Evaluating the importance of scale in proposals for local government reorganisation

Summary report
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pwc

Introduction

The impending publication of the White Paper on devolution and local recovery has accelerated the debate about local government reorganisation in England. In doing so, an explicit link has been made between this agenda, 'levelling up' and the potential establishment of more combined authorities.

Alongside this, after a decade of having to make substantial savings local government continues to face significant financial challenges, with further pressures brought about as a result of the Covid-19 pandemic.

Together, these factors have increased the appetite for change at both a national and local level. Many have suggested the two-tier model of local government is reaching the limits of what can be achieved in different areas. It has been argued that the way in which services are administered and delivered will need to be re-thought if the country is to secure a fair recovery, focused on improved outcomes for everyone.

The importance of scale

Though county and district councils have worked well together in many parts of the country over many years, particularly during the recent response to Covid-19, it is becoming increasingly clear that improving the resilience of public service provision and critical support for the most vulnerable must be a priority at all levels of government.

In many places, this has resulted in a resurgence of interest in merging county and district councils to create unitary authorities. Where this is being considered it is clear that the implications of scale and the benefits of establishing new unitary authorities need to be clearly understood.

The debate about scale in local government has been repeated over many years and several rounds of local government reorganisation, with a particular focus on the 'optimum' population thresholds around which new unitary authorities should be established.

The most recent official Ministerial statement on unitary population size was made in June of this year, and outlined that unitary councils are expected to be 'substantially in excess of 300-400,000'. It is anticipated that the White Paper will provide further details on the criteria for unitary proposals.

In developing both the White Paper and local proposals for the creation of new councils, careful thought needs to be given to scale and its implications for the number of new unitaries which could be established in any given geography.

Purpose of this report

The purpose of this report is to consider the importance of scale in proposals for local government reorganisation.

Particular focus is given to the potential costs, risks and implications associated with the process of dis-aggregating the services delivered by county councils in scenarios where more than one new unitary could be established within existing county geographies. These issues are assessed alongside an examination of the potential benefits associated with local government reorganisation more generally.

The implications of scale and disaggregation have been assessed through the prism of four unitary scenarios based on current county council boundaries. All of these scenarios represent potential options for reform, as does retaining the existing two-tier system of local government. Other types of reform could also be considered, such as the merging of small unitary authorities with a neighbouring county and/or district councils. However, these additional approaches to reorganisation have not been explored in this report.

Drawing on new quantitative financial modelling and a range of qualitative evidence, the report sets out a range of financial and non-financial benefits that may be brought about through the establishment of unitary local government. The implications of alternative models of delivery are also considered at a high level.

The report identifies considerations relating to:

- the **costs** associated with disaggregation;
- what this might mean in terms of **risk and resilience** of service provision;
- how service **performance** might be impacted;
- what it could mean for the **place** agenda; and
- issues arising from the response to **Covid-19**.

It also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children's trust in every two-tier area in England.

The report has been published now to inform the development of the White Paper and different unitary propositions that may come forward as a result.

Financial analysis

What are the quantitative costs and benefits of scale and disaggregation?

The table below outlines the results from quantitative analysis for all 25 two-tier areas in England. Section 4 of this report sets out in detail the methodology. The analysis suggests that the single unitary scenario offers the greatest financial benefit.

Summary for all 25 two-tier areas	1UA	2UA	3UA	2UA + Trust
Total annual benefit (£m)	708	592	512	541
One-off transition costs (£m)	-421	-560	-697	-662
Annual disaggregation cost (£m)	-	-244	-415	-328
One-year impact of disaggregation (£m)	-	-472	-838	-694
Five-year impact of disaggregation (£m)	-	-1,930	-3,283	-2,674
Net benefit after five years (£m)	**2,943**	**1,032**	**-340**	**269**
Recurring annual benefit after five years (£m)	**708**	**348**	**97**	**213**
Gross benefit after five years (£m)	**3,364**	**1,591**	**358**	**930**

The costs of disaggregation, including the foregone benefits are outlined for each of the scenarios below:

Summary for all 25 two-tier areas	2UA	3UA	2UA + Trust
Single unitary (1UA) annual saving (£m)	708.2	708.2	708.2
Less increased costs due to disaggregation (£m)	-244.4	-414.8	-327.8
Less reduction in achievable annual saving (£m)	-115.9	-196.3	-167.3
Recurrent annual saving (£m)	347.8	97.1	213.1
Reduction in annual savings compared to scenario 1 (£m)	360.3	611.1	495.1

Benefits of transformation

It is important to note the figures cited in this report account for the potential savings and costs associated with the reorganisation process alone.

The experience of previous rounds of reorganisation suggests the process can also serve as a catalyst for transformation. Were transformation to be pursued at the same time as reorganisation, the potential benefits on offer could be two or perhaps even three times those associated with reorganisation alone (albeit the costs of implementation would also rise).

While this report does not consider potential transformation benefits in any detail, there would be a proportional relationship between the potential benefits on offer and scale – i.e. the single unitary scenario is likely to offer greater transformation benefits than the other scenarios identified in this report.

Cost

Cost

This theme relates to the financial costs and savings associated with reorganisation and considers the benefits achievable through economies of scale as well as the additional costs likely to be incurred as a result of disaggregation.

Impact of scale

Increasing the scale at which a local authority operates will realise financial benefits through economies of scale. Financial benefits can be generated by reducing duplication across front and back office functions and senior management, reductions in property costs and through the more effective management of supply chains. Operational benefits can also be maximised across service areas such as waste and planning.

The analysis carried out during the development of this report demonstrates that should government seek to establish county unitary authorities in all remaining two-tier areas in England. There is the potential to realise benefits of £2.9bn, with the average cumulative five year benefit for a mid-sized authority area totalling £126m[1].

The scale at which reorganisation takes place will have a material difference in meeting the rising service costs in key areas such as adults, children's and waste services. Analysis has shown that due to the economies of scale that can be achieved and payback period of under a year, a mid-size single unitary could realise enough benefits to meet 95% of the projected increases in service cost over the next five years, compared to 39% under a two unitary scenario.

Impact of disaggregation

In instances where more than one new unitary is established in an existing county geography, services provided by the county council would need to be disaggregated (e.g. children's services) and there would be a further impact on other county-wide services where they exist (e.g. fire and rescue services). The analysis shows that this would result in additional costs being incurred, both as a result of the disaggregation process, but also in terms of the opportunity costs associated with not maximising the potential benefits on offer. For example, such a scenario may require two or even three directors of children's services to be appointed in an area previously served by one.

Were government to pursue reorganisations that disaggregate county services, a scenario of two unitary authorities in each two-tier area across the country reduces the realisable benefits to £1.0bn, with the average cumulative five year impact for a mid-sized authority area totalling £51m. In a three unitary scenario there would still be a net deficit position of nearly £340m after nationally, with the five year impact for a mid-sized authority area totalling -£1.6m.

Implications of alternative approaches and delivery models

One means of mitigating this requirement in certain service areas would be to consider establishing an alternative service delivery model. For example, it might be possible to consider putting in place a children's trust to deliver children's services across an area previously served by a county council to avoid some of the impacts of disaggregation. However, this approach has the potential to add additional complexity to the system and would reduce the financial benefits associated with reorganisation.

The financial analysis has shown that while this scenario, in every area in England, could deliver a net benefit over five years of £269m, or £22m for a mid-sized county, the implementation and recurring costs of a trust reduces the benefit compared to both a single and two unitary scenario.

Non-structural reform and enhanced collaboration (where the two-tier system is retained) can offer financial benefits and would clearly avoid the consequences associated with disaggregation. However, the benefits likely to be delivered through these sorts of arrangements are typically lower, take longer to accrue, and require relatively complex governance and oversight.

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[1]The figures cited in this report draw on input data from all 25 two-tier county areas. Each area has been modelled, differentiating this analysis from previous studies where averages have been used.

In addition, calculations have been made for an example mid-sized authority. These calculations should not be misinterpreted as being based on the average. The mid-sized authority calculations take current variations in scale across all 25 two-tier areas in England into account (there are a large number of two-tier areas which serve relatively small populations).

Risk and resilience

This theme relates to the risks that will arise in instances where disaggregation is required in order to establish more than one new unitary in a county geography.

Impact of scale

While there is no inherent connection between the scale of an organisation and its ability to manage risk in absolute terms, the fact that the majority of the critical care services are currently the responsibility of county councils is a particular challenge in the debate about local government reorganisation. The scale of the councils engaged in the management of services such as children's and adult social care, has enabled them to develop the capacity and safeguarding arrangements required to support and protect some of the most vulnerable people in society. Furthermore, it has provided these organisations with the ability to manage their supply chains more effectively than might otherwise be the case.

Conversely, smaller organisations have a tendency to rely on smaller teams, where levels of fragmentation (individuals and teams with multiple responsibilities) tend to be higher. In such instances, there is greater likelihood of single points of failure occurring, which can undermine the ability of those organisations to manage risk as robustly as might otherwise be the case.

Impact of disaggregation

The process of disaggregating county services would pose a risk to some of the more critical areas of local government provision. For example, when considering what this might mean for children's or adult social care services, a number of issues become apparent:

- There is already fierce competition when recruiting to senior leadership roles in local government. Increasing the number of authorities overall may increase the demand for senior leaders in an employment market that is already struggling to provide candidates with sufficient experience.

- The process of disaggregating adult and children's care functions is likely to add a layer of complexity to service delivery and increase the risk of disruption to critical services and safeguarding arrangements.

- The process of disaggregation could favour one newly created authority over the other in terms of how the experiences and knowledge of individuals is distributed. This would need to be considered when examining potential options in any geography.

- Disaggregation introduces additional parties into the system which could create a competitive environment for third party providers, potentially creating instability in care markets and impacting on the capacity and quality of commissioning.

- Disaggregation can cause fragmentation of strategic oversight, limiting the scale of information available and increasing complexity within the system.

- Disaggregation of enabling and support functions (e.g. HR, finance, customer management) will require further investment to ensure they can remain operational.

- Disaggregation has the potential to drive longer-term disruption in terms of diluting teams, and undermining attempts to attract and retain talent.

Implications of alternative approaches and delivery models

A further consideration would be the addition of a trust into a reorganisation model. While the ambition and design principles of an alternative delivery model would be to deliver better outcomes, the creation of such a vehicle would - amongst other aspects - require additional leadership posts and governance arrangements. This would lead to additional costs and further complexity to an already crowded system, creating further points of interaction and potential points of failure. It also has an impact on how commissioning and the care sector or market is managed and whether stability of provision can be maintained. In addition, there is limited evidence that the implementation of these types of models can lead to an immediate improvement in service outcomes.

Performance

This theme relates to the potential impacts of scale and disaggregation on service performance.

Impact of scale

One of the attractions of the unitary model is the inherent simplicity associated with operating a single organisation responsible for all local government services in an area. While the evidence base linking scale and local authority performance is relatively inconclusive, in areas where performance in county council services is improving or high, it is likely that the process of disaggregation would have a detrimental impact.

In addition, increasing the scale at which a local authority operates has the potential to facilitate improvements in performance by providing opportunities for integration with other service providers.

There are arguments that organisations can become too big and that in doing so they become inefficient and unable to respond to resident needs and demands effectively. However, there is relatively little evidence to suggest that large authorities cannot be agile and efficient in their operations or that arrangements cannot be put in place to address these challenges.

To future-proof services, drive change and deliver savings there needs to be the ability to invest and drive innovation. There is greater capacity and resilience in a larger council to be able to achieve this aim.

Impact of disaggregation

The process of disaggregation has the potential to disrupt performance across a range of service areas, but the implications of this are particularly stark in relation to people services:

- There is a risk that there could be substantial disruption in unpicking joint commissioning and integrated management structures which have been the result of careful redesign, any reversal of this will be perceived as a "step back".

- The processes of breaking up partnership - for example, unpicking existing health Integrated Care System (ICS) arrangements - is likely to be a very complex and resource intensive exercise which would cause a "substantial distraction" to service delivery.

- Shared services that go beyond county boundaries add a further layer of complexity when considering disaggregation. In such instances, shared service arrangements would either need to be terminated, putting both parties under pressure - one for loss of service the other through loss of income – or another possibility would be that one party would continue to provide the services which would take up a much higher proportion of its capacity, putting the organisation under increased strain.

- Alongside breaking up existing enabling and support functions (e.g. HR, finance, customer management), further complexities and inefficiencies could be introduced into the system through disruptive changes to established ways of working and other key enablers (e.g. workforce management, technology).

- Disaggregation introduces additional parties to the system. Increasing the number of organisations working has the potential to make what may already be relatively complex arrangements even more complicated.

Implications of alternative approaches and delivery models

There is relatively little evidence the implementation of alternative delivery models of the type examined in this report leads to improved performance. The creation of additional processes and the need for an intelligent client function introduces new steps to the system, building in additional complexity. There is the potential that existing arrangements to manage and safeguard data are undermined, further impacting the performance of any new organisations created.

Place implications

Place

This theme concerns the role that scale can play and the impact of disaggregation on the ability of new unitaries to act as effective place shapers in their geography.

Impact of scale

The establishment of larger authorities, with responsibility for strategic and operational functions covering an entire geography, offers a number of advantages. The benefits of strategic growth and planning can be maximised when delivered at scale across a wider area and potentially attract more inward investment.

The need to facilitate the building of a large number of new homes each year creates a major pressure on all local authorities to navigate the links between housing need and demand, planning, and wider infrastructure planning, financing and delivery. However, the availability of land does not always reflect local authority boundaries. The process of reaching agreement to manage these issues in a coordinated fashion across a broader functional economic area would be more complicated between multiple authorities than it would be under a single entity operating at scale.

The ability to communicate as a single or coherent voice for the place is important when trying to reshape a whole system. This coordination can help an authority get into the position of being seen as an equal player with large investors and government. A number of the organisations engaged during the development of this report stated that operating at scale had enabled them to attract larger multinational corporations to invest.

Impact of disaggregation

The process of disaggregating county-wide strategic services has the potential to drive a range of challenges:

- A more complicated stakeholder landscape can lead to less efficient decision-making and can reduce the effectiveness of some relationships. More effort could be expended in looking for the right person to speak to rather than building trusted partnerships aiming towards a unified purpose and delivering tangible outcomes.

- Disaggregation can create and concentrate economic disparities between new administrative boundaries. Any disaggregation could also create a situation where one new authority does not have a sufficient core of urban population which will mean it is less resilient and has increased service pressures for a dispersed population. These implications need to be considered in any options appraisal exercise.

- Another consideration regarding the relationship between scale and decision-making is in county areas that have a large rural footprint. Disaggregation can limit the potential of clear place leadership as the 'single voice' representing a place can be lost, as well as creating disparities in the potential for investment between the new areas. This needs to be considered in any options appraisal exercise.

- Place identity and brand are key levers to encourage and attract investment, disaggregation could hamper efforts to effectively position county areas to exploit opportunities for growth and develop an international profile.

Implications of alternative approaches and delivery models

The establishment of combined authorities covering new unitary councils is a potential opportunity to mitigate these challenges. It has been suggested in some two-tier areas that through the process of reorganisation, disaggregated smaller unitary authorities could delegate strategic growth functions, such as transport, to a new combined authority to maintain strategic scale in delivery.

However, the creation of combined authorities does not necessarily guarantee that the challenges of disaggregation on economic growth and housing functions can be easily mitigated. Through disaggregation, points of failure in the devolution negotiation process are increased, while there is currently no precedent for the simultaneous creation of unitary councils and a strategic delivery body for economic functions.

Covid-19

This theme relates to the lessons learnt from the Covid-19 crisis and the ongoing recovery, and what they might mean in the context of the debate about local government reorganisation.

Impact of scale

Operating at scale can enable more effective responses in times of crisis - as has been demonstrated during the response to Covid-19. Though local government has responded well to the virus in both single and two-tier areas, the experience has highlighted the potential of larger organisations to maximise the power of more substantial data analytics and reporting, and more straightforward governance arrangements.

Areas with consolidated responsibilities typically benefit from a simplicity in governance, meaning that they can respond to crises quickly and in a coordinated manner. Typically, scale has enabled larger authorities to be more resilient to financial shocks, ensuring they are more likely to be able to maintain service delivery in times of crisis.

Increased scale does not necessarily mean a disconnection from communities. Although to ensure that the community voice is heard, local governance structures need to give appropriate consideration to the options appraisal and design phases of reorganisation.

Structural changes in a system can offer opportunities for different approaches to local governance and renewed roles for town and parish councils. The Secretary of State for Housing, Communities and Local Government has expressed that town and parish councils should be empowered through the reorganisation process.

Impact of disaggregation

The process of disaggregation has the potential to result in several challenges, particularly relating to the ability of authorities to recover from the pressures associated with responding to Covid-19:

- Disaggregation significantly reduces the potential for reorganisation to meet pre-existing funding shortfalls and contribute towards service sustainability over the next five years. A single unitary could reduce the average mid-sized county funding gap by 34% compared to 14% under a two unitary scenario, and 6% under the a two unitary and trust model.

- The process of disaggregation could result in an uneven distribution of local income streams and impact post-Covid financial sustainability. Across two-tier areas there are inconsistencies in opportunities for income across individual or clusters of districts. Some are much stronger - and have benefited from a high business rate base or income from fees, charges and commercial income due to large shopping developments or transport hubs.

- Disaggregating authorities could place disproportionate pressure on the newly created unitaries depending on the geography and size of the new organisation.

- Disaggregation has the potential to disrupt the delivery of key strategic functions (e.g. adult and children's social care, fire and rescue services) that are not only critical to the ongoing response to Covid-19 but also to the future recovery from the pandemic.

Implications of alternative approaches and delivery models

Non-structural reform and enhanced collaboration (where the two-tier system is retained) could potentially build on some of the successes that have been seen in mobilising and responding to Covid-19. There have been good examples relatively recently of two-tier areas responding well to other types of crises (e.g. the response to extreme weather and flooding in Derbyshire).

However, the scale of the Covid-19 crisis has been unprecedented. It has thrown some of the issues explored in this report into sharp focus and has asked further questions about the resilience of the two-tier system.

Summary
Scenario 1: Single unitary authority

Based on the quantitative and qualitative analysis, the following policy implications of a single unitary authority model of local government reorganisation should be considered:

Cost
Costs associated with establishing sub-county unitary authorities.

Increasing the scale at which a local authority operates will realise financial benefits through economies of scale. Were government to pursue this scenario across the country, there is potential to realise £2.9bn benefits over five years, with the saving for a mid-sized authority over the same period totalling £126m. These benefits are driven from the consolidation of areas such as customer management and enabling services, senior management costs, reductions in third party spend and rationalised governance arrangements.

Risk/ Resilience
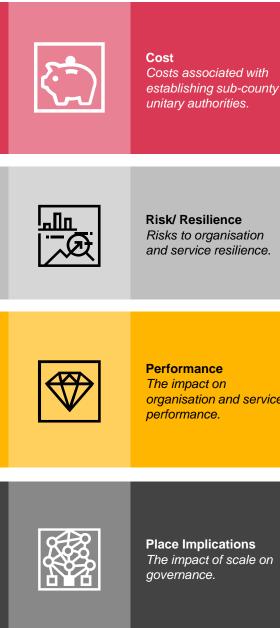*Risks to organisation and service resilience.*

The majority of critical care services are currently the responsibility of county councils. The scale of the councils engaged in the management of services such as children's and adult social care, has enabled them to develop the capacity and safeguards required to support and protect some of the most vulnerable people in society. Furthermore, it has provided these organisations with the ability to manage their supply chains more effectively than might otherwise be the case.

Performance
The impact on organisation and service performance.

One of the attractions of the single unitary model is the inherent simplicity associated with operating an organisation responsible for all local government services in an area. While the evidence base associated with scale and local authority performance is relatively inconclusive, in areas where performance in county council services is improving or high, it is likely the process of disaggregation would have a detrimental impact.

Place Implications
The impact of scale on governance.

The establishment of larger authorities (as would be the case in scenario 1), with responsibility for strategic and operational functions covering an entire geography offers a number of advantages. The benefits of strategic growth can be maximised when delivered at scale across a wider area and potentially attract more inward investment as well as the ability to communicate as a single or coherent voice for the place.

Covid-19
Lessons learnt from Covid-19 crisis and ongoing recovery.

Operating at scale can enable more effective responses in times of crisis - as has been demonstrated during the response to Covid-19. Though local government has responded well to the virus in both single and two-tier areas, the experience has highlighted the potential of larger organisations to maximise the power of their more substantial data analytics and reporting, and their more straightforward governance arrangements.

Summary
Scenario 2: Two unitary authorities

Based on the quantitative and qualitative analysis, the following policy implications of a two unitary authority model of local government reorganisation should be considered.

Cost
Costs associated with establishing sub-county unitary authorities.

The creation of two unitary authorities introduces the process of disaggregation which will duplicate effort in key areas such as senior leadership, service delivery and in democratic structures. Were government to pursue this scenario across the country, there is potential to realise £1.0bn benefits over five years, with the average saving for a mid-sized authority area over the same period totalling £51m. This is a 60% decrease on the potential benefits compared to scenario 1.

Risk/ Resilience
Risks to organisation and service resilience.

The process of disaggregating county services would pose a risk to some of the more critical areas of local government provision. For example: competition when recruiting to senior leadership roles, the risk of disruption to critical services and safeguarding arrangements as well as introducing additional parties into the system which could create a competitive environment.

Performance
The impact on organisation and service performance.

The process of disaggregation has the potential to disrupt performance across a range of service areas, and the implications of this are particularly relevant to people services, for example substantial disruption in unpicking joint commissioning and integrated management structures, breaking up partnership agreements - for example, unpicking existing health Integrated Care System (ICS) arrangements as well as increasing the number or parties operating within the system.

Place Implications
The impact of scale on governance.

Disaggregating into two authorities could create and concentrate economic disparities, while the addition of more stakeholders and parties to a place adds complexity and points of interaction in delivering strategic growth and housing. In a scenario of disaggregation this complexity potentially leads to less efficient decision-making and relationships less impactful. More effort could be expended in looking for the right person to speak to rather than building trusted partnerships aiming towards a unified purpose and delivering tangible outcomes.

Covid-19
Lessons learnt from Covid-19 crisis and ongoing recovery.

Disaggregation into two authorities significantly reduces the potential for reorganisation to meet pre-existing funding shortfalls and contribute towards service sustainability over the next five years, as well as potentially causing uneven distribution of local income streams. In addition, disaggregation has the potential to disrupt the delivery of key strategic functions (e.g. adults and children's social care, fire and rescue services) that are not only critical to the ongoing response to Covid-19 but also to the future recovery from the pandemic.

Summary
Scenario 3: Three unitary authorities

Based on the quantitative and qualitative analysis, the following policy implications of a three unitary authority model of local government reorganisation should be considered:

Cost
Costs associated with establishing sub-county unitary authorities.

Were government to pursue this scenario across the country, there would still be a net deficit position of nearly -£340m after five years, with the net position for a mid-sized authority area over the same period equalling -£1.6m. This suggests that from a financial benefits perspective, not only are the costs of transition and disaggregation higher, but the benefits that can be realised from reorganisation are significantly lower, and over a five year period, negative.

Risk/ Resilience
Risks to organisation and service resilience.

The process of disaggregating county services into three organisations would only increase the risks to service delivery as outlined in the summary for scenario 2 on the previous page. The reason for this is that the process of disaggregation is not only splitting services into three smaller functions but also triples the number of hand off points between the three new organisations.

Performance
The impact on organisation and service performance.

The impact of disaggregating into three unitary authorities would not only have an impact on people services as outlined on the previous page, but also on other more enabling functions. For example, breaking up existing enabling and support functions (e.g. HR, finance, customer management) could introduce further complexities and inefficiencies into the system through disruptive changes to established ways of working and other key enablers (e.g. technology).

Place Implications
The impact of scale on governance.

In addition to the points raised in scenario 2, the creation of three new unitary authorities in a place can limit the potential of clear place leadership as the 'single voice' . Place identity and brand are key levers to encourage and attract investment disaggregating the county areas could hamper efforts to effectively position the county to exploit opportunities for growth and sell itself nationally and internationally.

Covid-19
Lessons learnt from Covid-19 crisis and ongoing recovery.

Again, the process of disaggregation here risks fragmenting clarity of decision-making and service delivery, particularly in key areas that are facilitating the response and recovery from Covid-19 such as adults and children's social care, fire and rescue services. This scenario further impacts this as it is splitting these functions into even smaller entities compared to scenario 2 which will impact on their resilience.

Summary
Scenario 4: Two unitary authorities plus a children's trust

Based on the quantitative and qualitative analysis conducted at a high-level, the following policy implications of a two unitary authority and trust model of local government reorganisation should be considered:

Cost
Costs associated with establishing sub-county unitary authorities.

If strategic operations such as children's and adults services were to be disaggregated across multiple organisations there may be a desire to set up alternative models of delivery in order to attempt to mitigate fragmentation. One option could be to establish a children's trust. This approach has the potential to add complexity to the system and reduces the potential financial benefit of reorganisation.

Risk/ Resilience
Risks to organisation and service resilience.

While the ambition and design principles of an alternative delivery model would undoubtedly be to deliver better outcomes, the creation of such a vehicle would - amongst other aspects - require additional leadership posts and governance arrangements. This would lead to additional costs and further complexity to an already crowded system, creating further points of interaction and potential points of failure. In addition, there is limited evidence the implementation of these types of models can lead to an immediate improvement in service outcomes.

Performance
The impact on organisation and service performance.

There is relatively little evidence the implementation of alternative delivery models of the type examined in this report lead to improved performance. The creation of additional processes and the need for an intelligent client function introduces new steps to the system, building in additional complexity. There is the potential for existing arrangements to manage and safeguard data to be undermined, further impacting on the ability of any new organisations created to perform.

Place Implications
The impact of scale on governance.

As with scenario 3, the move to two unitary councils and children's trust means introducing three new organisations to the system. In addition to the complications outlined in the two unitary scenario, the implementation of another model of service delivery will not only require the design of additional internal governance structures but also external partnerships and commissioning arrangements. There is a question to be addressed as to the level of capacity any one place would need in order to successfully manage this level of change and the associated additional risks.

Covid-19
Lessons learnt from Covid-19 crisis and ongoing recovery.

Introducing many new models of delivery at any given moment may impact on the ability of those involved to deliver the necessary level of coordination for response and recovery to Covid-19, this is a similar case to scenario 3 where three new organisations are being added to the system, the additional complexity with this scenario is that one of the new organisations has very different roles and responsibilities to the other two.

Summary and reflections

The analysis undertaken during the development of this report has shown that in any assessment of local government reorganisation the implications of both scale and disaggregation need to be taken seriously.

Importantly, as we approach the publication of the government's much anticipated White Paper, it has provided key insights to inform the potential criteria for structural reform, including population thresholds, and new evidence in which to judge what are likely to be competing proposals.

All of the scenarios examined by this report represent potential options for reform, as does retaining the existing two-tier system of local government.

Of the four scenarios analysed, it is clear that in financial terms the implementation of single unitaries in each of England's two-tier areas would deliver significantly greater benefit.

It is also clear that should an alternative approach be pursued, the process of disaggregating current county services does present a number of material costs, but also non-financial risks and complexities.

Where reorganisation is being considered, the evidence set out in the report should be used to inform the development of local proposals.

The evidence should be considered alongside the government's "tests" for new unitaries, which are designed to assess whether the establishment of new councils would deliver improved outcomes, stronger leadership, provide opportunities for service transformation, reflect a credible geography, have broad support from stakeholders, deliver efficiency savings and be sustainable over the longer term.