

# Non-structural reform in English two tier local government

A model for change

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# Acknowledgements

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# 1. Executive summary

## 1.1 A coalescence of challenges

Pressures on local authority budgets are an ever present factor in the public sector. Settlements are always tight. However, after nearly a decade of austerity, local government in England is at a point where it faces a fundamental challenge. Finance is the headline issue. However, demand pressures (particularly those associated with an ageing population and increasing complexity of social care cases), economic uncertainty, the requirement to build more and more houses, an investment requirement for digital as well as ongoing policy and practice changes, are all placing additional burdens on a system that is already under considerable stress.

Some commentators have suggested this situation is being further exacerbated in two tier areas, where the division of responsibility across county and district councils has, inevitably, added a level of complication to how local government has been able to respond.

To date, the response of individual authorities, as well as partnerships of councils, has been remarkably consistent across the country. With the current level of uncertainty and pressure looking as though it will persist for some time to come, councils in two tier areas are faced with four broad options:

### 1. *Address the challenges through a focus on internal transformation*

For a county council this would mean pursuing further savings and addressing challenges with a focus on changes to its own way of working, and county council led partnerships, without actively looking to explore new areas of joint working with the district councils in its area. There is a logic for this: with such a high amount of spend in social care and children's services, the natural partners for a county council are in health, large local voluntary sector providers, and the police. However, such an approach does risk missing the chance to build service synergies across county and district services that can reduce cost, promote better strategic alignment or give a greater focus on prevention.

### 2. *Collaborate as at present*

Collaboration and the sharing of some functions is already prevalent within the country's two tier areas, including shared support service arrangements at varying scales; a county and its districts working together on growth or joint bids for business rate piloting. However, the pattern of collaboration is highly variable, both from county area to county area, and within an individual county. The variation within a county reflects the difficulty experienced in some county areas of agreeing a common approach among all the districts and the patchwork of current collaboration risks failing to provide a scale and ability to share risk in a way that encourages innovation.

### 3. *Pursue reorganisation*

The establishment of unitary local government has proven to deliver economies of scale and strategy. However, this can be a difficult option to pursue as reorganisation discussions frequently create friction between a county council and the districts within its area, as well as between districts and districts. Reorganisation can be a disruptive option. Areas contemplating

reorganisation will need to consider whether they have the appetite and capacity to pursue this level of change

#### 4. *Strategic collaboration (implementing a model of non-structural reform)*

This would be a response involving adoption of a more systematic and strategic approach to collaboration between county and district councils, with the consideration of the impact on place and people at its core. By recognising the shared responsibility that county and district councils have for the residents of the areas they serve, this form of collaboration would aim to build a delivery system that meets the challenges of each area, improve service resilience and secure better outcomes. The major prize here is also to lay foundations for wider public sector reform. Building blocks would include a strong cross county and district culture of pooling skills, coordination of demand reduction initiatives, community focus and data sharing.

### **1.2 A model for non-structural reform in two tier areas**

It is the concept of a reformed two tier model of local government which is the main focus of this report. The approach is to present a framework for considering areas of deeper collaboration that meet some simple principles. It is not anticipated that this will be viewed as an all or nothing model for full adoption. It is intended as a loose framework that county and district councils are invited to use to stimulate further discussion within their localities.

The report does not aim to present this as, necessarily, an alternative model to structural reorganisation. Carried out effectively, reorganisation can deliver significant savings and be used as a catalyst for transformation.

The central principles are:

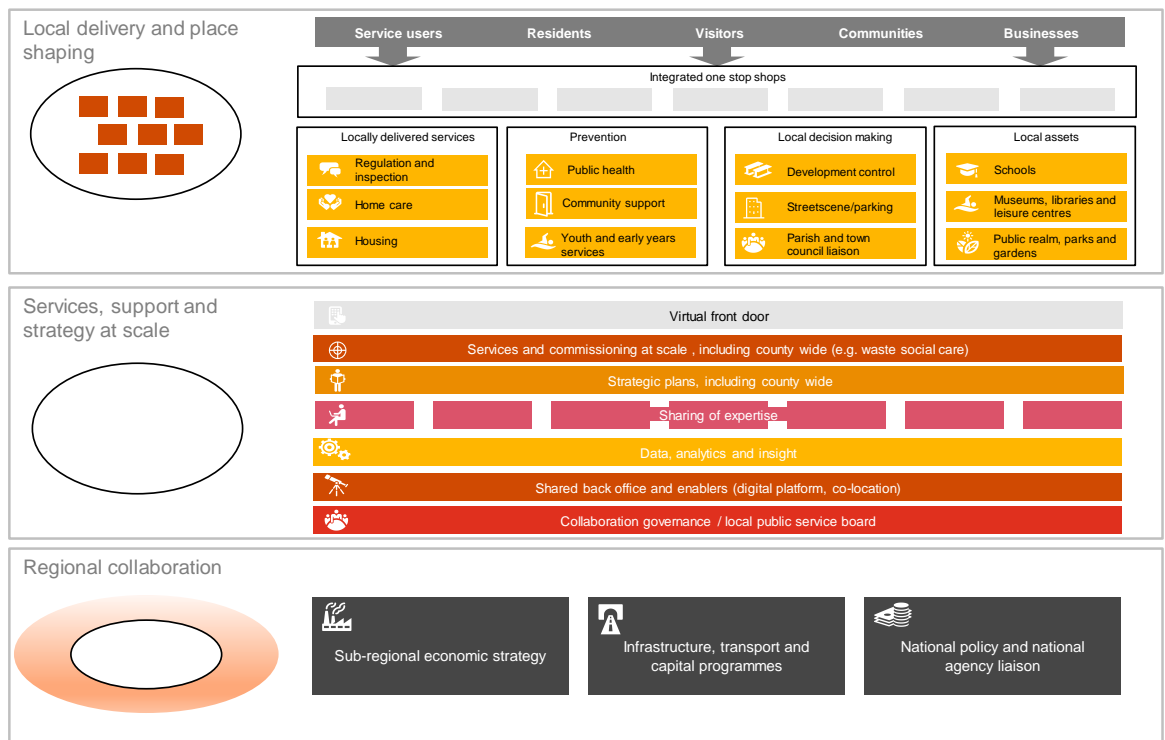
- The model would not require changes to the structure of local government, nor to the administrative relationship between county and district councils – participating councils would retain their sovereignty and wherever possible collaborative service activity would take place within the existing administrative geography of the county.
- The model recognises that the county and districts in each two tier area share the same customers, all of whom would benefit from the introduction of a more seamless experience in their interactions with the local councils.
- There would be joint arrangements for operations that span county and district responsibilities, making the best collective use of resources, including people, buildings and budgets.
- There would be an expectation of establishing common and integrated strategies and plans.
- In each instance, arrangements would need to be agreed by a “coalition of the willing”. The range of areas identified for collaboration may be limited or extensive. However, achieving material benefit will require collaboration to take place at a county scale, involving as many of the authorities in a county area as possible – to some extent, the greater the number, the greater the potential benefits that can be achieved. This is also important for controlling the costs that arise from a county council needing to have different arrangements with different district councils.
- The model would develop over time. While it would be important to start with a vision of the final destination, retaining the flexibility to alter course, change pace, and embrace more or fewer services than might be envisaged at the outset would be critical.

- The model would enable strategic objectives to be agreed and coordinated on a county wide basis, while ensuring that service delivery (and any associated decision making) occurs at the most appropriate level.

Taken together, these principles imply a need to identify potential collaborations at three geographic levels: local, strategic and wider regional or sub-regional. At its heart, it would entail a reimagining of responsibilities and influence across these scales, in a way that reduces duplication and fragmentation of effort, improves efficiency, but protects the sovereignty of individual councils.

The diagram below illustrates the basic concept:

**Figure 1: collaborative operating model for two tier local government**



This model is presented as a framework to guide consideration of the scope and implications of enhanced collaboration in two tier areas. There is no systematic list of functions and activities that would be affected by it.

However, by adopting some of the working methods described above, there is the potential to achieve a number of outcome benefits. These include:

- A simpler and more coherent experience for service users. From initial contact through to the way services are delivered, greater collaboration should reduce the frustration that service users experience where they have to deal with two organisations.
- A more functional county-wide scale for addressing the most urgent challenges. This is particularly relevant in relation to the challenge of meeting housing targets and should encourage an approach that is guided by working across functional economic geography within and beyond a county area, and integrates environmental and infrastructure factors in a way that is inhibited by district boundaries.

- Improved prioritisation of services, particularly in the face of ongoing pressure to make savings. Collaborative initiatives in local service delivery and place-shaping would provide leaders with greater understanding of how the full range of local government “levers” impact on places and people, making for more informed difficult choices.
- A stronger local government voice in two tier areas, helping them to compete with combined authorities and large unitary authorities through local industrial strategies, and more generally in attracting external funding and investment. Demonstrating a strong voice, with functioning accountability back to sovereign authorities, will also be important in making the case for devolution of responsibilities to local government in two tier areas.
- A platform for wider local public service reform. Establishing more joined up cross tier local government services is not just better for service users, it is better for partners too. Overall, collaboration may be an important step in enabling a dialogue about wider local public service reform with a focus on the impact of all public spending in communities and creating the potential for more system integration.

Each of these qualitative benefit areas will have more impact if all or the majority of the district councils in the county area are involved. Any need for a variety of arrangements between a county council and different districts risks diluting economies of scale and the strength of a single voice.

### 1.3 Financial benefits

In addition to the potential non-financial benefits which could be achieved through enhanced collaboration in two tier areas, there would also be numerous opportunities to deliver cost savings and efficiencies.

To complete the analysis, four different types of benefit were considered

- Operational efficiency. The analysis is based on an assumption that collaboration would allow capacity to be released in the form of a reduction in the overall number of full time equivalent (FTE) employees required across the county and district councils engaged in such an initiative.
- Third party spending. Collaboration should also enable participating councils to derive significant savings from their spend with the suppliers of some goods and services, through the consolidation of contracts, as well as by adopting a more powerful, joint, negotiating position.
- Senior management consolidation. Enhanced collaboration arrangements in two tier areas could offer additional opportunities to consolidate or share management posts.
- Premises rationalisation. Greater collaboration would provide opportunities to share premises, not least as a result of the overall reduction in employees.

Operational efficiency and third party benefits have been assessed in relation to a set of nine potential collaborative service initiatives, including in waste collection and disposal, licensing and regulatory services, further sharing in back office and administration and crime and safety.

To understand the potential financial benefits, the profile of savings and costs has been calculated at a national scale across the 24 two tier areas within the scope<sup>1</sup>. Separately, to provide different sizes of two-tier areas with an indicative level of individual county savings we have also broken down the savings profile according to a small, medium and large county

<sup>1</sup> The analysis excluded Dorset, Buckinghamshire & Northamptonshire areas who are moving towards unitary structures.

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geography. Finally, we have created an estimated apportionment of the benefits between the county and district council tiers.

Taken together, and for the midpoint of the potential cost-benefit range, implementing the model of collaborative working described in this report across the 24 two tier areas in England has the potential to achieve a cumulative net saving of £508 million over a five year period. The aggregate payback period would be three years and six months.

The table below summarises the potential savings and benefit.

**Figure 2: summary of savings and costs**

Saving/cost type	Saving/cost (£m)	
	Low	High
Cumulative national five year net saving	228	762
Total national one off costs	369	691
Recurring national annual savings	204	497
Payback period	3 years, 10 months	3 years, 5 months
Recurring annual savings for different sizes of county area:		
Small (600,000 population)	6.4	15.5
Medium (800,000 population)	8.5	20.7
Large (1,200,000 population)	12.7	31.1
Recurring annual saving for a medium sized county council	3.0	7.3
Recurring annual saving for a medium sized district council	0.7	1.8

The level of cumulative net saving over a five year period is about five times less than that reported for a move to unitary local government in the 2016 study undertaken for CCN<sup>2</sup>. This is driven by a combination of higher costs envisaged for the transformation programme approach assumed in this report for non-structural reform (1.6 times higher) and partly by lower annual savings (half the size). Further influences will be that the 2016 research was based on 27 county areas (compared with 24 for this report) and the level of overall saving achieved in the time since the research for the earlier report was completed.

Overall, it is estimated that annual recurring savings will be fully realised after four years. “Annual recurring saving” refers to the reduction in spend that will be achieved through the initiative once it has been fully realised. This saving will recur on an annual basis as the overall spending requirement will have been lowered. The breakdown by benefit area of the annual recurring benefits is shown in the table below. Note that in all tables, some totals may not sum exactly due to rounding:

<sup>2</sup> *Independent Analysis of Governance Scenarios and Public Service Reform in County Areas*, EY, 2016



**Figure 3: summary of annual recurring savings range**

Benefit area	Annual recurring saving (£m)	
	Low	High
Operational efficiency <sup>3</sup>	111.4	211.2
Third party	72.9	218.6
Senior management	5.6	27.9
Premises	13.9	39.6
<b>Total</b>	<b>203.7</b>	<b>497.3</b>

These numbers assume that for operational efficiency and third party spend, all the nine initiatives are taken up, and also assume that all districts in a county involve themselves in greater collaboration.

Based on the split of baseline spending that is county or district, it is possible to break these savings down into amounts that would be realised by county councils and those that would be realised by district councils. The total split is as shown in the table below:

**Figure 4: county – district breakdown of annual recurring savings**

County %	District %	County Savings (£m)	District Savings (£m)	High County Savings (£m)	High District Savings (£m)
35	65	71.1	132.7	174.2	323.1

## 1.4 Costs

There will be significant one off costs in taking forward non-structural reform as it will require a structured programme approach. The main components of cost have been estimated – in most

<sup>3</sup> The baseline used has been adjusted to exclude large county council run services, such as social care and highways, where collaboration is unlikely to lead to direct short to medium term operational efficiency or third party spend savings. Note, however, that this should not be taken to imply that there is no qualitative benefit in improving linkages between county and district operations in these areas where they connect.

areas, based on analogous experience of transformation programmes. The estimates are shown in the ranges in the table below:

**Figure 5: cumulative one-off implementation costs**

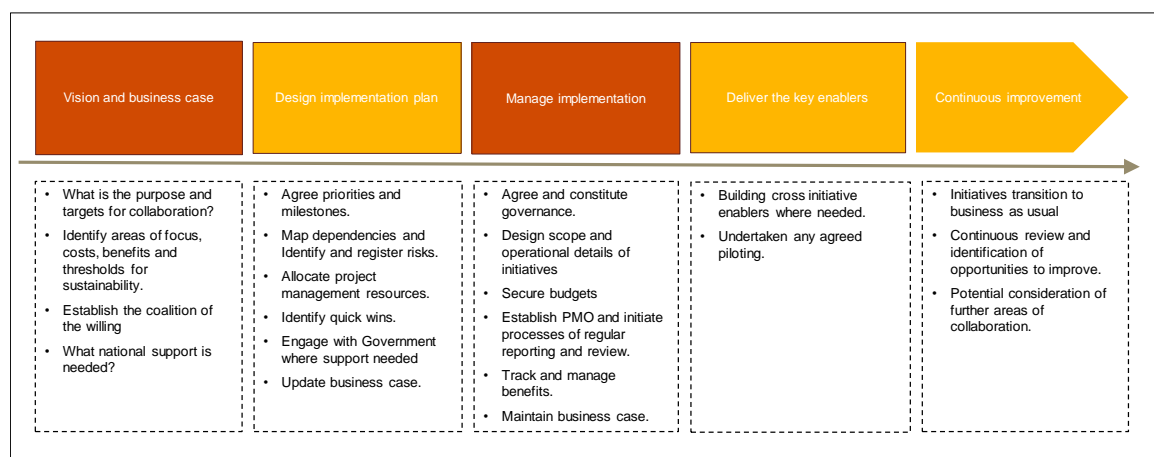
Cost category	Comment	Estimated costs (£m)	
		Low	High
Redundancy costs - senior managers	Exit costs for senior management savings.	3.1	15.5
Redundancy costs - non-senior managers	Exit costs for non-senior management savings.	73.1	138.5
Transition costs	Backfill of council staff that are seconded to a change programme to deliver elements of transformation.	2.4	7.2
Service transformation and programme management	Dedicated implementation team support, which may include external support.	120.0	216.0
Third party spend programme	The cost of re-commissioning, re-negotiating and rationalising delivery partners to achieve third party spend benefits.	24.0	48.0
Technology transformation	Additional IT implementation team support, over and above council secondees.	96.0	168.0
Training	Training for staff members with new or changed roles.	2.4	7.2
Contingency	15% added for contingency.	48.1	90.1
<b>Total</b>	-	<b>369.1</b>	<b>690.5</b>

## 1.6 Implementation

A central message of this report is that reform should follow a more programmatic approach than the somewhat opportunistic nature of the joint working arrangements that have been developed in many areas. To deliver transformation will require commitment from the participating councils to put resource into a structured programme, supported by a business case and dedicated resources and governance, including a suitable mechanism to share funding and benefits.

The core blocks of a roadmap would be as shown below:

**Figure 6: roadmap for two tier collaboration implementation**



## 1.7 Support needed from the Government

When using publicly available data to provide a national picture, analysis of this nature necessarily relies on a series of assumptions. While there would be significant one off costs, this analysis suggests that there is a material annual recurring saving as a prize for pursuing this model of collaborative working.

There are important messages here for the Government. There is potential for two tier areas to make further savings through better collaborative working between the tiers. However, this will need time, implementation effort and support. This should not be seen as a reason to squeeze local funding further, not least because some of the benefits will be qualitative in the short term, rather than financial.

Equally, while this report focuses on the compelling case for developing an enhanced model of collaboration in two tier areas, it is acknowledged that achieving this will not be without its difficulties.

First, in many areas, councils are rightly concerned about the divisive nature of previous debates about the potential for local government reorganisation. It is possible that a renewed focus on collaboration may be misinterpreted as a move towards structural reform. Secondly, previous attempts at non-structural reform initiatives – such as the 2000s Pathfinder – notably failed due to a lack of buy-in from partners and a structured Government framework to ensure activity took place at the necessary scale and pace.

In this context, clear Government guidance about the importance of enhanced two tier working, the provision of incentives, and also consideration of a national policy and/or legislative framework could help to ensure that conversations on non-structural reform are managed in a mature and constructive manner. This may also require providing reassurance to districts that there is no existing policy landscape in which engaging in two tier collaboration will be seen by the Government as a move towards unitary structures.

Two tier areas in fact would benefit from support from the Government to take this model forward.

This could involve:

- Consideration of the development of a coherent cross-departmental policy framework outlining Government expectations for non-structural service collaboration linked to on-going reform agendas, such as the Government’s waste strategy, planning reforms and independent review of disabled facilities grant.

- A review of legislative barriers preventing or inhibiting non-structural reform, including the balance of statutory powers between county and district tiers.
- Identification of a range of incentives for non-structural reform, including:
  - Identifying how inter-tier collaboration can be designated as a criterion for the devolution of powers to councils in two tier areas in the forthcoming devolution framework.
  - Establishing a framework, on a pilot basis, for Government to match local funding for a non-structural reform programme. This will help to address authorities' concerns about the longer payback period than may expected from structural change.
  - Working with LEPs to indicate how they can incentivise working that produces a single, but representative voice in county area economic planning.

## 1.8 A way forward for councils

Local government in England is at something of a crossroads. After nearly a decade of reductions in public spending, not to mention the numerous other challenges and opportunities associated with demand, the potential of emerging technologies and considerable political and economic uncertainty, the pressure on local councils is beginning to take its toll.

There remain a number of options local government could take to address this situation. This report shows that county and district councils in these areas do have a choice.

In two tier areas, there has been a focus on the potential for local government reorganisation to deliver improved outcomes and efficiency for residents and communities. For those areas wishing to pursue reform it can undoubtedly deliver significant benefits. However, in other areas discussions have been divisive and disruptive to local relationships. This has not been helped by a lack of clear direction by central government.

For those areas that do not wish to pursue reorganisation, there is a need for another option, but it must seek similar levels of transformative change and not be inhibited by the limitations of previous reforms.

In some instances, the potential for delivering savings through internal transformation may result in some councils opting to try and address their challenges alone. In others, counties and districts will build, incrementally, on the joint working arrangements they have developed in the past.

The analysis in this report shows that the level of financial return from greater collaboration is lower for county councils than for districts. However, counties stand to gain through the range of qualitative benefits described. For both financial and outcome benefits, it is those authorities that choose to pursue joint working on a more strategic basis and at scale that will be more likely to deliver the level of return that will ensure their long term sustainability.

## 2. Introduction

*Local authorities are facing a coalescence of unprecedented challenges, including deepening financial pressure, rapidly rising demand for key services, challenging targets to release land for new housing, and the ongoing uncertainty relating to Brexit. Although ongoing change in local government has, in many respects, become the “new normal”, the current scale of the challenges suggests a fundamental assessment of how councils work is required, in order to ensure the local government family is able to maximise the resources it has available to support its communities. This report focuses on a proposed model for joint working in two tier areas which could help to achieve this goal. By recognising the reality of 21st century connections between county and district responsibilities, and between neighbouring districts, there is the potential to deliver a radical transformation in two tier areas that will improve service delivery, help to secure better outcomes and ensure greater value for money for residents and businesses.*

### 2.1 Local government challenges

The spur for this report is the deepening set of challenges faced by local government. Few could have predicted the extent or duration of the pressures local government has faced over the past decade. The response to the demands placed upon the sector has seen many councils change beyond recognition. While the ways of working that many have now adopted have almost become the new normal, the combination of pressures facing local government is likely to continue for some time to come. This report focuses on the impact in two tier areas, and presents a potential model for county areas to consider as they continue to develop their responses to increasing pressures.

#### *Finance and demand*

The headline issue is finance. After eight years of austerity in central funding, there are increasing reports of upper tier councils who either cannot balance, or are at significant risk of being unable to balance their budgets. Northamptonshire County Council’s two notices issued under section 114 of the Local Government Finance Act 1988 has been the highest profile case, but recent press reports suggest there are several other authorities that will need to make in year savings, reduce their service offer, or are making extensive use of reserves to meet immediate revenue pressures.

Such pressures reflect growth in demand for local government services in face of an ageing population and the rising costs and increasing complexity of cases in adult and children’s social care.

District councils are also feeling the impact of the extended period of austerity. This has been a driver of numerous examples of joint working between districts to share management teams and back office services. However, with their responsibilities for the large people based services, it is the upper tier of local government that is currently most severely affected by the combination of financial and demand factors. Even those that have been most successful in making savings over the last ten years still need to make further reduction, or increase revenues every year.

Recognising this, the County Councils Network has recently commissioned research to project the future shape of local government financing to 2024/25, as a platform for considering the range of responses available to address the deepening problems. This has projected an overall requirement for county council spending to rise by 34% from the baseline year of 2015/16 to 2024/25 and district spending requirement by 24%. The largest projected increases for county

councils are of 48% for children's social care and 43% for adult social care, in response to specific volume drivers in those services<sup>4</sup>.

### *Infrastructure and housing*

Government policy is clear on the need for a significant acceleration in the number and rate at which new homes are built<sup>5</sup> and about the links this makes to the planning system<sup>6</sup>. The need to facilitate the building of a large number of new homes each year creates a major pressure on local authorities to navigate the links between housing need and demand, planning, and wider infrastructure. Availability of land does not respect local authority boundaries and, in two tier areas, the challenge is complicated by the split of responsibilities for planning and infrastructure between district and county councils. A considerable challenge remains in terms of working to ensure the right homes are built in the right places with high quality supporting infrastructure, whether that means road network, schools, health care or access to adult social care. The first challenge is the policy one of co-ordinating planning decisions so that in a housing market area, which may cover several districts, a strategic view is taken of how groups of developments would work together. The second is about funding for infrastructure where county councils report that inconsistent implementation of Community Infrastructure Levy (CIL) by district councils is inhibiting a strategic approach to maximising developer contributions.

### *Workforce skills*

Ways of working in local government have changed significantly over the last twenty years. As the requirement for joint working becomes sharper, in particular in the health and social care area, but also in relation to community safety and economic strategy, senior members and officers will need to work as system leaders, influencing policy and budgets well beyond those for which they have direct responsibility. This is a major challenge when one considers the fact that local government's traditional base of skills is rooted in service professions such as social care, planning and housing. This trend has been complicated further by the erosion of corporate and policy capacity which has accompanied austerity.

### *Digital advances*

Widespread adoption of online services has already transformed much of local government. There is potential to go much further, by establishing flexible digital platforms that can bring a single view of services to residents, sense and respond to their needs automatically and be a catalyst for community action. However, the march of digital technology has been incredibly fast and many authorities have found it difficult to identify the right investments and the right moment to invest.

### *Economic uncertainty*

The combined impacts of the threats to lower skilled employment from automation, the uncertainty caused by the UK's planned exit from the European Union (EU) and a shortage of skills in key employment sectors are major issues in terms of local government's responsibilities for economic development<sup>7</sup>. As local authorities anticipate the flexibility to use more of the locally levied business rates, so they will experience greater competitive pressure to attract employment and investment to their areas.

### *Wider impacts of Brexit*

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<sup>4</sup> *Independent review of local government funding and spending need – technical report*, PwC, in preparation. .

<sup>5</sup> Plans to boost the supply of new housing were set out in the Housing White Paper, *Fixing our broken housing market*, in February 2017.

<sup>6</sup> The consultation exercise, *Planning for the right homes in the right places*, September 2017 to March 2018, led to a range of proposals to reform the planning system to increase the supply of new homes and increase local authority capacity to manage growth.

<sup>7</sup> See *In Place of Work: influencing local labour markets*, Localis, 2017.

Given the uncertainties about the terms of the UK's exit from the EU which persist at the time of writing, changes to the governing frameworks for much local regulatory activity may place further burdens on local government capacity.

### *Devolution and regional bodies*

Recent years have seen the emergence of a regional and sub-regional tier of policy administration and strategic planning. The availability of Growth Deal funding has consolidated the position of Local Enterprise Partnerships as key partners in supporting local economic strategies and in several regions there is the emergence of sub-national groupings for transport. This has increased the geographic scale on which councils need to be able to operate and present a unified voice.

### *Policy and practice changes*

In some areas, policy and practice developments have moved on to an extent far beyond the way of working envisaged when the two tier system was set up. One such example relates to waste. Kerbside recycling was largely unknown in 1974, when the overall volume of waste was lower and there was a pattern of weekly general waste collections in operation. Currently, however, the existence of multiple waste collection authorities poses a real challenge to the disposal of waste, which is frequently collected via a range of different mechanisms and to a different set of standards and policies. The Government's recently published waste strategy<sup>8</sup> promises to review the effectiveness of joint working in this area and make recommendations for improvement. This presents an important message for two tier areas: they need to be on the front foot in identifying areas for better joint working. By doing so, they will be well-placed to influence national policy and build solutions that are designed for their own counties and districts.

## **2.2 The need for change**

Few would argue that the present set of challenges will require local authorities to consider further changes to the way they work and manage their relationships with others. It is inevitable that a key focus for this response will address the question of how the local public sector can best work across organisation boundaries to maximise its assets, revenue and workforce.

In a two tier context, this report suggests four broad options that could form the basis of how county and district councils may seek to respond.

### *1. Address the challenges through a focus on internal transformation*

For a county council this would mean pursuing further savings and addressing challenges with a focus on changes to its own way of working, and county council led partnerships, without actively looking to explore new areas of joint working with the district councils in its area. In some ways this is a logical and defensible position: with such a high amount of spend in social care and children's services, the natural partners for a county council are in health, large local voluntary sector providers, and the police. County council shared service agendas have also often been focused on partnership with other large local public service organisations, such as police, fire, between counties or with metropolitan authorities. However, such an approach does risk missing the chance to build service synergies across county and district services that can reduce cost, promote better strategic alignment or give a greater focus on prevention.

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<sup>8</sup> Our Waste, Our Resources: a Strategy for England, DEFRA, December 2018.



## 2. Collaborate as at present

Collaboration and the sharing of some functions is already prevalent within the country's two tier areas today. For example, there are numerous shared support service arrangements in operation, ranging from large scale vehicles (for example, LGSS, Norse Group or One Source), to small local shared arrangements, where two districts share an information technology, legal or audit function.

Around the country there are numerous other examples of front facing service collaboration – such as a county council and its districts working together on growth, joint bids for business rate piloting, and use of disabled facilities grant. However, the pattern of collaboration is highly variable, both from county area to county area, and within an individual county. The variation within a county reflects the difficulty experienced in some county areas of agreeing a common approach among all the districts. Local government should of course adapt to the needs of its area, and existing arrangements have produced benefits. However, the reality of politics, differing contract lengths and different priorities has undoubtedly inhibited the development of a more systematic approach.

Individual authorities may well determine that they can make further improvements or savings by extending existing arrangements. However, there are limitations to using this approach as the basis for genuine transformation. The patchwork of current collaboration risks failing to provide a scale and ability to share risk in a way that encourages innovation.

## 3. Pursue reorganisation

The establishment of unitary local government has proven to deliver economies of scale and strategy. For example, the reduction in the aggregate number of elected members in a two tier area, reduction in senior management and rationalisation of premises and support services are all likely to deliver savings<sup>9</sup>. Reorganisation can secure further improvements in the form of the formal alignment of critical policies and strategies.

However, this can be a difficult option to pursue. Reorganisation discussions frequently create friction between a county council and the districts in its area, as well as between districts and districts, alongside other influential stakeholders, such as Members of Parliament. Furthermore, the governing legislation for future unitary proposals changed on 31 March 2019, with the expiry of a sunset clause that allowed proposals to be brought forward by only one authority in the area affected. Future proposals will need the support of all councils in the area, or for the Secretary of State to directly invite a proposal from county areas that specifically does not require consensus. Either pathway to a unitary structure will difficult to achieve and may lead councils that support such an approach to look for other options.

Reorganisation can be a disruptive option – areas proposing structural change need to be able to manage the process of aggregating and, depending on the model chosen, disaggregating existing services. To achieve truly sustainable savings requires significant transformation to be delivered alongside the administrative transition to a new structure. Areas contemplating reorganisation will need to consider whether they have the appetite and capacity to pursue this level of change

## 4. Strategic collaboration (implementing a model of non-structural reform)

This report sets out a further option, namely the consideration of adopting a more systematic and strategic approach to collaboration between county and district councils, with the consideration of the impact on place and people at its core. By recognising the shared responsibility that county and district councils have for the residents of the areas they serve, this form of collaboration

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<sup>9</sup> This is widely established in case for change documents produced for areas considering making a reorganisation proposal. A national perspective, assessing different models for reorganisation or reform was also provided by EY in its 2016 report for CCN: *Independent Analysis of Governance Scenarios and Public Service Reform in County Areas*.



would aim to build a delivery system that meets the challenges of each area, improves service resilience and secures better outcomes. In reality, this may result in different models being adopted in different areas. However, what would be consistent between areas where this model is pursued is the focus on developing a coherent vision and business case for collaboration – a more programmatic approach than the somewhat opportunistic nature of the joint working arrangements that have been developed in many areas.

The major prize here is also to lay foundations for wider public sector reform. Establishing a shared vision for what a county council and the district councils in its area are trying to achieve can be an important step in enabling wider collaboration across the local public service system. Building blocks would include a strong cross county and district culture of pooling skills, coordination of demand reduction initiatives, community focus and data sharing.

While it needs to take the distinct needs of particular geographies into account in terms of what it covers, it is important to say that this type of approach would only deliver its full potential benefit if implemented at scale, ideally in a whole county geography.

### **2.3 Focus of this report**

The primary focus of this report is the strategic case for this fourth option – the case for the delivery of non-structural reform in England's two tier areas. It will explore the value of a more conscious approach to collaboration between county and district councils, and will seek to address the hypothesis that this could secure improved value for money, service resilience and outcomes for residents in two tier areas.

Describing a concept of non-structural reform is inherently problematic. It is a local government truism that all areas are different, and the local circumstance will frequently defy attempts to set a template for change. However, if action is to be encouraged then a basic concept needs to be described to inform and stimulate discussion.

In recognition of this, the approach in this document is to present a framework for considering areas of deeper collaboration that meet some simple principles. It is not anticipated that this will be viewed as an all or nothing model for full adoption. It is intended as a loose framework that county and district councils are invited to use to stimulate further discussion within their localities.

It is also important to say that the report does not aim to describe, necessarily, an alternative model to structural reorganisation. Carried out effectively, reorganisation can deliver significant savings and be used as a catalyst for transformation. However, this report assesses whether a non-structural collaborative approach could be viewed as one mechanism for delivering financial savings and service benefits.

Councils in different areas will adopt their own perspectives on whether non-structural reform is the right option for them. It is possible some will see it as a stepping stone towards reorganisation, others may see it as the very means by which the reorganisation debate, and its inherent tensions, can be avoided. What matters in the detailed consideration of whether or not it will be right to commence this journey, will be the focus on whether it could really help the councils affected secure the very best outcomes for their residents.

Equally, while this report focuses on the compelling case for developing an enhanced model of collaboration in two tier areas, it is acknowledged that achieving this will not be without its difficulties.

Firstly, in many areas, councils are rightly concerned about the divisive nature of previous debates about the potential for local government reorganisation. It is possible that a renewed focus on collaboration may be misinterpreted as a move towards structural reform. Secondly,

previous attempts at non-structural reform initiatives – such as the 2000s Pathfinder – notably failed due to a lack of buy-in from partners and structured Government framework to ensure activity took place at the necessary scale and pace.

Section 3 of the report introduces the concept of non-structural reform in greater detail. It sets out an outline model, to indicate how it could work and presents an assessment of the potential benefits (financial and non-financial) on offer. A key component of the work conducted to write this report was an analysis of the potential savings that could be achieved through the implementation of a new way of working in two tier areas. These savings have been calculated at the national level and included in this report as a high level indication of what could be delivered.

Section 4 of the report focusses on the potential approaches to implementation. It considers this first from a programme perspective, and in particular on the need for a focus on developing a business case for change. It then acknowledges the difficulties some areas will have in opening up frank and pragmatic discussion about this topic, given the divisive nature of previous discussions about reorganisation. In recognition of this, and the problems faced by previous non-structural reform initiatives such as the Pathfinder programme in the 2000s, the report identifies the need for strong support from the Government in creating the conditions to encourage buy in to change.

Finally, the report offers a number of case studies that indicate where elements of this proposed approach are in operation already.

## **2.4 Method**

This report has been prepared following a period of desk based research as well as a series of discussions with local government officers and members. Details of the public data sources used for the financial analysis are given in section 3.3. An oversight group of senior officers from CCN member councils and officers from the CCN contributed to the work. This included a roundtable event for leaders and chief executives of county councils, as well as telephone interviews with a number of Chief Executives. In all instances, the quantitative analysis referred to in the report was based in publicly available information

# 3. An enhanced model for two tier collaboration

*The extent of joint working between county and district councils varies across the country. Frequently, relationships between the two tiers reflect the legacy of relations shaped by difficult debates about structures. Because of the depth of challenge that local authorities face, this report presents a model of two tier collaborative working rooted in a concept of pragmatic collaboration, but which retains the sovereignty of the existing councils. It identifies a set of principles in support of joint working at the local level, at the same time as exploring how to ensure the benefits of scale and a strong voice at the regional and national level are maximised. For those areas that are prepared to take on this challenge, there is the potential to create a seamless face of local services for residents and businesses and allow local leaders to optimise the use of the resources that are currently split across county and district councils. Implementation of this type of model would require a one off investment, but it has the potential to deliver material annual recurring savings, as well as numerous other non-financial benefits.*

## 3.1 Context

The structure of local government, and the relative merits of the various models brought to fruition over the past fifty years, have been at the heart of some of the most heated and passionate debates witnessed by the sector. There are few issues which have generated such fundamental consideration of the more strategic issues faced by our local councils – such as their role in shaping the places they serve, their approach to achieving financial sustainability, as well as the central question of what local government is actually for.

To some extent, the structure and geographic organisation of local government responsibilities will always be a compromise. Local circumstances, and history, vary significantly across the country. It is unsurprising that different patterns of population and need have frustrated attempts to devise an ideal template for boundaries and powers. Indeed, the two-tier system that still exists in 27<sup>10</sup> county areas across England, was itself born out of long-running debate and compromise. The 1974 reorganisation, which led to the establishment of the current two tier councils, was itself a partial response to (and reversal of) an earlier recommendation under Lord Redcliff Maud's 1966 – 69 local government commission to establish unitary authorities in non-metropolitan areas.

Changes since then have resulted in structural change to the form of local government in a number of areas, with two waves of reorganisation, in 1997 and 2009, reducing the population covered by the two tier system to around 40% of England. Other, non-structural initiatives and solutions aiming to change aspects of the way county and district council functions operate, have also begun to emerge. Examples include the Pathfinder initiative in 2006, the establishment of joint waste powers in 2007, and the introduction of the National Planning Policy Framework in 2012.

In spite of all this change, however, the broad pattern of two tier working still follows the 1974 model. This establishes responsibilities, organisation and provision of services broadly as follows:

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<sup>10</sup> Planned reorganisations in Dorset, Buckinghamshire and Northamptonshire will reduce this number by April 2020.

**Figure 7: service responsibilities of county and district councils**

County	District
<ul style="list-style-type: none"> <li>• Children’s social care</li> <li>• Adult social care</li> <li>• Libraries</li> <li>• Education</li> <li>• Trading standards</li> <li>• Specialist planning (for example, minerals)</li> <li>• Highways</li> <li>• Transportation</li> <li>• Public health</li> <li>• Economic development</li> <li>• Waste disposal</li> <li>• Registration of births, marriages and deaths</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues and benefits</li> <li>• Waste collection</li> <li>• Development control</li> <li>• Housing and homelessness</li> <li>• Community and leisure services</li> <li>• Environmental health</li> <li>• Licensing</li> <li>• Environment</li> <li>• Economic development</li> </ul>

It is important to recognise that, alongside the list of functions, is a very significant difference of scale. The Government’s published Revenue Outturn figures show that county councils account for 85% of net revenue spend in two tiers areas and 90% of gross spend<sup>11</sup>. In a county area the combined spending of all the districts will only be around 15% of that of the county.

Nevertheless, consultation and joint working between county councils and the districts in their areas is long-established and a routine part of day to day local government. Operationally, a county and its districts typically work together in areas such as:

- Planning and housing, where the two tiers must work together on strategic plans, and where the county will need to comment on strategic infrastructure aspects of planning applications that are determined by districts.
- Economic development, where the county has strategic responsibility for growth on a county-wide basis, and districts will focus on creating conditions to encourage investment and employment for their localities. Connections between the two levels are essential for creating an approach that is coherent for the functional economic areas and skills catchments that often cut across district boundaries. Good economic development relies on coherent links between policy and delivery in areas such as housing, transport, road infrastructure and schools. These cut across different council responsibilities and shortcomings in one area will affect others and the collective. Establishing the right links is also important for presenting a strong local government voice when working at sub-regional level or with employment sector representatives.
- Waste management liaison, where the districts need to liaise with the county about the waste they collect for it to deal with disposal. Within this, counties may offer recycling credits to districts as an incentive to encourage good practice with waste separation at the point of collection.
- Public health and prevention, where district councils have services that impact on the county councils’ statutory responsibilities for public health and also service specific examples such as disabled facilities grants which affect the social care responsibilities of the upper tier.

There are plenty of examples of good partnership working between counties and districts that build on these and other areas of common interest. In many instances, these have already proved

<sup>11</sup> RS – Revenue outturn summary 2017-18 – Revised, MHCLG, August 2018.

to be capable of securing significant benefits for the councils involved and their residents (some examples of effective joint working arrangements are included in section 5).

A new model of closer county – district collaboration would in many ways build on existing initiatives and achievements. However, and in spite of recent suggestions that we may be moving towards the end of austerity, the challenges that local government is facing highlight the need for an acceleration in the pace and strategic purpose to collaboration between two tiers of local government to ensure it is able to respond and stay relevant in a rapidly changing world.

### 3.2 An outline model

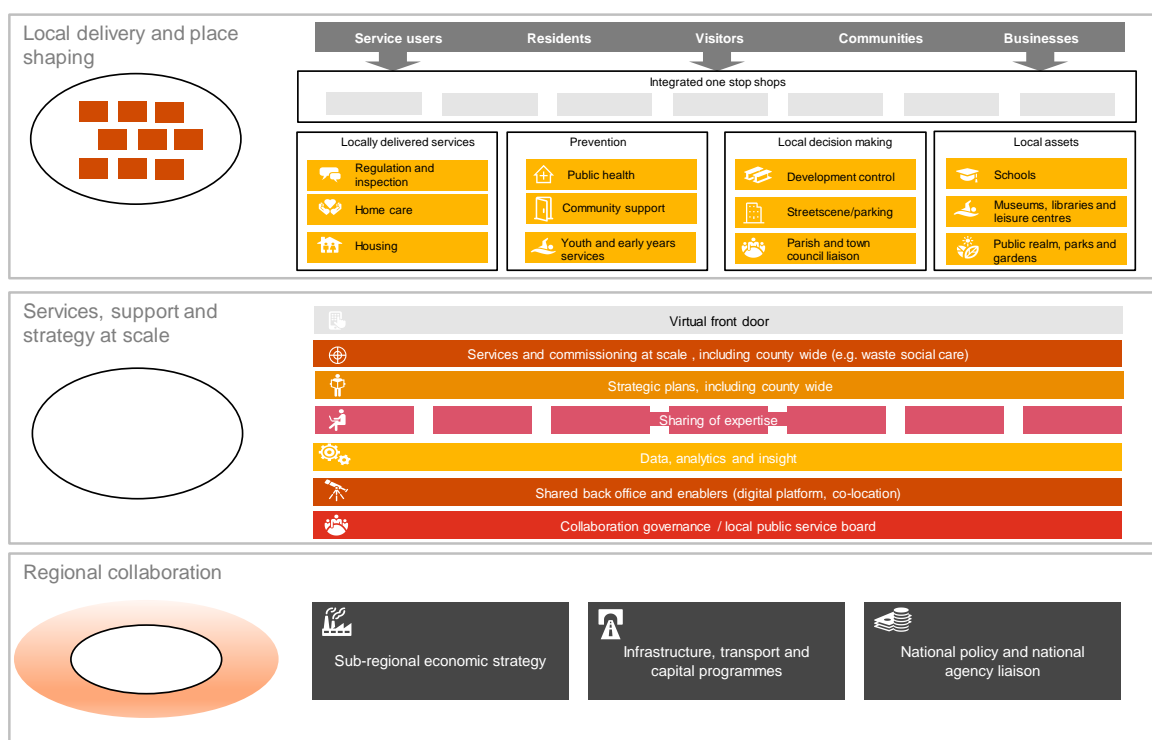
The concept of strategic collaboration set out in this report can be defined by some basic principles:

- The model would not require changes to the structure of local government nor to the administrative relationship between county and district councils – participating councils would retain their sovereignty and, wherever possible, collaborative service activity would take place within the existing administrative geography of the county.
- The model recognises that the county and districts in each two tier area share the same customers, all of whom would benefit from the introduction of a more seamless experience in their interactions with the local councils.
- There would be joint arrangements for operations that span county and district responsibilities, making the best collective use of resources, including people, buildings and budgets.
- There would be an expectation of establishing common and integrated strategies and plans.
- In each instance, arrangements would need to be agreed by a “coalition of the willing”. The range of areas identified for collaboration may be limited or extensive. However, achieving material benefit will require collaboration to take place at a county scale, involving as many of the authorities in a county area as possible – to some extent, the greater the number, the greater the potential benefits that can be achieved. This is also important for controlling the costs that arise from a county council needing to have different arrangements with different district councils.
- The model would develop over time. While it would be important to start with a vision of the final destination, retaining the flexibility to alter course, change pace, and embrace more or fewer services than might be envisaged at the outset would be critical.
- The model would enable strategic objectives to be agreed and coordinated on a county wide basis, while ensuring that service delivery (and any associated decision making) occurs at the most appropriate level.

Taken together, these principles imply a need to identify potential collaborations at three geographic levels: local, strategic and wider regional or sub-regional. At its heart, it would entail a reimagining of responsibilities and influence across these scales, in a way that reduces duplication and fragmentation of effort, improves efficiency, but protects the sovereignty of individual councils.

The diagram below illustrates the basic concept:

**Figure 8: collaborative operating model for two tier local government**



*Local delivery and place-shaping*

Front line service delivery is an inherently local activity, whether it is street cleansing or home care visits. Place-shaping has a similarly local component, whether it is expressed through development control decisions or public health campaigns and initiatives. It is the local level where value can be created through fostering tight connections between service users, communities and local public service organisations.

Both counties and districts have an important stake in local service delivery and place-shaping. Closer collaboration would mean establishing closer connections, smoothing out the joins between county and district services in how they present to residents and businesses. Deeper collaboration could include:

- Presenting an integrated physical public face to local residents and businesses. While this model will enable counties and districts to invest together to promote self-service interaction online, highly efficient face to face services can be offered for the cases that need it through joint one stop shops that can resolve queries about services from both tiers. It is also a means to wider exploitation of physical assets, such as schools, libraries and leisure centres - extending their use or opening hours beyond what is needed for their core service, so that they can serve as hubs for information and campaigns, or for community activities. This would all make for a more integrated experience for local users of council services.
- Improved prevention at local level. While public health is a county service, many of the levers that direct its influence are at the district level - housing allocations; planning, which can have a strong impact on whether people walk or take the car; and community engagement. Effective collaboration would encourage counties to work with districts to exploit their close local feel for their area to influence community initiatives and resources to promote preventative services and ideally to support more timely transfers of care from hospital. With discretionary

preventative services under pressure in the face of ever tighter budgets, this is a stronger basis for prioritisation.

- Better insight sharing. The obvious example is between housing officers and social workers, to support better targeting of resource and to encourage early intervention with children at risk.
- A simpler face for business and local partners to work with. Inspection and regulation is an example. Greater collaboration could allow joint management and support of regulatory and inspection services including environmental health and trading standards, allowing for better economy of scale in deployment of resources. There is also opportunity to leverage scheduled inspections for fire prevention checks and installations. There would be improved capacity to share information, spot potential issues before they escalate and costs mount, and to reduce the "revolving door" burden on local businesses.

In practice this would require some joint functional teams allowing related county and district services to operate as one. Accountability would be unchanged but greater connections at local level would allow partners to better influence the day to day practice of services, and for the county to enhance the contextual understanding for district decisions, ensuring services are better integrated and targeted.

For some services, establishing more collaboration would also encourage more integration between district services in the county area. Examples could include administration of revenues and benefits or cultural services and delivery of street cleansing. Within this, there may be opportunities to link in some county services, for example by linking a more consolidated revenues and benefit function with processing for concessionary bus passes and blue badges.

Collaboration would also support more effective working with parish and town councils - the easier it is for parish and town councils to engage with a single voice for local government services, the better they can ensure their facilities are aligned to wider place needs.

#### *Services, support and strategy at scale*

In many service areas, local delivery is an inevitable and desirable reality. However, there are numerous opportunities to plan and coordinate the administration of services in such a way that enables economies of scale to be achieved, at the same time as improving resilience and effectiveness. Moreover, in meeting some of the most pressing national priorities, such as accelerating housing growth, infrastructure provision and post-Brexit economic planning, a more strategic approach across a county geography is required.

Collaboration of this type can take different forms, for example:

- Provision of a service which integrates county and district functions based on a county level. A key example would be waste management, an area which county and district councils frequently cite as an obvious candidate for closer working. The wide range of contractual arrangements and collection practices have a tendency to frustrate attempts to make the process of waste management as efficient and effective as possible. Greater collaboration would include consolidating contracts across some or all district areas to run as a single operation integrated with waste disposal.
- Working together strategically especially when considering economic development initiatives and programmes, in order to ensure all the local government levers are being used effectively.
- Better collaboration on housing, planning and infrastructure, with greater joined-up plans and infrastructure investment designs and potential for formal strategic planning. Different models exist that can achieve this, whether pragmatic working arrangements, formal joint committees



or a “growth deal” signed with the Government. The benefit of greater collaboration, however, would be achieving a level of strategic direction setting, at a functional economic or housing market level, that combines housing targets and general locations for development along with infrastructure requirements that would support growth.

- Creating mutually supportive common operating strategies. One example could be that of transport strategy and the actions that districts could undertake to promote sustainable transport – for example establishing safer walking routes, parking locations and policy, and their policy towards charging infrastructure for electric vehicles.
- Sharing of expertise. Austerity and the scarcity of certain skills mean it is increasingly difficult for councils to provide niche expertise. Collaboration allows the opportunity to co-fund and bring expertise together for the benefit of the county area. Examples could be in building control and expert planning matters, establishing a more flexible workforce that can be used effectively across a larger area. Community safety is another area. As well as potentially reducing CCTV costs, it would consolidate crime reduction policy and planning between county and districts.
- Shared services:
  - Deeper collaboration would provide the opportunity to develop shared back office and enabling functions on a more strategic basis than the complex web of partial arrangements that exist in many county areas at present, and to improve county to district sharing.
  - Pooling resources to invest in a digital platform to cover a whole county area would offer a major opportunity to provide the technology enablers for the simplification and automation of many processes. It could also be the route to creating a shared “virtual front door” for county and district services through a customer portal that might provide a best in class user experience, promoting greater levels of take up in relation to self-service.
  - Working together at scale would also enable investment in analytics and insight capacity. The county and districts share the same customers – this represents a significant opportunity to maximise the potential benefits associated with establishing a single view of customer need.

In practice this level of collaboration would require districts to shift some responsibility away from their own direct operations, or take greater account of the needs of their partners working at a county level. The benefit would be to strengthen the overall local government voice at a strategic level – this would improve use of collective resources and the experience for residents, but also help to facilitate action in the third layer of the conceptual model, collaboration regionally and sub-regionally.

#### *Regional or sub-regional collaboration*

Many factors upon which the success of a particular locality depend are outside the control of its county and district authorities. This is particularly the case in economic, transport and infrastructure areas. The Local Enterprise Partnerships (LEPs) have grown in influence since they were set up in 2011 and help to direct the use of local growth funds, funding for adult skills training, as well as creating regional industrial strategies. There are now regional transport consortia, such as Transport for the North and Transport for the South East, which focus on priorities for transport infrastructure at regional level. Large government agencies such as Homes England, also have a regional presence.

Under the devolution arrangements that have taken shape in recent years, it is metropolitan areas, in particular those that have created combined authorities, that have been most successful in influencing these regional and sub-regional bodies and being rewarded with funding and responsibilities devolved from central government. Two tier areas have lost out and there is a



clear theme to analysis that it is the lack of a single voice that is inhibiting them. A much stronger voice will be needed to secure central government funding via the LEPs for local economic growth.

By collaborating, there is the potential to exert influence and act as strategic convenors connecting employers, developers and regional level policy makers to the full range of local government services. Opportunities include:

- Influencing which economic sectors will receive the most support, helping to ensure that regional industrial strategy and practice is consistent with local needs.
- Providing a strong voice to work with neighbouring areas in support of strategic transport investment and target areas for strategic development, including housing and employment.

A strong single voice to represent a county area's local authorities to regional and sub-regional bodies will require trust and it is something that will be facilitated by successful collaboration in the local delivery and services at scale layers of this model. If county areas can agree pragmatic governance arrangements that encourage a smaller representative mass when working with regional organisations, but that still clearly have accountability back to their sovereign organisations, this will create a de facto strong voice and presence that it is easy to do business with and easier to gain government's ear. Demonstrating strong local leadership will be essential for county areas to be able to compete with mayoral combined authorities in attracting funding and devolved powers.

### 3.3 Qualitative benefits

This model is presented as a framework to guide consideration of the scope and implications of enhanced collaboration in two tier areas. There is no systematic list of functions and activities that would be affected by it. However, by adopting some of the working methods described above, there is the potential to achieve a number of outcome benefits. These include the benefits described in the figure below:

**Figure 9: summary of key qualitative benefits**

***A simpler and more coherent experience for service users***

This would extend from initial contact through to the way services are experienced. Creating a shared virtual front door for local government services in an area would reduce the frustration that service users currently feel as a function of their understandable confusion over which organisations are responsible for what services. More collaborative, function based delivery, which makes greater use of the synergies that exist between county and district services could also reduce the burden and frustration of dealing with two organisations.

***A more functional county-wide scale for addressing the most urgent challenges***

This is particularly relevant in relation to the challenge of meeting housing targets. One of the Chief Executives interviewed during the course of developing this report highlighted the opportunity of working with a group of councils to lift housing plans from isolated "suburb thinking", by encouraging them to view neighbouring towns as an emerging city. By planning together, across functional economic geography within and beyond a county area, councils would be able to consider transport, health and wellbeing, green corridors and the question of how to attract big employers more coherently. Within a wider area strategy, they would also be able to work together to pool resources and developer contributions and target them to the infrastructure needed most to support sustainable housing. Such thinking will be critical in the future, as councils continue to struggle with the impacts of the country's ageing population and to plan how to attract inward investment.

### ***Improved prioritisation of services***

Collaborative initiatives in local service delivery and place-shaping would provide leaders with greater understanding of how the full range of local government “levers” impact on places and people. This could widen the choices available to members in the face of extreme financial pressure. For example, enabling links to be made between choices about where to focus on early intervention in children’s social care in the context of a clear understanding of associated housing and community factors. Collaboration could play a critical role in reducing the further erosion of preventative services.

### ***A stronger local government voice in two tier areas***

Greater collaboration should provide two tier local government with a stronger voice. This is important for helping it to compete with combined authorities and large unitary authorities through local industrial strategies, and more generally in attracting external funding and investment, such as the forthcoming Shared Prosperity Fund. Demonstrating a strong voice, with functioning accountability back to sovereign authorities, will also be important in making the case for devolution of responsibilities to local government in two tier areas, potentially opening up the chance of exerting more influence over skills funding allocations, or apprenticeships.

### ***A platform for wider local public service reform***

Establishing more joined up cross tier local government services is not just better for service users, it is better for partners too. For example, if a county council and the districts in its area can work together better to support community resilience, this is can be a spur to encourage better health and police involvement. Overall, collaboration may be an important step in enabling a dialogue about wider local public service reform with a focus on the impact of all public spending in communities. Section 3.4 shows that on the model described in this report, the majority of quantitative benefits would be realised by district councils. However, building the platform for better joint working with the rest of the local public sector, with its potential for more system integration would be a major prize for county councils.

Each of these qualitative benefit areas will have more impact if all or the majority of the district councils in the county area are involved. Any need for a variety of arrangements between a county council and different districts risks diluting economies of scale and the strength of a single voice.

In many of the interviews and discussions held during the development of this report, leaders, chief executives and other senior officers have described how there is a practical gap between county and district activity. This is in part the result of the sheer scale of the social care challenge and the operations that dominate the county council agenda. Such considerations are very influential in defining whether or not county councils are deemed to be “successful” and far outweigh the scale of operations in other service areas. This has had a tendency to drive county councils towards seeing health and third sector organisations as their principal partners, as opposed to other members of the local government family.

One Chief Executive, highlighting the challenges of addressing the need to ensure a cross district strategic approach to the nature and location of new houses said:

“There is a real need to be on the same page. Austerity has led to an internal survival focus”.

Greater collaboration would be an important step in reuniting the local government family behind challenges that affect the residents and communities for which they are responsible.

## **3.4 Quantitative benefits**

In addition to the potential non-financial benefits which could be achieved through enhanced collaboration in two tier areas, there would also be numerous opportunities to deliver cost savings and efficiencies.

For the purposes of developing this report, high level analysis of the potential financial costs and benefits was carried out. It needs to be recognised that the process of ascribing benefit figures to

a conceptual model of this type is complicated and can only be based on a series of relatively fluid assumptions. With this in mind, the figures presented in the report should be considered as being indicative and as the basis for further more detailed work to be carried out in those areas interested in pursuing non-structural reform.

All of the figures used in the analysis are derived from publicly available data, principally the 2017/18 Revenue Outturn data, councils' 2017/18 budget books and statements of accounts.

To complete the analysis, four different types of benefit were considered, as shown in the schematic framework below:

**Figure 10: schematic framework for quantitative benefits**



### *Initiative based*

Within this group, we have estimated quantitative benefits by identifying a range of potential initiatives that would deliver savings under two thematic headings:

- **Operational efficiency.** The analysis is based on an assumption that collaboration would allow capacity to be released in the form of a reduction in the overall number of full time equivalent (FTE) employees required across the county and district councils engaged in such an initiative.
- **Third party spending.** Collaboration should also enable participating councils to derive significant savings from their spend with the suppliers of some goods and services, through the consolidation of contracts, as well as by adopting a more powerful, joint, negotiating position.

### *Top down view*

Within this group, we have estimated quantitative benefits by making assumptions about the level of saving that would be possible in two areas if a material amount of collaboration was achieved in a county area:

- **Senior management consolidation.** Enhanced collaboration arrangements in two tier areas could offer additional opportunities to consolidate or share management posts. Senior management savings have been calculated separately from overall operational efficiency,

reflecting the fact that the phasing of any associated savings may be different to those relating to other employees, as well as potential exit costs being higher.

- Premises rationalisation. Greater collaboration would provide opportunities to share premises, not least as a result of the overall reduction in employees.

In some cases, the volume of available data required a focus on a sample of six county areas. In these cases, a series of calculations was made across a range of service areas from the sample councils, and the results extrapolated (using population data and employee headcount) to derive benefit figures for the 24 county areas in England<sup>12</sup>.

To understand the potential financial benefits, the profile of savings and costs has been calculated at a national scale across the 24 two tier areas within the scope. Separately, to provide different sizes of two-tier areas with an indicative level of individual county savings, we have also broken down the savings profile according to a small, medium and large county geography. Finally, we have created an estimated apportionment of the benefits between the county and district council tiers.

Taken together, and for the midpoint of the potential cost-benefit range, implementing the model of collaborative working described in this report across the 24 two tier areas in England has the potential to achieve an aggregate three year, six month payback period and a cumulative net saving of £508 million over a five year period. The table below summarises the costs and benefits described in this section. It also shows how this translates into a low to high range of five year net savings for small, medium and large county areas as well as for average sized single county and district councils.

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<sup>12</sup> Though there are currently 27 two tier areas in England, Dorset, Buckinghamshire and Northamptonshire were excluded from the analysis on the basis of recent agreements or invitations to establish unitary authorities in these areas.

**Figure 11: summary of cost and benefit findings**

Saving/cost type	Saving/cost (£m)	
	Low	High
Cumulative national five year net saving	228	762
Total national one off costs	369	691
Recurring national annual savings	204	497
Payback period	3 years, 10 months	3 years, 5 months
Recurring annual savings for different sizes of county area:		
Small (600,000 population)	6.4	15.5
Medium (800,000 population)	8.5	20.7
Large (1,200,000 population)	12.7	31.1
Recurring annual saving for a medium sized county council	3.0	7.3
Recurring annual saving for a medium sized district council	0.7	1.8

**The sections that follow give a more detailed breakdown of the analysis. Initiative based savings calculations**

Within the operational efficiency and third party spend areas, a set of nine potential service initiatives were identified as the basis for the savings calculations. This is not an exhaustive list of potential actions, but it does offer a set that represents a scale that may be achievable in a two tier area that is ambitious for greater collaboration over a five year period. It excludes large county council run services, such as social care and highways, where collaboration is unlikely to lead to direct short to medium term operational efficiency or third party spend savings. Note, however, that this should not be taken to imply that there is no qualitative benefit in improving linkages between county and district operations in these areas where they connect.

Further information concerning the method adopted to conduct this analysis and the assumptions used are included below (additional information is set out in Appendix A).

*Operational efficiency*

- “Employee spend” data from the national Revenue Outturn data for 2017/18 has been used as the basis for the analysis. As this data was readily available for all authorities (counties and districts) in the 24 county areas, no sampling or scaling up was required.
- Total employee spend has been attributed to the nine service areas identified as examples of collaboration initiatives. This has been built up from the detailed level categories in the Revenue Outturn data. For most of the initiatives the baseline employee spend has been reduced by 30% to give a smaller addressable amount to allow for existing initiatives. Given the range of existing back office support and administration sharing arrangements that are in place, we have reduced the baseline in this area by 60%. Larger reductions have also been made to some particular authorities where we are aware of a major sharing initiative.

- Assumptions have then been made about the levels of efficiency that could be achieved if collaboration allowed activity and processes in these areas to be standardised, shared, simplified and/or automated. The savings assumptions were informed by comparator data collected from diagnostic work with a range of local authorities over the course of the last ten years. A potential savings range (based on current FTE cost) has been estimated for each process category.

#### *Third party spend*

- 2017/18 budget book data has been used to estimate the total amount of third party spend for each authority in the sample group of six county areas. This has then been multiplied up on the basis of population to give a baseline figure for the 24 county areas.
- To obtain a breakdown of third party spend on the nine service initiatives, 2017/18 Revenue Outturn data was used to identify relative proportions of “Running Expenses” associated with these services, which were then used to provide a proxy percentage of third party spend in these areas.
- For each service initiative area, it has been assumed that 80% of the third party spend is addressable – this is the proportion of spend that a coalition of a county and district councils could reasonably expect to influence by working more closely together and allows for exclusion of non-addressable third party tax payments and pass-through amounts<sup>13</sup>.
- A savings range of two to six percent have been applied in order to calculate a saving per service initiative area.
- It is likely that collaboration would promote a more general saving in third party spend, beyond the set of nine service initiatives, by encouraging better procurement practice across all participating authorities. To allow for this, a “vertical” view of potential third party savings has also been used to calculate potential benefits. This has been based on the assumption that the overall addressable amount of third party spend is 60%. The county addressable amount has been reduced further by removing percentages for services that would be outside the scope of collaboration savings (e.g. social care, highways and an allowance for “other”<sup>14</sup>). This leads to an overall county addressable amount of 19%. The same savings range of two to six percent has also been applied to the resulting sum of addressable spend. Subtracting the service initiative specific amounts from this gives an estimate of a further non initiative specific third party spend saving.

The service initiatives identified as the basis for securing financial benefits as a result of enhanced collaboration are described in the table below.

<sup>13</sup> The 80% figures have not been adjusted to take account of existing joint purchasing arrangements. It is recognised that enhanced collaboration would be unlikely to deliver additional benefit in such cases. This is one reason why a range has been applied to the potential savings. The 80% addressable amount has been reduced to 20% for county third party spend on waste, in recognition that there is much less scope to reduce this spending through collaboration than there is the district collection contracts.

<sup>14</sup> The “other” amount includes an allowance for reducing the addressable county third party waste spend to be consistent with the comments in footnote 12

**Figure 12: service initiatives used as the basis of operational efficiency and third party spend savings**

Service initiative	Description	Spend categories from RO data used
Waste collection and disposal	Greater collaboration would include consolidating contracts across some or all district areas to run as a single operation integrated with waste disposal. This would lead to reduced contract spend and oversight; allow some efficiencies in fleet and route planning and enable a more strategic approach to reduce costs of waste disposal and improved recycling. There is also potential for a small saving to county waste contract spend based on the assumption that a fully integrated waste partnership would make the arrangement more attractive to the market and therefore lead to better value contract(s). Consolidating district councils' waste collection policies (frequency and category separation and sorting) would also be more efficient for disposal.	Waste collection; waste disposal; trade waste; recycling; waste minimisation
Licensing and regulatory services	Greater collaboration could allow joint management and support of regulatory and inspection services including environmental health and trading standards, allowing for better economy of scale in deployment of resources. There is also opportunity to leverage scheduled inspections for fire prevention checks and installations.	Trading standards; water safety; food safety; environmental protection; housing standards; health and safety; pest control; public conveniences; animal and public health; licensing (alcohol, entertainment, taxi)
Revenues and benefits	Greater collaboration could lead to simplified and standardised processes across councils, and the economy of scale of a service under common management. Collaboration with county councils could improve efficiency of processing for concessionary bus passes and blue badges by linking this to benefit admin.	Council tax collection; council tax support admin; non domestic rates collection; housing benefits admin
Back office support and administration	Shared back office is a well-established principle in local government. But there is a patchwork of arrangements. The opportunity is to make it more systematic within a county area, and to improve county to district sharing. If pursued with a transformational vision, non structural reform should also encourage councils, including the county, to review all administrative arrangements in parallel (e.g. considering more generic job descriptions and central management of those tasks).	Management and support services; corporate and democratic core; homelessness admin; administration of financial support for repairs and improvements
Building control, planning and related	Greater collaboration could lead to a more flexible workforce that can be used effectively across a larger area and consolidation of administrative effort.	Building control; development control; local land charges
Street cleansing	Greater collaboration between districts could lead to reduced support costs for street cleansing.	Street cleansing (not chargeable to highways)
Crime and safety	Greater collaboration could lead to reduced CCTV costs, and consolidation of crime reduction policy and planning between county and districts and exploitation of a centre of excellence model.	Crime reduction; safety services; CCTV
Culture	Greater collaboration could provide the scale required to deliver an enhanced customer experience through digital interaction with museums and other art spaces. Contact channels could be consolidated, along with support functions.	Arts development and support; heritage; museums and galleries; theatres and public entertainment; community centres and public halls; sports development and community recreation; sports and recreation facilities, including golf courses; open spaces; tourism
Election spend	Greater collaboration could lead to reduced costs in running local elections, due to economies of scale and simplified processes.	Registration of electors; conducting elections
Non initiative specific saving	Additional third party spend saving – to account for encouraging better procurement practice generally across all participating authorities.	-

A range of annual recurring savings has been calculated for each service initiative. These are shown in the table below. “Annual recurring saving” refers to the reduction in spend that will be achieved through the initiative once it has been fully realised. This saving will recur on an annual basis as the overall spending requirement will have been lowered. Note that in all tables, some totals may not sum exactly due to rounding.

**Figure 13: recurring annual savings for example service initiative areas**

Service initiative	Operational efficiency saving (£m)		Third party spend saving (£m)		Total saving (£m)	
	Low	High	Low	High	Low	High
Waste collection and disposal	7.8	17.4	8.7	26.0	16.5	43.5
Licensing and regulatory services	8.8	18.4	1.9	5.7	10.7	24.2
Revenues and benefits	7.6	15.8	3.1	9.3	10.7	25.1
Back office support and administration	67.2	112.0	19.6	58.9	86.8	170.9
Building Control, planning and related	10.2	21.3	2.2	6.7	12.4	28.0
Street cleansing	1.2	3.5	1.5	4.5	2.7	8.1
Crime and safety	2.2	4.6	0.6	1.8	2.8	6.4
Culture	4.9	14.6	7.0	20.9	11.9	35.6
Election spend	1.6	3.4	1.0	2.9	2.6	6.3
Non initiative specific saving	-	-	27.3	81.8	27.3	81.8
<b>Total</b>	<b>111.4</b>	<b>211.2</b>	<b>72.9</b>	<b>218.6</b>	<b>184.3</b>	<b>429.8</b>

Based on the split of baseline spending that is county or district, it is possible to break these savings down into amounts that would be realised by county councils and those that would be realised by district councils. It is important to recognise that the exclusion of social care and highways costs from the baselines for this analysis pushes a higher percentage of the savings to district councils.



**Figure 14: county – district breakdown of initiative specific operational efficiency savings**

Service initiative	County – district savings split					
	County %	District %	Savings amount (£m)			
			County (low)	District (low)	County (high)	District (high)
Waste collection and disposal	25	75	3.97	12.50	11.1	32.4
Licensing and regulatory services	23	77	2.56	8.14	5.6	18.6
Revenues and benefits	0	100	0.00	10.65	0.0	25.1
Back office support and administration	40	60	34.60	52.23	67.8	103.1
Building control, planning and related	9	91	1.09	11.32	2.4	25.6
Street cleansing	0	100	0.00	2.68	0.0	8.1
Crime and safety	13	87	0.36	2.46	0.8	5.6
Culture	14	86	1.68	10.17	5.0	30.5
Election spend	14	86	0.35	2.24	1.0	5.3
Non initiative specific saving	66	34	17.95	9.32	53.9	27.9
<b>Total</b>	<b>34</b>	<b>66</b>	<b>62.57</b>	<b>121.72</b>	<b>147.5</b>	<b>282.2</b>

A detailed initiative by initiative breakdown of this split is shown in Appendix B.

### Senior management

Senior management has been defined for the purposes of this report as county staff earning £60,000 or above and district staff earning £50,000 or above. A baseline for the six sample county areas has been developed based on 2017/18 statements of accounts. This has been scaled up to an amount for 24 areas using an overall FTE related multiplication factor, and 25% has been added for oncosts. The county council component of the baseline has been reduced by 75%, on the basis that senior managers in social care, highways and some other services would be unlikely to be affected by enhanced collaboration. A savings range of between two and ten percent has been applied to the baseline.

The overall savings range is included in the table below:

**Figure 15: annual recurring savings for senior management**

	Low (£m)	High (£m)
Senior management saving	5.6	27.9

Based on the split of baseline spending that is county or district, it is possible to break these savings down into amounts that would be realised by county councils and those that would be realised by district councils. It is important to recognise that the exclusion of social care and highways costs from the baselines for this analysis pushes a higher percentage of the savings to district councils.

**Figure 16: county – district breakdown of senior management savings**

County %	District %	County Savings (£m)	District Savings (£m)	High County Savings (£m)	High District Savings (£m)
20	80	1.1	4.5	5.6	22.3

## Premises

The premises baseline has been calculated by aggregating the premises spend included in the budget books for the councils in the six sample county areas. It has been assumed that 30% of this sum is office space which could be consolidated as a result of enhanced collaboration. A further assumption of a benefit range of 3.5% to 10% savings has been applied to the baseline.

The overall savings range is included in the table below:

**Figure 17: annual recurring savings for premises savings**

	Low (£m)	High (£m)
Premises saving	13.9	39.6

Based on the split of baseline spending that is county or district, it is possible to break these savings down into amounts that would be realised by county councils and those that would be realised by district councils.

**Figure 18: county – district breakdown of premises savings**

County %	District %	County Savings (£m)	District Savings (£m)	High County Savings (£m)	High District Savings (£m)
53	47	7.4	6.5	21.0	18.6

## Total savings

The figures included above show the recurring annual savings across the 24 two tier areas in England potentially available in each of the four benefit areas. These numbers assume that for operational efficiency and third party spend, all the nine initiatives are taken up, and also assume that all districts in a county involve themselves in greater collaboration.

The savings will take time to reach their maximum potential – the figures quoted show the amount achieved once the full benefit potential has been realised (over a four or five year period). The estimated percentage ramp of the savings to the maximum is shown in Appendix A.

Taken together, over the four benefit areas, the potential recurring annual savings range is as follows:

**Figure 19: annual recurring savings from all benefit levers**

	Low (£m)	High (£m)
Aggregate saving	203.7	497.3

The benefit available to an individual county area will depend on its size. The table below shows an estimated amount of annual recurring benefit for small, medium, and large county areas:

**Figure 20: annual recurring savings for different county sizes**

County area size	Annual recurring savings	
	Low (£m)	High (£m)
Small (600,000 population)	6.4	15.5
Medium (800,000 population)	8.5	20.7
Large (1,200,000 population)	12.7	31.1

The total split between county councils and district councils is as shown in the table below:

**Figure 21: county – district breakdown of annual savings**

County %	District %	County Savings (£m)	District Savings (£m)	High County Savings (£m)	High District Savings (£m)
35	65	71.1	132.7	174.2	323.1

### 3.5 Costs

Securing the benefits described in the previous section would require investment in certain areas. For example, supporting a transformation programme of the scale required would incur programme management costs, as there would be additional sums required to cover redundancies, technology investment, contract renegotiation and training.

The scale of the associated costs would depend on the extent of the collaborative programme pursued in individual areas. Consequently, an estimated range has been developed and included in the table below. However, it should be noted that these are indicative estimates only (more detailed work would be required to calculate the potential costs for areas wishing to pursue non-structural reform). Estimated costs shown here are one off and the total amount that would be spent over the course of a four to five year implementation period.

For most cost areas, figures have been based on estimated costs for the activities needed for an individual county area, based on analogous experience of transformation programmes. In each case a low and high range point has been identified and this has been multiplied by 24 (the number of two tier areas in scope) to give a national figure. For redundancy costs, assumptions have been made about the average exit costs for senior managers and non-senior managers. These are shown in Appendix A.

**Figure 22: cumulative one-off implementation costs**

Cost category	Comment	Estimated costs (£m)	
		Low	High
Redundancy costs - senior managers	Exit costs for senior management savings.	3.1	15.5
Redundancy costs - non-senior managers	Exit costs for non-senior management savings.	73.1	138.5
Transition costs	Backfill of council staff that are seconded to a change programme to deliver elements of transformation.	2.4	7.2
Service transformation and programme management	Dedicated implementation team support, which may include external support.	120.0	216.0
Third party spend programme	The cost of re-commissioning, re-negotiating and rationalising delivery partners to achieve third party spend benefits.	24.0	48.0
Technology transformation	Additional IT implementation team support, over and above council secondees.	96.0	168.0
Training	Training for staff members with new or changed roles.	2.4	7.2
Contingency	15% added for contingency.	48.1	90.1
<b>Total</b>	-	<b>369.1</b>	<b>690.5</b>

The total cost for an individual county area will depend on its size. The table below shows an estimated one off cost for a small, medium, and large county area:

**Figure 23: cumulative one-off costs for different county sizes**

County area size	Total one off cost (£m)	
	Low	High
Small (600,000 population)	11.5	21.6
Medium (800,000 population)	15.4	28.8
Large (1,200,000 population)	23.1	43.2

### 3.6 Cost – benefit analysis

For the purposes of this analysis, it has been estimated that the projected savings will take between four and five years to realise their full potential. More detailed assumptions about the

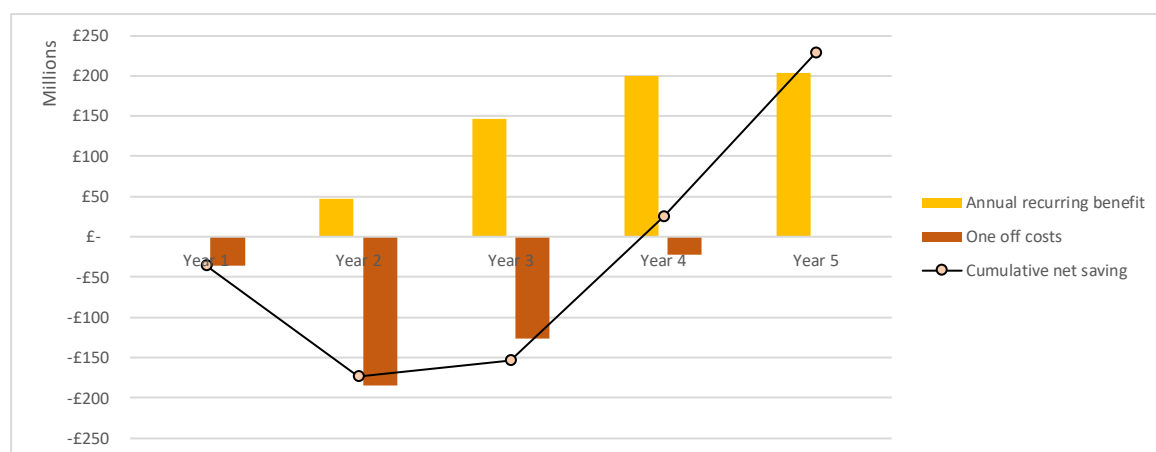
rate of realisation of each of the benefit areas are shown in Appendix A, along with a profile of the estimated costs.

As stated above, for the midpoint of the potential cost-benefit range, implementing the model of collaborative working described in this report across the 24 two tier areas in England has the potential to achieve a cumulative net saving of £508 million over a five year period.

The low and high ends of the range are shown in the five year net savings graphs below:

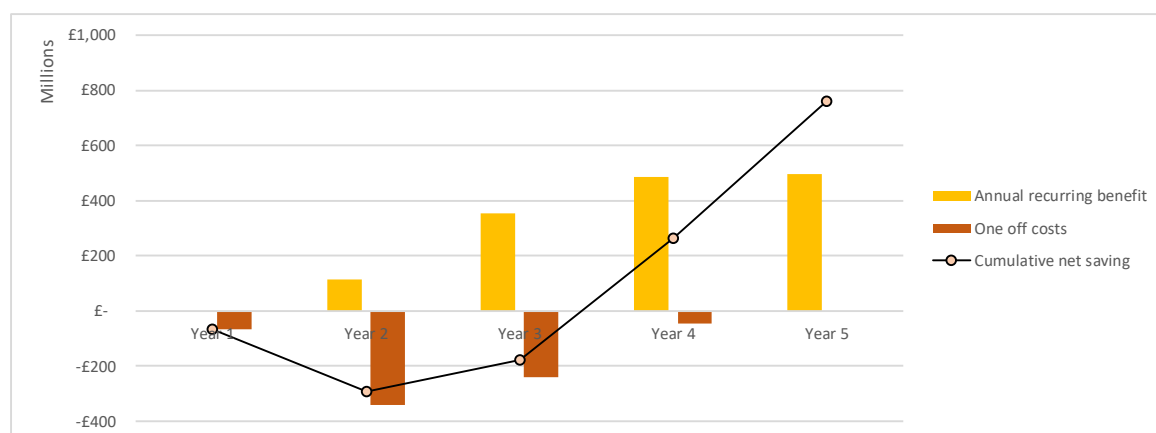
*Low scenario*

**Figure 24: cost-benefit analysis for low end of cost-benefit range**



*High scenario*

**Figure 25: cost-benefit analysis for high end of cost-benefit range**



When using publicly available data to provide a national picture, analysis of this nature necessarily relies on a series of assumptions. The diversity of size of the 24 two tier areas, as well as in the existing nature and extent of collaboration also means that it is very difficult to draw a picture of an expected level of saving for a typical county area. However, the intention of this analysis is that it provides an incentive to two tier areas to assess the local appetite for collaboration at scale.

The majority of the savings have been calculated from a set of nine potential service initiatives. Different areas will be attracted to the mix of initiatives that is right for them and some will identify additional opportunities that work locally but have not been highlighted here. Some areas may find, once they use local data and local assumptions, that a greater level of benefit is possible.

The level of cumulative net saving over a five year period is about five times less than that reported for a move to unitary local government in the 2016 study undertaken for CCN<sup>15</sup>. This is driven by a combination of higher costs envisaged for the transformation programme approach envisaged in this report for non-structural reform (1.6 times higher) and partly by lower annual savings (half the size). Further influences will be that the 2016 research was based on 27 county areas (compared with 24 for this report) and the level of overall saving achieved in the time since the research for the earlier report was completed.

While there would be significant one off costs at a county area level, this analysis suggests that there is a material annual recurring saving as a prize for pursuing this model of collaborative working.

However, the benefit for any individual authority may be considered low in relation to the implementation effort needed. These are savings that would result from a considerable transformation effort over four to five years. This leads on to an important message to the Government: there is potential for two tier areas to make further savings through better collaborative working between the tiers. However, this will need time, implementation effort, cost and support. This should not be seen as a reason to squeeze local funding further, not least because some of the benefits will be qualitative in the short term, rather than financial. For council county councils in particular, the financial benefits are likely to be less significant than the qualitative benefits.

The next section looks in more detail at a roadmap for implementation and the support needed to make change happen.

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<sup>15</sup> *Independent Analysis of Governance Scenarios and Public Service Reform in County Areas*, EY, 2016

## 4. Implementation

*Reformed two tier working should be transformational. To deliver this type of radical change participating councils will need to commit resource in order to develop a structured programme, supported by a business case and dedicated governance. Consideration will need to be given to a number of conceptually challenging questions, such as finding a mechanism to share funding and benefits, for example. While the requirements of each county area will be different, this section of the report sets out the core building blocks for an implementation programme. This will also require national support and this section suggests several areas where the Government can take action to provide incentives on two tier areas to collaborate.*

### 4.1 Creating a roadmap for change

The model described in this report has its origins in many initiatives that have been tried before, and are already proving to be successful in a number of areas. However, what is considered to be different and with the potential to offer a step change in the achievement of financial and non-financial benefits, is the suggestion that this type of arrangement will only achieve its full potential when a systematic approach to implementation is adopted.

This message is backed up by the evaluation of the early 2000s Pathfinder programme<sup>16</sup>, which highlighted a number of challenges:

- Difficulty of creating impetus for significant change without the focus of a clear external deadline or a tangible problem.
- Lack of prioritisation, with resultant slow progress on a broad front.

For areas interested in pursuing non-structural reform, these potential pitfalls could be avoided by adopting the following approach:

1. Develop a vision and business case.
2. Design a structured implementation plan.
3. Manage implementation as a programme.
4. Focus on delivering the key enablers.

#### *Develop a vision and business case*

The vision for this type of programme should be a pragmatic statement of ambition. For some areas it may be a vision, with an expectation of deepening collaboration as an acknowledged objective. For others it will suffice to highlight a small number of areas where there is recognition that the county and districts need to work together better for the benefit of their residents and communities.

A statement of purpose needs to be simple and directed only at the objectives to which partners agree. It is beyond the scope of a report of this nature to set out how the first move should be made – local leaders and chief executives who are interested in exploring a collaborative model

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<sup>16</sup> An interim evaluation<sup>16</sup> was published two years into the programme which involved Buckinghamshire, Dorset, Hertfordshire and Lincolnshire.

will need to take a judgment, based on local knowledge, of how to engage other councils in initial discussion, taking into account history and the current initiatives. However, the resultant statement of purpose or vision must be jointly owned by the county and districts. Any sense that it is “county led”, or “district led” will pose a major risk to sustainability.

In addition to the high level vision, county and district councils adopting this type of approach should develop a detailed business case. This would describe the particular areas of focus for the programme – including the initiatives or opportunities that would be pursued – as well as a detailed examination of the potential costs and benefits.

The value of the business case associated with this work should not be underestimated. The process of developing it can be used to generate strategic alignment, and to establish the benefit from pushing any existing collaborations on to a bigger scale. The document itself could be critical in ensuring the coalition stays the course and delivers on the integrity of its initial ambition throughout implementation. It needs to establish enough detail of expected initiatives to allow an assessment of whether sufficient benefit can be achieved and to be clear about the expected level of implementation effort.

The business case should also identify what support may be needed from the Government. The question of national level enabling support is discussed later in this document, but individual areas may identify initiatives for which they wish to bid for funding, flexibility to capitalise spending or for other targeted freedoms from national policy design.

#### *Design a structured implementation plan*

A clear implementation programme plan would need to be designed to capture the prioritisation, milestones and gateways needed to focus effort, marshal resources and maintain momentum. It would need investment to ensure it is properly resourced. It cannot rely on efforts around the margins of senior officers’ core day jobs.

It is suggested that this should be devised around a number of building blocks. However, it is critical that the style of implementation is closely tailored to what is right for the area. Inter authority relationships in two tier areas are complex for reasons such as a legacy of previous discussions of unitary bids or unsuccessful devolution bids, which in some cases have soured relations and can create suspicion about future intentions. With this in mind, there is a set of considerations that will accompany implementation planning.

- **Dependency mapping and management:** visible dependency management is important for highlighting to the participating councils areas where they need to take action. For example, job descriptions of regulatory staff may need to change in order to allow them to report findings on a wider front than their current roles. Unless dependencies are noted, with responsibility allocated for acting on them, there is a risk of delayed implementation. It is precisely this that can create inertia and damage the credibility of the initiatives.
- **Risk management:** a programme of collaboration inevitably brings risks. The business case process should highlight key risks, but they must continue to be managed and made highly visible to all authorities. Given the historic obstacles to closer two tier working in some areas, tackling risks head on is a way to focus discussion on to solutions, from the starting point that the risk can be managed. Appendix C contains an initial assessment of likely risks and associated mitigations.
- **Delivering with pace and discipline:** this is principally a question of allocating the right resources with the right skills to take initiatives forward. It is anticipated that initiatives will require dedicated project managers who can own the detail of the project plan and can co-



ordinate resources and support decision-making to keep to agreed timescales. At a programme level, it is also important to identify aspects of the programme that can serve as early wins. These are important for building confidence, reinforcing commitment of the partner authorities, and providing an incentive for further benefit delivery.

### *Manage implementation as a programme*

Once a plan is in place, implementation must be managed as a clear programme to give it focus. Essential components are:

- Governance: governance mechanisms will be needed to provide oversight on three principal areas:
  - Overall direction and leadership of the collaborative ambitions. This may be overseen by a county-wide leaders' board, but, on the principle of delivering with pace, in many cases is likely to need a group of senior officers to drive it, and a bespoke programme board.
  - Financial arrangements. This will need to oversee how, and how much, partners contribute to a funding pool and the decision-making process for releasing funds. This is also important for agreement of benefit sharing. To bind the coalition of the willing, leaders will need to anticipate scenarios for benefit, particularly in the prevention area, that is felt by a partner who is not the prime contributor to an initiative. A shared benefit pool with a relationship between benefit realised and overall contribution will be needed to ensure equity.
  - Initiative specific direction. This needs to take account both of implementation specific project boards, but also initiative specific operational governance. For large scale activities with a major shift of responsibilities this may require constituted joint committees or other joint boards.
- Programme management office (PMO): a PMO will be needed to keep transformational initiatives on track. This is the day to day activity that pushes risk and dependency management into the mainstream and will keep delivery of collaborative initiatives at the top of the agenda. A PMO will undertake regular reporting and would also have responsibility for benefits management. By tracking benefits against a suite of agreed measures, it would spot if initiatives are not delivering in line with expectation, and would report into the governance board that can then consider mitigating action.

### *Focus on delivering the key enablers*

An important component of successful transformation is enabling activities focusing on people, process and technology change. In a restricted programme of initiatives this may be carried out on a project by project basis, but for economy of scale and maximum impact these are factors that need to be considered across the piece. Enabling work within a programme would include:

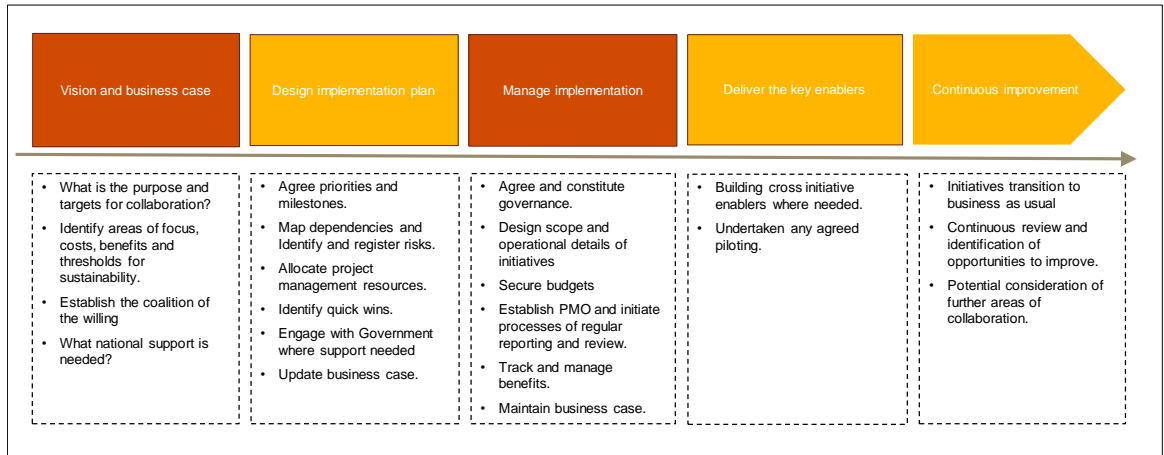
- People and skills: training or new accreditations for staff to enable them to work differently or extend their skills into related areas, for example new areas of regulation or licensing.
- Technology: investment in digital platforms or joint case management to support cross organisation working.
- Process transformation: establishing common processes to enable work to be carried out on a shared basis.

- Performance management: establishing a framework that ensures staff have the incentives to engage with collaborative initiatives.
- Information and insight: ensuring data and business information is available at the right scale to provide insight about shared customers and patterns of need.

*Indicative implementation roadmap*

Taking all this into account, a generic roadmap would be as shown below:

**Figure 26: roadmap for two tier collaboration implementation**



## 4.2 Support needed from the Government

Despite the urgent platform for change outlined in this document, the research carried out has identified a number of barriers to making non-structural reform happen. This is not for failure to recognise the benefits and necessity for action. Rather it is an impact of the pressure of accumulated experience. For example, one of the chief executives interviewed during the course of this work said:

“We must be realistic about what we can achieve...The audience is not disposed to work together. There is a barrier and reason why we don’t.”

In some areas there is a fear of making the first move. It is clear that counties are concerned that initiating discussion of non-structural reform could be misinterpreted as the thin end of a wedge for achieving a hidden unitary agenda.

In this context, the most powerful support the Government could give would be to confirm its support and expectation of non-structural reform through guidance about the importance of enhanced two tier working, the provision of incentives, and also consideration of a national policy and/or legislative framework which could help to ensure that conversations on non-structural reform are managed in a mature and constructive manner. This may also require providing reassurance to districts that there is no existing policy landscape in which engaging in two tier collaboration will be seen by the Government as a move towards unitary structures.

This could involve:

- Consideration of the development of a coherent cross-departmental policy framework outlining Government expectations for non-structural service collaboration linked to on-going reform agendas, such as the Government’s waste strategy, planning reforms and independent review of disabled facilities grant.

- A review of legislative barriers preventing or inhibiting non-structural reform, including the balance of statutory powers between county and district tiers.
- Identification of a range of incentives for non-structural reform, including:
  - Identifying how inter-tier collaboration can be designated as a criterion for the devolution of powers to councils in two tier areas in the forthcoming devolution framework.
  - Establishing a framework, on a pilot basis, for Government to match local funding for a non-structural reform programme. This will help to address authorities' concerns about the longer payback period than may be expected from structural change.<sup>17</sup>
  - Working with LEPs to indicate how they can incentivise working that produces a single, but representative voice in county area economic planning.

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<sup>17</sup> As set out in section 3.6 of this report, the midpoint of the potential cost-benefit range would have had the potential to achieve an aggregate three year, six month payback period. The 2016 research by EY for the County Councils Network identified a payback period of two years and two months for a single unitary option, although a longer period (three years, two months) for two unitaries.

## 5. Case studies

*In many areas, aspects of collaborative two tier working are already taking place. This report aims to present a model which will enable councils in two tier areas to build on examples of successful joint working and to collaborate at a scale that will offer more benefit. To support this process, the County Councils Network has collated a number of case studies of collaborative working that are consistent with aspects of the model set out in this report.*

### **Gloucestershire County Council and Gloucester City Council shared services**

Gloucester City Council has a key role as a place shaper of the historic city of Gloucester. The county council recognises that the socio-economic profile of the city means that a significant proportion of its service demands in public health, children's and adult social care will be generated in Gloucester, particularly in its more deprived wards.

A Memorandum of Understanding sets out the two councils' ambitions to maximise opportunities and efficiencies through sharing services. They have been working through a programme reviewing all back office services with an objective that the city council's back offices will be delivered by the county council, where appropriate to do so. The joint arrangements have been recognised as "strong and effective" by recent Corporate Peer Challenges for the city council (November 2017) and the county council (July 2018).

This is about delivering savings, greater business resilience and better alignment between the two councils:

- The city council's Managing Director is a joint appointment and works 50 per cent of his time as a Commissioning Director for the county council. This arrangement has been the driver for the enhanced relationship, which has helped to build trust, exercise informal influence.
- In 2016 the councils introduced a s101 agreement for Human Resources services as well as related transactional services (value: £229,000).
- The county council delivers the city council's communications services (value: £86,000), which includes pro-active and reactive media management, internal communication, campaigns, social media and the planning and delivery of the city council's digital City Life resident magazine.
- The county council provides the payroll function to the city on a commercial basis, which encompasses a full managed payroll service including SAP Payroll and paper payslips as necessary (value: £34,000).

Both councils have significantly reduced their workforce over the last few years and have surplus office space. The city council's offices in the docks are an attractive commercial proposition and plans are being made for the relocation of city council staff into Shire Hall from early 2019. This will provide opportunities for further alignment of service delivery through formal and informal liaising and networking.

The councils believe that they can do more and are exploring:

- Opportunities for joint strategic commissioning in social care, children's services, and health, using the city council's strengths in asset based community development.
- Considering where they can fund joint capital investment across the city to deliver shared priorities.

## Worcestershire One Public Estate Partnership

The Worcestershire One Public Estate Partnership (WOPEP) is a strategic collaboration which also supports service collaboration and public sector reform. It involves eighteen public sector organisations operating in Worcestershire, including Worcestershire County Council and the six district councils.

WOPEP is well-established and has taken a collaborative approach to the use of public sector assets. Under a Chief Executive group, the Partnership Executive Group (PEG), WOPEP has taken on a much wider focus and role, looking for collaborative opportunities to address shared partnership goals and involvement of Worcestershire LEP as board members assists it to make links to housing, health, economic growth and regeneration, infrastructure and inward investment.

WOPEP is undertaking a comprehensive mapping and review of public sector assets to identify opportunities for collaboration, either in service delivery, disposal or investment. WOPEP has provided the mechanism and opportunity to look at potential joint investments within the county and the public sector estate.

One of the initial projects was the establishment of a wholly public sector owned property and asset management company in which where the county council and two of the district councils are shareholders, although the two districts are now exiting. This has consolidated third party contracts across its shareholder base, resulting in a reduction in spend across those authorities as well as supporting the individual organisational disposals and collaboration.

WOPEP has established four thematic work groups to focus on specific issues or projects:

- Depots – service collaboration to understand the future use options and redevelopment opportunities of these key sites.
- Housing – strategic collaboration to set the strategic direction for housing across Worcestershire and to identify the barriers to housing delivery in the county.
- Place-based reviews – strategic collaboration in support of master planning and delivery in three district areas.
- Health – strategic collaboration in support of a bid for an Integrated Health Hub on a mixed use site.

Across the local public sector, WOPEP's work has released of £13m of estates costs and income generation through releasing surplus accommodation of over £2m. It has also secured £1m in grants to date and a further £1m in Land Release Funding.

## Staffordshire Moorlands Growth Strategy

Only by working as equal partners can Staffordshire County Council (SCC) and Staffordshire Moorlands District Council (SMDC) deliver their shared goals of economic and housing growth and making Staffordshire a better place for living, working and investment. This is formalised through a joint Growth Strategy that sets out a shared vision and ambition for Staffordshire Moorlands in relation to economic, housing and health developments.

This joint Growth Strategy has provided the opportunity for both authorities to agree principles and priorities relating to District-wide growth over the five-year period, 2018-2023, building on a previous District Deal arrangement. Underpinning this is the principle of enhanced two-tier working with each local authority playing its role for the benefit of the local area and its residents, as well as providing other partners with clarity about how we work together and with them.

This is part of a wider programme of district deals, growth deals, and closer joint working between SCC and the district and borough councils to deliver enhanced two-tier working for the residents, businesses, and communities in Staffordshire.

The agreement has allowed the councils to focus their resources on three agreed priorities, benefiting from joint funding, shared officer time, and other physical resources. A new SMDC local plan is in the latter stages of preparation and identifies sites for development and protection. The aim is to support the growth of 320 homes per year and deliver 27 hectares of additional employment land by 2031. SMDC and SCC have collaborated on all aspects of this and SCC is using its strategic planning powers to drive growth and transformation. This role encompasses convening a wide range of partners to deliver the levers for future economic growth and development. Fundamental to this is the need to ensure that the right housing and infrastructure is in place. By encouraging enhanced two tier working, by supporting SMDC with its own plan allows the county council to join up local and strategic infrastructure planning, and to promote sustainable growth in both rural and urban areas.

Alongside this joint work is the county council's involvement in and leadership of sub-national bodies such as the Midlands Engine for Growth, Midlands Connects, and the Constellation Partnership (Northern Gateway Development Zone). This allows SMDC and SCC to exploit the benefits of the A50 Corridor which connects the district to the M6, M1, Stoke-on-Trent, Derby, HS2, and to high value businesses such as JCB, Bentley, Rolls-Royce and Bombardier. Enhanced two-tier working allows both authorities to confidently promote our joint ambitions at different forums and on behalf of each other.

Officer resources work seamlessly together based on the confidence provided by the political leadership from both authorities and steered by the Growth Strategy agreement. Other benefits include:

- Master plans have been jointly funded to help deliver the regeneration projects.
- Agreement has been reached about better use of the public estate in two locations to trigger additional private sector development.
- Better use of budgets to jointly share the cost of appointing external consultants.

## 6. Conclusion

Counties and districts know they need to work together. Indeed, all have been doing so to a greater or lesser extent since the two tier system was introduced. The case studies presented here also show that there are many examples where the connections have been intertwined in a way that offers a unified face to local people, at the same time as making efficient use of the total available local government resource in their geography.

However, the pattern of collaboration around the country and within county areas is highly varied, often reflecting complex political relationships, as well as historic practice between authorities. Today's financial and demand challenges require strategies that transcend the constraints of boundaries and formal delivery responsibilities.

This report has suggested a model for enhanced two tier working that puts an emphasis on collaboration at different levels, from local place-shaping to presenting a single voice at regional and sub-regional level. This has to be a flexible approach that can be adapted to different requirements in each of remaining two tier areas. It is defined by a number of principles that focus on the concept of a "coalition of the willing" and maintaining the sovereignty of the participating councils. By selecting collaborative initiatives within this framework that are right for their areas, there is the potential to deliver a number of improvements, including:

- A simpler and more coherent experience for service users.
- A more functional scale for addressing the most urgent challenges.
- Improved prioritisation of services – providing local leaders with a greater understanding of how the full range of local government "levers" impact on places and people, so helping them to make more rounded choices in the face of declining resources.

A number of assumptions have been made about the levers collaboration would create to deliver financial savings to county areas. With a mix of initiatives, the analysis suggests it would be possible for a medium sized county area to save between £9m and £21m each year. These are deliberately conservative figures, because of the reliance on several assumptions. The intention is that this is enough of an indication of benefit for counties and districts to assess for themselves the potential benefits associated with greater collaboration in their areas. County councils will note that the level of financial return envisaged for them is less than for district councils. However, they stand to gain through improvements to the overall sustainability of their work from the qualitative benefits described.

The mixed history of two tier collaboration, such as the Pathfinder programme in the 2000s, shows that a much more programmatic approach will need to be adopted if the benefits available are to be achieved. This needs to begin with a vision or statement of purpose and move through a local business case into programme delivery disciplines to keep improvements on track. This cannot be delivered successfully and at scale by a group of senior officers working in the margins of full time day jobs – additional investment will be required.

While this report has focussed on the compelling case for developing an enhanced model of collaboration in two tier areas, it is acknowledged that achieving this will not be without its difficulties. First, in many areas, councils are rightly concerned about the divisive nature of previous debates about the potential for local government reorganisation. It is possible that a renewed focus on collaboration may be misinterpreted as a move towards structural reform. Secondly, previous attempts at non-structural reform initiatives – such as the 2000s Pathfinder –

notably failed due to a lack of buy-in from partners and a structured Government framework to ensure activity took place at the necessary scale and pace. Thirdly, individual councils may believe that the level of saving directly available to them is low, especially given the implementation effort needed. This may be an issue for county councils, who stand to take only about a third of the savings.

In this context, clear Government guidance about the importance of enhanced two tier working, the provision of incentives, and also consideration of a national policy and/or legislative framework, could help to ensure that conversations on non-structural reform are managed in a mature and constructive manner.

Few would argue with the suggestion that local government in England is at something of a crossroads. After nearly a decade of reductions in public spending, not to mention the numerous other challenges and opportunities associated with demand, the potential of emerging technologies and considerable political and economic uncertainty, the pressure on local councils is beginning to take its toll. We have already witnessed one county council all but succumbing to this pressure and many in the sector expect more will follow.

There remain a number of options local government could take to address this situation. This report shows that county and district councils in these areas do have a choice, but the range is narrowing all the time.

In two tier areas, there has been a focus on the potential for local government reorganisation to deliver improved outcomes and efficiency for residents and communities. For those areas wishing to pursue reform, this is an opportunity that many areas may have been waiting for and it can undoubtedly deliver significant benefits. Nonetheless, in other areas the discussion at both a national and local level has been divisive and disruptive.

There is a need for another option, but it must seek similar levels of transformative change and not be inhibited by the limitations of previous reforms.

In some instances, the potential for delivering savings through internal transformation may result in some councils opting to try and address their challenges alone. In others, counties and districts will build, incrementally, on the joint working arrangements they have developed in the past. However, it is those authorities that choose to pursue joint working on a more strategic basis at scale that will be more likely to deliver the level of return that will ensure their long term sustainability.



# Appendix A

This appendix presents notes on the assumptions made to support calculations about the savings and costs of non-structural reform. This supplements, but does not duplicate, information given in the text of sections 3.4 to 3.6 of the report.

## Savings

### *Operational efficiency*

Savings have been calculated by dividing employee spend for each of nine example collaborative service initiatives into three categories: contact and assessment; service delivery; and enabling. This has been done in a way that reflects comparator data from PwC's experience.

A range of percentage estimates, low, medium and high has then been assumed for the potential reduction in these categories that collaboration could bring by allowing activity and processes in these areas to be standardised, shared, simplified and/or automated. The percentages used are shown in the table below:

**Figure 27: assumptions for potential savings for different categories of work through operational efficiency initiatives**

Service initiative	Low savings %			Medium savings %			High savings %		
	Contact and assessment	Service delivery	Enabling	Contact and assessment	Service delivery	Enabling	Contact and assessment	Service delivery	Enabling
Waste collection and disposal	2.5%	2.5%	10.0%	5.0%	5.0%	15.0%	7.5%	7.5%	20.0%
Licensing and regulatory services	10.0%	2.5%	10.0%	15.0%	5.0%	15.0%	20.0%	7.5%	20.0%
Revenues and benefits	10.0%	2.5%	10.0%	15.0%	5.0%	15.0%	20.0%	7.5%	20.0%
Back office support and administration	0.0%	0.0%	15.0%	0.0%	0.0%	20.0%	0.0%	0.0%	25.0%
Building control, planning and related	10.0%	2.5%	10.0%	15.0%	5.0%	15.0%	20.0%	7.5%	20.0%
Street cleansing	5.0%	0.0%	5.0%	10.0%	0.0%	10.0%	15.0%	0.0%	15.0%
Crime and safety	0.0%	2.5%	10.0%	0.0%	5.0%	15.0%	0.0%	7.5%	20.0%
Culture	5.0%	0.0%	5.0%	10.0%	0.0%	10.0%	15.0%	0.0%	15.0%
Election spend	10.0%	2.5%	10.0%	15.0%	5.0%	15.0%	20.0%	7.5%	20.0%

### *FTE costs*

An annual cost per employee (excluding senior management), has been assumed at: £32,000. This includes on costs.

## Costs

The following assumptions have been used:

- Senior management redundancy cost per head: £50,000.
- Non senior management redundancy cost per head: £25,000.

## Cost – benefit analysis

The report explains that projected benefits will take several years to reach their full potential. The table below shows the assumptions made about the rate at which benefit would be realised. 100% represents the full annual recurring savings amount:

**Figure 28: assumptions for ramp up of annual recurring savings**

Savings area	Percentage of annual recurring savings realised				
	Year 1	Year 2	Year 3	Year 4	Year 5
Operational efficiency and third party	0	25	75	100	100
Senior management	0	25	75	100	100
Premises	0	0	25	75	100

The phasing of costs would be as follows. Since costs are one off, the percentages shown are the percentage of the total one off cost that would be incurred in the year shown:

**Figure 29: assumptions for phasing of one off costs**

Savings area	Percentage of total one off costs incurred				
	Year 1	Year 2	Year 3	Year 4	Year 5
Redundancy costs - senior managers	0	25	50	25	0
Redundancy costs - non-senior managers	0	25	50	25	0
Transition costs	50	50	0	0	0
Service transformation and programme management	20	50	30	0	0
Third party spend programme	25	50	25	0	0
Technology transformation	0	70	30	0	0
Training	0	50	50	0	0

# Appendix B

This appendix presents a detailed breakdown of the county and district savings amounts.

**Figure 30: county – district breakdown of initiative specific operational efficiency savings**

Service initiative	County – district savings split					
	County %	District %	Savings amount (£m)			
			County (low)	District (low)	County (high)	District (high)
Waste collection and disposal	14	86	1.1	6.7	2.4	15.0
Licensing and regulatory services	27	73	2.3	6.4	4.9	13.5
Revenues and benefits	0	100	0.0	7.6	0.0	15.8
Back office support and administration	40	60	27.0	40.2	45.0	67.0
Building control, planning and related	10	90	1.0	9.2	2.0	19.3
Street cleansing	0	100	0.0	1.2	0.0	3.5
Crime and safety	12	88	0.3	1.9	0.6	4.0
Culture	19	81	0.9	4.0	2.7	11.9
Election spend	5	95	0.1	1.5	0.2	3.2
<b>Total</b>	<b>28</b>	<b>72</b>	<b>32.7</b>	<b>78.7</b>	<b>57.9</b>	<b>153.3</b>

**Figure 31: county – district breakdown of initiative specific third party spend savings**

Service initiative	County – district savings split					
	County %	District %	Savings amount (£m)			
			County (low)	District (low)	County (high)	District (high)
Waste collection and disposal	33	67	2.9	5.8	8.7	17.3
Licensing and regulatory services	12	88	0.2	1.7	0.7	5.1
Revenues and benefits	0	100	0.0	3.1	0.0	9.3
Back office support and administration	39	61	7.6	12.0	22.7	36.1
Building control, planning and related	5	95	0.1	2.1	0.4	6.3
Street cleansing	0	100	0.0	1.5	0.0	4.5
Crime and safety	16	84	0.1	0.5	0.3	1.5
Culture	11	89	0.8	6.2	2.3	18.6
Election spend	27	73	0.3	0.7	0.8	2.1
Non initiative specific third party saving	66	34	18.0	9.3	53.9	27.9
<b>Total</b>	<b>41</b>	<b>59</b>	<b>29.89</b>	<b>42.97</b>	<b>89.68</b>	<b>128.91</b>

# Appendix C

## Risks

This table highlights likely implementation risks and suggested mitigations:

**Figure 32: potential implementation risks and associated mitigations**

Reference	Risk	Mitigation
1.	County council raising questions of deeper two-tier collaboration damages existing county – district relationships due to historic factors.	Link to clearly defined initiatives and expected outcome and financial benefits and indicate how districts would be involved in determining scope and business case.
2.	Some initiatives are seen as “county led” or “district led”, and thus do not enjoy the full cross tier commitment that they need.	The business case process must be joint between the county and participating districts.
3.	Implementation heads off track due to insufficient resource or commitment.	Business case must include a “management case” highlighting the resources and programme needed for implementation.  Programme structures must create milestones and deadlines, linked to achievement of savings, in order to provide impetus to deliver.
4.	Loss of momentum, and potential exit of some participating authorities.	Tie implementation to a programme structure and build in continuous improvement reporting.  Create a benefits sharing arrangement so all authorities have a stake in driving through benefits.

