resolved locally and within the referendum criteria. Current regulations allow harmonisation to take place over a number of years and therefore, given that the impact is reduced by lengthening the harmonisation period, the projections have assumed a 20 year harmonisation period. The table below shows the cumulative loss of income from Council Tax up to the end of the assessment period in 2024/25 for each of the options. The lowest overall loss of income is achieved via the MC option, £6.5m over the six years from 2019/20 to 2024/25.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000s							
Single Unitary								
Council Tax foregone	0	0	(1,385)	(4,246)	(8,677)	(14,783)	(22,671)	(32,459)
Two Unitary LC								
Council Tax foregone	0	0	(596)	(1,813)	(3,675)	(6,210)	(9,450)	(13,425)
Two Unitary MC								
Council Tax foregone	0	0	(310)	(931)	(1,864)	(3,112)	(4,679)	(6,568)
Two Unitary SC								
Council Tax foregone	0	0	(860)	(2,626)	(5,351)	(9,088)	(13,897)	(19,840)

3. FINANCIAL IMPLICATIONS OF THE UNITARY OPTIONS

The table below shows the annual impact of Council Tax harmonisation on the level of income collected across Dorset during the period 2017-25, split out for the unitary options. It also shows the projected annual loss in year 20, when harmonisation is achieved, and the total loss over the 20 year harmonisation period.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2038/39	Est. Total Income foregone over 20yr period £m
	£'000s									
Current	0	0	0	0	0	0	0	0	0	0
Single Unitary	0	0	1,385	2,860	4,432	6,105	7,888	9,788	54,322	458
Two Unitary - LC	0	0	596	1,216	1,862	2,536	3,239	3,975	19,891	174
RC	0	0	23	30	21	(5)	(48)	(111)	(3,350)	(20)
LC	0	0	573	1,186	1,841	2,540	3,288	4,086	23,241	194
Two Unitary - MC	0	0	310	621	933	1,248	1,567	1,889	7,911	74
RC	0	0	66	118	156	178	185	176	(1,358)	(5)
MC	0	0	244	503	778	1,070	1,381	1,712	9,269	79
Two Unitary - SC	0	0	860	1,767	2,725	3,737	4,809	5,944	32,006	272
RC	0	0	735	1,506	2,316	3,169	4,067	5,013	26,311	226
SC	0	0	125	261	408	569	742	930	5,695	46

4. OVERALL SUMMARY

The table below brings together the impact of the inherited budget gap in 2019/20 (the gap is slightly lower under the restructure options as a result of accounting for the income and expenditure attributable to the Town Councils); savings achievable through reconfiguration (net of transition costs); and loss of Council Tax income. It shows that, for all options, the loss of Council Tax income is more than offset by savings achievable such that the inherited budget gap is addressed and headroom for growth expenditure is created of between £33-54m. The greatest headroom is achieved by the Single Unitary option with the scale of savings countering the fact that it delivers the biggest loss of Council Tax income. In terms of the 'Two Unitary' models, the level of savings are broadly similar across all three which means the MC option emerges as the most financially advantageous as a result of it experiencing the lowest loss of Council Tax income.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000s							
Current	0	0	(16,406)	(22,285)	(30,712)	(30,650)	(30,538)	(30,365)
Single Unitary								
Gap	0	0	(16,020)	(21,858)	(30,176)	(30,003)	(29,780)	(29,495)
Savings & Transition Costs	(204)	(10,783)	(6,736)	13,394	38,540	63,989	89,745	115,811
Council Tax foregone	0	0	(1,385)	(4,246)	(8,677)	(14,783)	(22,671)	(32,459)
Total	(204)	(10,783)	(24,142)	(12,710)	(313)	19,203	37,293	53,857
Two Unitary - LC								
Gap	0	0	(16,020)	(21,858)	(30,176)	(30,003)	(29,780)	(29,495)
Savings & Transition Costs	(204)	(11,036)	(9,731)	4,893	23,956	43,249	62,775	82,538
Council Tax foregone	0	0	(596)	(1,813)	(3,675)	(6,210)	(9,450)	(13,425)
Total	(204)	(11,036)	(26,347)	(18,777)	(9,894)	7,036	23,545	39,618
Two Unitary - MC								
Gap	0	0	(16,020)	(21,858)	(30,176)	(30,003)	(29,780)	(29,495)
Savings & Transition Costs	(204)	(11,242)	(10,145)	4,509	23,721	43,166	62,848	82,769
Council Tax foregone	0	0	(310)	(931)	(1,864)	(3,112)	(4,679)	(6,568)
Total	(204)	(11,242)	(26,475)	(18,279)	(8,319)	10,050	28,388	46,707
Two Unitary - SC								
Gap	0	0	(16,020)	(21,858)	(30,176)	(30,003)	(29,780)	(29,495)
Savings & Transition Costs	(204)	(11,036)	(9,899)	4,561	23,599	42,867	62,368	82,105
Council Tax foregone	0	0	(860)	(2,626)	(5,351)	(9,088)	(13,897)	(19,840)
Total	(204)	(11,036)	(26,779)	(19,923)	(11,927)	3,776	18,691	32,770

4. OVERALL SUMMARY

This table is in the same format as the previous table but shows how the inherited budget gap; savings (net of transition costs); and lost council tax income translate for each unitary authority under the three 'Two Unitary' options.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000s							
Two Unitary LC								
RC								
Gap	0	0	(14,940)	(22,037)	(31,753)	(38,763)	(46,082)	(53,710)
Savings & Transition Costs	(76)	(4,391)	(4,252)	981	8,187	15,480	22,862	30,334
Council Tax foregone	0	0	(23)	(53)	(74)	(70)	(21)	89
Sub-Total	(76)	(4,391)	(19,214)	(21,110)	(23,640)	(23,353)	(23,241)	(23,287)
LC								
Gap	0	0	(1,081)	179	1,577	8,760	16,302	24,215
Savings & Transition Costs	(128)	(6,645)	(5,479)	3,912	15,770	27,769	39,913	52,204
Council Tax foregone	0	0	(573)	(1,759)	(3,600)	(6,141)	(9,428)	(13,514)
Sub-Total	(128)	(6,645)	(7,133)	2,332	13,746	30,389	46,786	62,905
Total	(204)	(11,036)	(26,347)	(18,777)	(9,894)	7,036	23,545	39,618
Two Unitary MC								
RC								
Gap	0	0	(15,408)	(19,888)	(26,496)	(29,937)	(33,481)	(37,118)
Savings & Transition Costs	(100)	(5,852)	(5,792)	1,131	10,530	20,045	29,676	39,426
Council Tax foregone	0	0	(66)	(184)	(340)	(518)	(703)	(880)
Sub-Total	(100)	(5,852)	(21,266)	(18,941)	(16,306)	(10,411)	(4,508)	1,428
MC								
Gap	0	0	(613)	(1,970)	(3,679)	(66)	3,700	7,623
Savings & Transition Costs	(104)	(5,390)	(4,353)	3,378	13,190	23,121	33,172	43,343
Council Tax foregone	0	0	(244)	(746)	(1,524)	(2,594)	(3,976)	(5,688)
Sub-Total	(104)	(5,390)	(5,209)	662	7,987	20,461	32,896	45,279
Total	(204)	(11,242)	(26,475)	(18,279)	(8,319)	10,050	28,388	46,707
Two Unitary SC								
RC								
Gap	0	0	(13,051)	(13,915)	(16,569)	(15,767)	(14,912)	(13,993)
Savings & Transition Costs	(113)	(5,951)	(5,542)	2,168	12,662	23,281	34,028	44,903
Council Tax foregone	0	0	(735)	(2,241)	(4,557)	(7,726)	(11,792)	(16,805)
Sub-Total	(113)	(5,951)	(19,328)	(13,988)	(8,464)	(212)	7,324	14,105
SC								
Gap	0	0	(2,969)	(7,943)	(13,607)	(14,236)	(14,868)	(15,502)
Savings & Transition Costs	(91)	(5,085)	(4,357)	2,393	10,937	19,586	28,340	37,203
Council Tax foregone	0	0	(125)	(385)	(794)	(1,362)	(2,105)	(3,035)
Sub-Total	(91)	(5,085)	(7,450)	(5,935)	(3,464)	3,988	11,367	18,666
Total	(204)	(11,036)	(26,779)	(19,923)	(11,927)	3,776	18,691	32,770