Northamptonshire area local government reform – outline approach

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pwc

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1. Executive summary

1.1 Introduction

The analysis in this report has been prepared in response to the invitation from the Secretary of State to the local authorities in Northamptonshire to submit a proposal to move to a single tier of local government. **The districts and boroughs have been clear that they would not be making a collective proposal for unitary local government without the Secretary of State's intervention**.

It is financial problems at Northamptonshire County Council, and the government Best Value inspectors' findings about poor governance arrangements, which have led to the Secretary of State's intervention and in turn to the councils' proposal. The county's financial problems are deep-seated, and sit within an ongoing context of austerity for all councils as well as other local public services. The financial challenges are heightened by projected demand pressures, especially from the growing number of older people and the cost of providing children's services.

The analysis in this report has identified that whilst local government reorganisation can achieve a level of cost savings, in itself, it will not lead to the creation of two new sustainable unitary local authorities. Indeed, it potentially risks only redistributing the existing financial instability across two new organisations, unless steps are taken to address the existing cost and income challenges.

It is recognised, however, that reorganisation does offer the chance of a "new start" and could be used as an opportunity to drive transformation in the way that local government services are delivered to residents across Northamptonshire. For a more significant investment than the transition costs of reorganisation, this could reduce cost and complexity and maximise the effort devoted to frontline services. If properly resourced, it could also be **a platform from which to build a programme of local public service reform in which there is a drive to much more integrated service provision between local public sector bodies**, and could create a renewed cross-agency focus on reducing demand.

Viewed in this context, reorganisation represents the start of a process, but it will be difficult. First **the depth of the existing financial problems at the county creates a very challenging starting point for new authorities, made more challenging by the continually evolving financial situation at the council**. This has most recently involved issuing a second section 114 notice, in July 2018, highlighting the risk of a £60m - £70m deficit in the 2018/19 budget. With urgent action needed to address this deficit, there is not yet a clear picture of exactly what the implications for successor organisations will be.

Secondly, transformation will be a major challenge for two new organisations emerging from a culture where the largest legacy organisation, the county council, was found not to deliver Best Value, and where all the councils in the area will expect to lose experienced senior leadership capacity during the transition process.

However, the councils recognise the urgent need to restore financial sustainability and residents' confidence in local government. This document sets out an approach to building unitary local government in Northamptonshire that aims to do that, and to make improvements to outcomes in the process. But unless the significant financial problems can be addressed, there is a risk of creating two new organisations that are significantly challenged financially from the outset and cannot build the capacity and culture to capitalise on the opportunity to make a change in local public service delivery. **This is one of several challenges where the councils will need to work with central government in order to ensure a stable platform from which** to push into wider local government and local public service reform.

1.2 The form of unitary local government

The councils in the Northamptonshire area have identified a future structure *for two new unitary authorities*. They would be formed of a West and a North Northamptonshire council, as follows:

Figure 1: 2018 population projections for new unitary areas[1]

West unitary authority		North unitary authority	
Existing district/borough	**Population**	**Existing district/borough**	**Population**
Daventry	82,008	**Corby**	70,706
Northampton	228,687	**East Northamptonshire**	92,766
South Northamptonshire	91,301	**Kettering**	100,753
		Wellingborough	79,389
Total population	**401,996**	**Total population**	**343,614**

The rationale for this structure reflects the government's guidance, which includes reference to the need for the population to be substantially in excess of 300,000. While there are several unitary options for Northamptonshire in theory, only one meets this guidance. This report therefore assesses the two unitary West and North area option, and this option has also been the focus of the parallel consultation exercise.

1.3 Purpose of this document and approach

The analysis in this document has been commissioned by the seven district and borough councils and the county council in Northamptonshire. It examines how the councils' proposal for two unitary authorities responds to the requirements in the guidance issued by the Secretary of State on 27th March 2018.

The guidance highlights five key themes in the context of the expectation that the new authorities will deliver **improvement**. The reorganisation should:

1. Improve local government and service delivery.
2. Give greater value for money.
3. Generate savings.
4. Provide stronger strategic and local leadership.
5. Provide more sustainable structures.

The guidance specifically adds that the proposal should takes into account the **wider growth context** for Northamptonshire, specifically the area's contribution to the Cambridge - Milton Keynes - Oxford Corridor and the potential for agreements with government for ambitious housing delivery.

[1] NOMIS 2016-based subnational population projections, May 2018

Finally, the guidance also stresses the requirement for the proposal to command a **good deal of local support**. In parallel with preparation of this proposal, the councils have consulted the public. They are submitting a separate report of the findings of the consultation.

PwC has prepared this analysis for the councils in order to support the proposal they will submit in response to the Secretary of State's invitation. The main inputs to this work have been:

- Desk research and analysis, involving a mix of public documents and data provided by the councils.
- Workshops with the council Leaders and Chief Executives and a session with representatives from a range of local partner organisations (health, police, voluntary and community sector).
- Interviews with a range of senior council officers. These included the section 151 officers from each council, the Director of Adult Social Care and the Director of Children's Services.
- Thematic workshops with a range of service representatives.
- Application of data and insight from other authorities.
- Validation sessions with the councils' chief finance officers.

1.4 Vision and overview

The Best Value report's reference to a "new start" for the residents of Northamptonshire is couched in terms of needing to deliver "confidence and quality in the full range of local government services". The Northamptonshire councils are developing a vision for the future of local government in the county, with emerging emphases for the West and North areas, as shown in the diagram below:

Figure 2*: emerging vision and priorities for the new unitary authorities in Northamptonshire*

Reorganisation to two unitary authorities would not have been proposed by the Northamptonshire councils without the intervention of the Secretary of State. Nevertheless, the councils would like to use the opportunity reorganisation presents as a catalyst to deliver a wider programme of public service reform, which they believe is needed to secure sustainable local public services in a context of the widening gap between demand and resources.

Simply reorganising to two unitary local authorities cannot deliver the "new start" referred to by the inspectors. It can only be a building block which, if it is to be successful, requires three levels of change:

- **Reorganise**: this refers to the basic change to the structure of local government. This is a big change in terms of the institutional and democratic structures of local government. However, in terms of delivering outcomes, it is an enabling change.

- **Transform**: this means using the opportunity of merging local government services into two unitary authorities as the springboard to deliver a 21st century model of local government. Between the existing councils, much has been achieved in terms of modernising their ways of working, but reorganisation gives a basis from which to drive the very best practice consistently across the whole area.

- **Public service reform:** people's needs span organisational boundaries. Whether it is dealing with anti-social behaviour or ensuring a managed transfer of care from hospital to home, it is the outcome that matters to people, not which organisation delivers the solution. Although partnership is an established way of working, public service reform now requires a focus on the aspects of cross agency links which are the hardest to achieve: shifting resources to preventative services and interventions; bringing operational activity together to manage demand in a more holistic way; and consistently linking the ambitions of public service providers to the ambitions for Northamptonshire's people and communities.

Achieving change at these three levels will present a major implementation challenge for two new authorities borne out of adverse circumstance. The future councils will want to determine their own priorities, shape and ways of working, but to enable some design work to be carried out before vesting day, they have proposed a set of design principles. These should provide a guideline to decisions during transition and into the early stages of the new councils so accelerating the delivery of a transformed model of local government in Northamptonshire.

The new councils will be able to:

- **Design their processes around the needs and experience of their customers** – customers will be at the heart of everything the new councils do.

- Address the need for **culture change** – they will be learning organisations, in which openness and challenge are encouraged.

- Tailor services to **reflect local need**, reflecting the distinct needs of the urban and rural localities they serve, while ensuring consistent minimum standards are applied.

- Place the utmost importance on ensuring **financial sustainability**.

- **Focus on efficiency**, standardising processes, reducing waste and consolidating common functions.

- Maximise the use of **digital technology**, embracing opportunities to encourage self-service and resolving as many requests as possible at the first point of contact.

- Maximise their use of **technology**, improving efficiency and enabling the workforce to adopt more agile ways of working.

- Build their capacity around **analytics**, to anticipate and manage demand and understand the impact of service interventions more accurately.

- Pursue an **ambitious integration and public service reform agenda**, sharing functions and responsibilities and developing positive partnering relationships with other organisations where appropriate.

- Encourage **innovation, entrepreneurship** and help staff to develop a commercial mindset, but not at the expense of stable service delivery and sound financial management and sustainability.

- Encourage **openness and transparency**, by supporting robust scrutiny, corporate governance and performance management arrangements.

- Pursue **community engagement** and consider the **devolution of responsibilities** to town and parish councils and other community groups.

1.5 Assessing the impact of reorganising to two unitary authorities

This document looks at the requirement for the reorganisation proposal to improve local government and service delivery from the point of view of the outcome related criteria in the Secretary of State's guidance.

1.5.1 Improving local government and service delivery

The vision recognises that reorganisation could be an enabler of a different way of working in pursuit of outcomes. Having a unitary local government structure should make cross disciplinary working easier, especially where responsibility and expertise is currently spread between tiers and between districts/boroughs. Having this single focus should in turn make it clearer to partners or businesses who they should speak to.

Potential outcome benefits have been identified in the areas set out below. Achievement of these benefits assumes that transition takes place successfully and that financially stable new organisations are created that can develop the capacity to work in the new ways envisaged.

- In the **economy** and **infrastructure, housing and environment**, having the two new unitary areas could offer more coherent geographic units to engage with the economic growth agenda and thus maximise the potential of the target Housing and Growth Deals. Unitary authorities should also bring together functions in a way that allows resources to be focused, enabling a more strategic direction of effort, for example in assisting businesses to find suitable locations. It could give a stronger voice to the existing West and North groupings in the county, and help them to benefit from the Cambridge - Milton Keynes - Oxford Corridor, a centrepiece of national strategic infrastructure planning for the next 30 years.

- For **health and wellbeing**, it could build more collaborative relationships between services that together have a major impact on outcomes, but where responsibilities are split between tiers (for example between housing and children's services). It could also allow more strategic co-ordination over community investments. In terms of wider public sector reform, it could provide a catalyst to use the local government redesign to look at the whole system from governance, through finance and commissioning, to the use of buildings and to support the whole system in work on early intervention and prevention.

- In **education and skills**, having two new unitary authorities could provide an opportunity to make effective operational links between needs and skills planning and economic growth, which is more challenging with dispersed district and borough based economic development functions, and ensure that academy specialisms and further education provision and locations reflect growth requirements.

- For **community safety**, bringing resources together in two unitary authorities could provide economy of scale to arrangements that are currently dispersed in the districts/boroughs as well as the county. This can isolate expertise into the area where a particular individual works. Combining resources could give a better scale to deployment of expertise across the whole new unitary areas, reduce the overall number of partnerships and make it easier to engage with strategic thinking affecting the whole area.

In areas such as social care and health integration, and community safety, very careful design will be needed to ensure that a range of potentially competing considerations is balanced. Many of the current partnership structures are county-wide. This creates risks that the move to two unitary authorities increases the operational layers beneath county wide partnerships, creating a burden on partners in health, police and the voluntary sector. Balancing this, with the concern expressed in the consultation exercise by some Health and Wellbeing Board members about splitting some current county-wide functions, and the need to continue to respond to local circumstances based on local needs, will be a key consideration in the detailed design phase.

1.5.2 Greater value for money and generation of savings

The current position
The financial position of the county council and the history of budgetary failure described in the Best Value report makes robust planning of successor organisations extremely difficult.

The history of financial problems has led the council to cover its liabilities by drawing on reserves, which as a result are depleted. It also has high levels of debt and resultant revenue requirements for interest payments.

A factor influencing the financial context is the county's council tax level, measured using the Band D rate, which is lower than the average for county councils[2].

The county council has overspent on its budget since 2016/17[3]; there are substantial savings requirements in its current budget and new pressures continue to be identified.

The county's section 151 officer has recently issued a further section 114 notice, which identifies a need to find in the region of £60 million to £70 million of in-year savings in 2018/19. The exact amount will depend on the outcome of the 2017/18 audit, as this amount takes into account a 2017/18 unfunded deficit. It is clear that without strong mitigating measures, this financial position is not sustainable either for the existing county council or its potential successors.

The table below illustrates the pressures that new unitary authorities would face, extrapolated from published material from early in 2018 and discussed with the s151 officers. This is the most recent data available which allows consistent aggregation across the different authorities for this time period. We have assumed for this illustration that the Commissioners are able to deliver a balanced county budget at the end of the financial year 2019/20, and that districts/boroughs will do the same. This is a significant assumption, especially given the £60 - £70m deficit risk highlighted in the 24th July 2018 county council section 114 notice. There is a risk that some of the existing deficit will carry over and increase the pressure shown here. The table must also be understood in the context of the notes below it.

Figure 3*: projection of financial gap if current structure and spend/income patterns continue*

Year							
	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Net expenditure*	536.4	561.8***	584.4	607.5	631.7	657.2	683.9
Income	523.5	536.7	543.1	553.5	563.9	574.3	584.7
Cumulative gap - status quo**	(12.9)	(25.0)	(41.2)	(54.0)	(67.8)	(82.9)	(99.2)

Notes on figure 3:

*Net expenditure is used here to refer to service expenditure which is not funded by ring-fenced grants.

** Some MTFPs, including the county council, show deficits as in year; reduce spend in the following year to reflect savings; and then show only new pressures in the next year. Others show a position that accumulates each year. In order to show an aggregated position, we have agreed with the s151 officers that this table represents a position assuming all deficits are cumulative from 2020/21.

***Forecast deficits are treated differently between the county and district/borough MTFPs. Districts/boroughs show a forecast deficit, whereas the county shows "savings to be found", and

[2] Internal Northamptonshire County Council Business Intelligence & Project Management analysis, May 2018
[3] Northamptonshire County Council Best Value Inspection, table on page 9, January – March 2018

expenditure reduced to match this. In order to show comparable data, we have added the county "savings to be found" back to the expenditure.

This table projects a position beyond that shown in the MTFPs for all authorities, so from 2023/24 for all, and for some from 2021/22, figures have been derived by extrapolating from MTFP data.

Impact of reorganisation on cost base

The change from a two-tier to a unitary local government structure will not solve these financial problems. It does, however, present the opportunity for some savings. Our analysis assumes savings from the following:

- A reduction in senior and middle management posts.
- An overall streamlining in corporate functions and a limited number of services; a reduction in IT licence costs, based on the level of staff reduction; and reduced running and maintenance costs for property.
- Democratic savings, based on a reduction in the overall number of councillors and the ending of county elections.

Initial modelling suggests that this could deliver an annual saving of £6 million for the West unitary area, and £6.1 million for the North area, totalling £12.1 million of annual savings arising through reorganisation, fully realised from the year 2021/22 onwards. These estimates have been based on the assumptions set out in the appendix. More detailed assessment may be required to confirm these figures prior to implementation, especially as the county's baseline position is likely to change in response to its immediate deficit pressures.

There will also be costs in making the transition to a unitary structure. These have been modelled as one off costs, occurring in 2019/20 and cover the following areas:

- People related: redundancy and pension/retirement costs from staff reductions.
- ICT costs: for data cleansing and migration; changes to storage capacity; new licences; and changes to reports.
- Property refurbishment costs.
- Costs for shadow member roles and Chief Executives.
- Other costs, including public consultation; executive appointment costs; costs of closing the existing councils; contingency planning; rebranding; internal programme management; external support.

Initial modelling suggests that £14.9 million of transition costs will be incurred in the proposed West unitary area, and £15.0 million in the North area, totalling £29.9 million of transition costs occurring in 2019/20. These estimates have been based on the assumptions set out in the appendix. More detailed assessment may be required to confirm these figures prior to implementation.

Figure 4: impact of reorganisation on cost base

Recurring savings (£m)	One off costs (£m)
12.1	29.9

Impact of reorganisation on income
The impact of harmonising council tax is a key factor which will affect the income available to the new authorities. There are variables here including the period of harmonisation and the level to which harmonisation takes place. Government advice is that a precise equalisation scheme will be set out in a Statutory Instrument and will have regard to local preference, impact on the new councils' finances and the impact on council tax payers.[4]

The shadow authorities will wish to determine and then suggest their preferred approach. At this stage, it is important to note that arrangements for council tax harmonisation will create a sensitivity to the reorganisation financial analysis which brings further uncertainty to financial projections and can lead to income foregone. For this reason, the councils will need to work closely with government to find the optimum approach that balances impact on the taxpayer with sustainability of the new councils.

Impact of transformation and public service reform
Delivering greater value for money and deeper savings will require transformational activities to be delivered by the new authorities. Creating the new organisations is an opportunity to use the overall reorganisation to design ways of working that place the authorities' residents at the heart of everything they do. In creating new management structures, processes, policies and information sharing protocols, the opportunity is to make digital technology, data analytics, common processes and an agile and mobile workforce an integral part of the design of the new organisations, so maximising resources to work in value adding services on the frontline.

A major gain in terms of outcomes for residents and value for money to the public purse as a whole stands to be made from exploiting the unitary local government concept as a basis on which to plan services together with other partner organisations. Much more analysis is needed but the councils and their partners, especially in health and policing, recognise the change created by unitary local government as a spur to open up discussion on deep public service reform aiming to provide a place rather than organisation-based solution to complex problems. There will be many issues to address, including how partners operating on different boundaries work with the new West and North authorities, but there is the potential to improve outcomes by taking a cross agency approach to promoting innovation; sharing data and insight; and sharing capacity and assets between agencies in the area.

Making savings would require a much larger investment than reorganisation and modelling savings from public sector reform is complex as benefits should be realised across agencies. At this stage, we have identified a range of features of initial local authority led transformation, which offers the potential to bring value for money improvements:

- Designing customer service processes around new technology and exploiting automation; standardising and simplifying processes; reducing duplication in back office functions and increasing the use of data and analytics to predict need all offer the chance to release capacity.

- Further property savings: a transformation involving new technology and initiatives to promote flexible, mobile and, where possible, home working also is an opportunity to reduce the area of required office space.

- Further IT savings: IT will be an area of investment in a transformation, as the new councils build their digital capabilities. However, rationalisation of processes involving new IT should allow for some balancing of the investment by reduction of current licensing and maintenance costs.

[4] The detail of the harmonisation process is described in an Explanatory Memorandum (2008 No: 3022) to the Local Government (Structural Changes) (Finance) Regulations 2008

- Demand management: use of the big data and predictive analytics capabilities in modern data systems could provide a way to develop a much stronger capability to anticipate users' needs and reduce later, more expensive and urgent interventions.

- Third party spend: reorganisation offers the opportunity to undertake a large-scale review of third party spending. This means reviewing purchasing models, ensuring as much purchasing as possible is through frameworks and contracts; using the larger buying scale of the new councils to negotiate contracts; and reviewing the nature of what is purchased, ensuring a consistent process and level of control.

- Income: reorganisation gives an opportunity to review the approach to fees and charges. There will be a need to harmonise currently varied levels of fees and charges, but there is also an opportunity to look for new opportunities to generate income.

It is important to stress that the potential for saving will need to be assessed against the impact of work at the county council to reduce the present deficit. This is likely to involve significant cuts that affect the starting point in terms of third party expenditure and establishment size. Anticipating this, we have made adjustments to the baseline in terms of third party spend and establishment size (described in the appendix). If deeper measures are taken, the transformation range may reduce, or if savings are not achieved, the transformation potential may be higher than shown. With this caveat, we estimate that transformation factors could produce a range of savings, and associated investment costs, as shown below:

Figure 5: indicative range of potential transformation related savings and investment costs

	(£m)			
	Recurring savings		One off costs	
	Low	High	Low	High
Total	33.7	69.4	33.7	50.2

Transformational savings would take longer to be realised. The table below shows a highly indicative profile of potential savings, based on the mid-point of the savings range and an assumption that savings take four years to realise.

Figure 6: indicative profile of transformation savings and investment costs, based on mid-point of the range

(£m)									
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Recurring savings	0.0	0.0	0.0	12.9	25.8	38.7	51.6	51.6	51.6
Investment costs	0.0	0.0	10.5	10.5	10.5	10.5	0.0	0.0	0.0

Transformation programme design and further analysis will be needed to confirm the scale of the opportunities, and to balance short-term affordability and implementation capability with medium-term benefit. The potential will also need to be assessed against action to reduce the deficit at the county council, to ensure there is no double-counting. However, taking all these factors into account, if it can be successfully implemented, transformation across the public sector could provide a significant contribution to medium-term financial sustainability which reorganisation alone will not deliver.

1.5.3 Stronger and strategic leadership

The structure of unitary local government creates the potential for more strategic leadership in the areas where it brings services together that need to connect in order to deliver outcomes. Leaders will be able to take decisions with more understanding and influence over the full range of contributory factors, and over a larger geography. This would be particularly significant, for example, in relation to planning, housing and highways decisions. They will also be able to take strategic decisions across service boundaries, better recognising the connections between for example leisure and youth provision, or housing and social care.

The establishment of two new unitary authorities will also make it simpler for local people to understand the line of accountability for local government services. With only one tier of local government, in partnership with local town and parish councils, and one cycle of elections, this is more transparent whilst staying locally accountable.

However, the current district/borough councils are concerned about the potential loss of the voice of particular towns or communities, especially of rural communities. There is active discussion about finding new means to create area involvement. There is an opportunity to introduce arrangements that design in local organisation and resident oversight of decisions and spending. This may involve more delegation to parish councils, building on the examples of significant delegation of responsibility to this local council level that exist in the county currently. Alternatively, arrangements could follow the example of a number of the unitary authorities established in 2009 who created area governance arrangements to support councillors in their community leadership roles and to help them engage more effectively at a local level. These structural considerations will require discussion during transition on a future authority basis so they can be tailored to the needs of the area and the different starting points they have (three councils (the boroughs) in the North are not fully "parished", but only one council (Northampton Borough) in the West).

In terms of practical means to engage the views of local people, the councils also recognise the potential of digital tools to allow members to listen closely to the voice of communities and to engage people at a time that suits them.

The existing councils have recognised that unitary local government will require a material reduction in the number of elected members, but also recognise the need (in response to the Best Value report) to ensure arrangements allow for sufficient scrutiny.

One option is to consider member numbers in relation to the number of existing county division areas (57). Having three members per division would make for an aggregate of 171 members (93 in the West and 78 in the North); having two members per division would make for an aggregate of 114 members (62 in the West and 52 in the North). Both options are higher than the recommendation of 45 members per authority in the Best Value report. However, the two member per division option produces a ratio of one member per 4,790 electors, which is considerably in excess of the English unitary district average of 2,849. The three member option gives a ratio of one member per 3,186 electors. The shadow authorities will need to consider their views on how to balance agile decision-making with allowing for effective local representation particularly while area governance arrangements evolve.

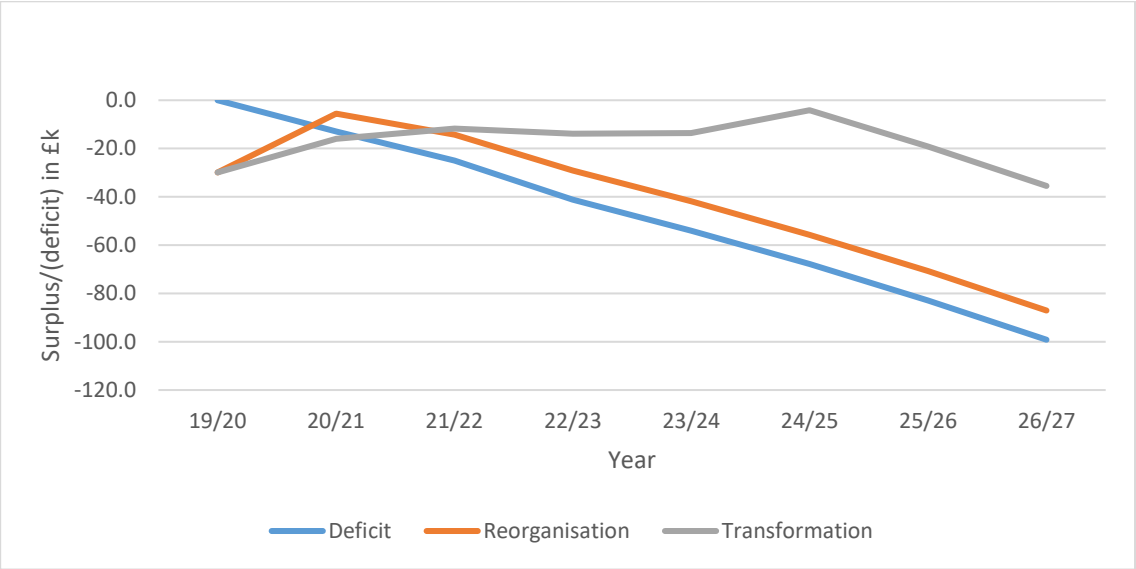
In parallel with this, the new councils will need to use the signalling of a new start to throw the importance of scrutiny into relief. The economy of scale achieved through creation of one core of elected members in each authority, in a single electoral cycle, will make it easier to create a systematic approach to member training and development, including about scrutiny. It could complement training in digital skills - helping members to understand how to engage with the views of residents and represent their concerns through effective scrutiny.

1.5.4 Sustainable structures

The vision of reorganisation as a building block from which to launch transformed local government services and wider local public service reform is rooted in a desire to deliver sustainability. This recognises that simply reorganising the existing two-tier system of local government in Northamptonshire to a unitary form will not be sustainable.

The graph below shows that moving towards a sustainable position relies on achieving transformational savings. From an assumption that the unitary authorities inherit a balanced budget position, this shows the projected deficit from figure 3 (derived from early 2018 published MTFPs) and plots this alongside impact of reorganisation alone and reorganisation and transformation (assuming the mid-point of the range is achieved). With successful public sector reform, there is potential to move further towards sustainability.

Figure 7: indicative impact on projected deficit of reorganisation and transformation



The assumption that the unitary authorities inherit a balanced budget position is very important. Without it, the gap between costs and income is too great to build the basic platform of stable new authorities from which transformation and public sector reform can be developed.

The work of the Commissioners is aiming to produce a stable position in terms of deficit, and will involve actions to reduce costs. This must be seen as a pre-requisite for successful reorganisation, but needs to be done in a way that still leaves the new authorities with a legacy of sustainable services.

The next section describes a range of challenges which will need to be addressed to help to maximise the potential for the new councils to set sustainable platforms from which they can undertake transformation and public service reform.

1.6 Delivering reorganisation successfully

To allow stable reorganisation to take place, there are a number of challenges that will need to be discussed with central government to give the establishment of the two unitary authorities any chance of success.

These are divided into four themes:

Beginning with a clean sheet
The projection of future revenue and income from the published early 2018 MTFPs has highlighted persistent and significant deficit forecasts. This position has now worsened with the July 2018 county council section 114 notice highlighting a potential £60 - £70m deficit in the context of a lack of resilience due to depleted reserves. Unless addressed, this position will transfer to the new authorities in 2020/21 and prevent them from setting balanced budgets. It is therefore a requirement that the county council, working with its government-appointed commissioners, ensures a balanced revenue income and revenue expenditure position that can be inherited from day one. This needs to be achieved constructively – cuts need to be applied in a way that does not simply store up further sustainability problems for the new councils.

Transition
Funding the cost of making the transition to two unitary authorities, including costs for redundancies, property reconfiguration and programme management, will constitute a major cashflow stress at a time when large revenue deficits are anticipated. It is understood that government policy is not to provide funds for transition costs. However, in this case some financial flexibility will be needed to ensure a comprehensive transition to unitary platforms, from which further savings and reform can be made.

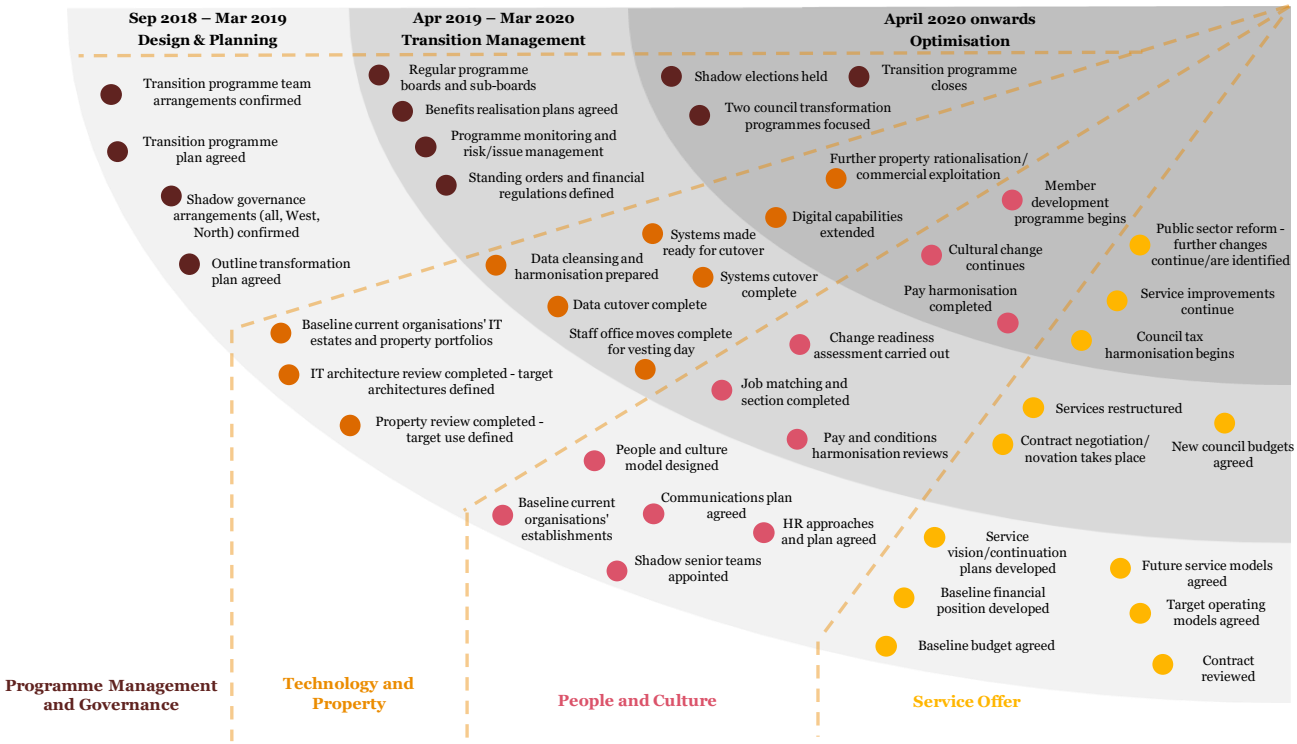
Transformation
This report emphasises reorganising to unitary authorities alone will not create sustainable services. The future unitaries will need to use restructuring as a springboard to drive transformation in their own services and in pursuing wider public service reform. To do this the new authorities will need investment and the policy and financial support that can come with involvement in national piloting, for example for Integrated Care Systems.

Infrastructure
The county council's financial problems have resulted in cut backs on infrastructure investment and, it has been reported that following the February 2018 s114 direction, projects have slipped. In this context, the Northamptonshire councils are committed to working with government to secure Housing and Growth deals in order to secure infrastructure capacity and to push forward stretching targets.

1.7 Next steps

There will be a significant implementation challenge to a Northamptonshire reorganisation which will need to be planned on an 18 month timescale, against the background of very significant financial pressure. The diagram below shows a high level roadmap for local government reorganisation. Planning work will continue directly after submission of the councils' proposals. The principal workstreams and milestones are indicated on the diagram on the following page:

Figure 8: A roadmap detailing the principal workstreams and milestones of transformation



Given the uncertain starting position and compressed timescale, there are significant risks associated with transition. Key risks include:

Figure 9: major transition risks

Ref	Description	Mitigation
1.	The focus is put on reorganisation alone, when its real value is in being a catalyst for transformation and public service reform which are the only real solutions that can lead to sustainable services for Northamptonshire.	Ensuring in design and during transition that a focus is retained on transformation as being the only way to bring about sustainable services for Northamptonshire.
2.	New unitary authorities inherit existing deficit and cannot begin with a revenue neutral position.	As part of unitary submission to government, emphasise importance of Commissioners establishing a revenue neutral position at the county.

3.	Existing deficit exceeds savings achievable in the short to medium term through establishing unitary authorities.	Leaders' and Chief Executives' LGR Executive Group to be kept closely informed of financial position and of Commissioners' findings. Early engagement with partners to reset partnership delivery requirements, especially to support sustainability of social care.
4.	County council action to address severe deficit prior to launch of new unitary leads to service cuts of such severity that unsustainable services will be passed on to the new unitaries, and a loss of prevention work now will store up major problems over the medium term.	Districts and borough to consider what practical support they can give.
5.	Loss of experienced staff during transition.	Clear communication to staff about plans and progress, emphasising the opportunities for capable, committed and ambitious staff.

2. Introduction

The analysis in this document has been commissioned by the seven district and borough councils and the county council in Northamptonshire. It is an analysis which responds to unprecedented loss of budgetary control at the county council, which has led the Secretary of State to invite the local authorities in the county to submit a proposal to restructure to a single local government tier. The districts and boroughs have been clear that they would not be making a collective proposal for unitary local government without the Secretary of State's intervention.

The county council has overspent on its budget since 2016/17 and faces a significant deficit in its future budgeting. In February 2018, the council's section 151 officer issued a notice under section 114 of the Local Government Finance Act 1988 imposing spending controls because of the risk of not balancing the budget. Later in February, the council's external auditors, KPMG, issued an advisory notice of the risk of an unlawful budget. At the end of March 2018, government appointed inspectors produced a report which found that the county council had failed in its duty to provide "Best Value" in the delivery of its services.

This was a significant and adverse finding and the inspectors advised that a "new start" would be needed to re-establish credible and financially sustainable local government in the Northamptonshire area. The inspectors recommended a move to a unitary form of local government for the Northamptonshire area and argued that this should be on the basis of two new unitary authorities, one for the West and one for the North of the county area. In parallel, the government has also appointed commissioners to oversee the operations and finances of the council. Further work on the financial situation of the county council has led to the issuing of a further section 114 notice, identifying the likelihood that the council will need to find between £60m and £70m savings in the 2018/19 budget.

PwC has prepared this analysis for the councils in order to support the proposal they will submit in response to the Secretary of State's invitation. It has been developed with the seven district/borough councils and the county council, and is based on restructuring to the two unitary, West and North Northamptonshire, model as recommended in the Best Value inspection report.

This is much more than an assessment of local government reorganisation. Northamptonshire has a range of demographic and attainment challenges, as well as excellent prospects of economic growth. In addition to the county's major financial challenges, there is an enduring context of tight funding for other public services, and for the district and borough councils. Simply reorganising to two unitary local authorities cannot deliver the "new start" referred to by the inspectors and whilst it can achieve a level of cost savings, in itself, it will not lead to the creation of two new sustainable unitary local authorities. However, reorganisation does offer the chance to drive transformation in the way that local government services are delivered to residents across Northamptonshire. For a more significant investment than the transition costs of reorganisation, this could reduce cost and complexity and maximise the effort devoted to frontline services. If properly resourced, it could also be a platform from which to build a programme of local public service reform in which there is a drive to much more integrated service provision between local public sector bodies, and could create a renewed cross-agency focus on reducing demand.

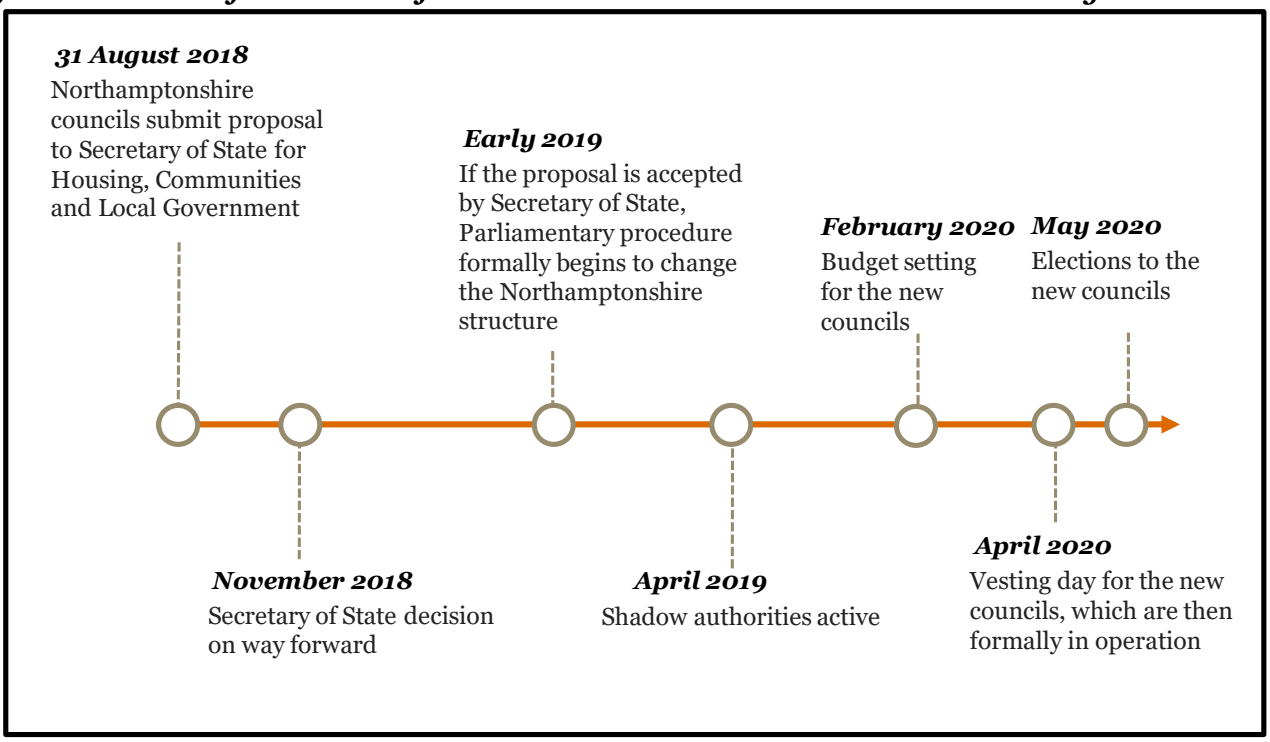
This document analyses the opportunity reorganisation creates for local government reform in Northamptonshire, which is needed to secure sustainable local public services in a context of the widening gap between demand and resources. It is also clear that, unless the significant financial problems can be addressed, there is a risk of creating two new organisations that are significantly challenged financially from the outset and cannot build the capacity and culture to capitalise on the opportunity to make a change in local public service delivery. This is one of several challenges where the councils will need to work with central government in

order to ensure a stable platform from which operate successfully and to push into wider local government and local public service reform.

Timetable

The assumption in this analysis is that the new unitary authorities would come into being in April 2020. The graphic below shows the key events and activities to the first elections, which it is assumed would take place in May 2020.

Figure 10: timeline for creation of the new councils and the transition to a unitary structure



2.1 Purpose of this analysis

The document is structured to show how it responds to the requirements in the guidance issued by the Secretary of State[5] on 27th March 2018.

The guidance highlights five key themes in the context of the expectation that the new authorities will deliver **improvement**. The reorganisation should:

1. Improve local government and service delivery.
2. Give greater value for money.
3. Generate savings.
4. Provide stronger strategic and local leadership.
5. Provide more sustainable structures.

Three other considerations are described in the guidance.

[5] https://www.gov.uk/government/publications/northamptonshire-councils-invitation-to-restructure

Structure and size. Reorganisation should be based on credible geography where each proposed unitary authority has a population substantially in excess of 300,000. The proposal should also take into account the March 2018 Best Value inspection report and its recommendation of the two unitary (West and North) model.

Local support. The reorganisation should command a good deal of local support. In parallel with preparation of this proposal, the councils have consulted the public. They are submitting a separate report of the findings of the consultation.

Growth. The proposal should takes into account the wider growth context for Northamptonshire, specifically the authorities' potential contributions to the Cambridge - Milton Keynes - Oxford Corridor and the potential for agreements with government for ambitious housing delivery, above the level proposed in the government's Local Housing Need assessment.

2.2 Approach

The Northamptonshire councils have commissioned and supported the development of this analysis, and the separate consultation exercise, through an Executive Group comprising the council Leaders and Chief Executives, meeting approximately every two weeks. In addition, the Chief Executives met together fortnightly as a senior officer steering group. These structures remain in place to steer the next phases of preparatory activity.

The councils commissioned PwC to produce this analysis. The approach to developing it was in three main stages:

- Building a shared understanding of the context, priorities and appetite for change/transformation.
- Analysis and evaluation of strategic benefits.
- Report development and implementation planning.

Key inputs to this work have been:

- Desk research and analysis. All local authorities were asked to provide data covering budgets and medium financial plans; establishments; third party spend; income; information technology in use; assets; and a range of qualitative material covering performance and strategy.
- Workshops with the council Leaders and Chief Executives and a session with representatives from a range of local partner organisations (health, police, voluntary and community sector).
- Additional sessions with service representatives and local partner organisations.
- Interviews with a range of senior council officers. These included the section 151 officers from each council, the Director of Adult Social Care and the Director of Children's Services.
- Thematic workshops with a range of service representatives.
- Application of data and insight from other authorities.
- Validation sessions with the councils' chief finance officers.

This document has been reviewed and noted by each submitting local authority's full council as part of their approval process for the proposal to the Secretary of State.

2.3 Structure of this document

Figure 11: an overview of the key sections contained within this document

The proposal for local government reform

- The current state of the Northamptonshire area, and the challenges this brings for key outcomes.
- An overview of what reorganisation could achieve, and a vision for local public service reform.

Improved outcomes and services

- Assessment of how re-organisation could help to address the challenges and opportunities previously outlined.
- How reorganisation can be a catalyst for transformation and local public service reform.

Value for money, efficiency and delivering cost savings

- A presentation of the financial analysis, describing savings and transition costs associated with re-organisation and transformation and a qualitative assessment of the opportunities associated with public sector reform.

Stronger and more accountable leadership

- Assessment of the style of leadership the new authorities will encourage at strategic and local level, and associated accountability to communities.

Sustainability in the medium to long term

- Analysis of whether unitary local government in Northamptonshire will be sustainable from the points of view of: finance, service resilience, managing demand, and communities.

Conclusions and next steps

- A summary of the key themes from the analysis, and the transitional risks to manage.
- Challenges that will need to be addressed to give the establishment of the two unitary authorities the best chance of success.
- A summary implementation roadmap.

3. The approach to local government reform

Reorganisation to two unitary authorities would not have been proposed by the Northamptonshire councils without the intervention of the Secretary of State. However, there has been previous consideration of reorganisation. Previous county council leadership expressed support for a unitary county in late 2016. Northampton Borough Council held an Extraordinary Council meeting in May 2018 in which it reversed a previous resolution from January 2017 in favour of a unitary Northampton Borough on slightly expanded boundaries. All seven districts/boroughs commissioned Deloitte in 2017 to carry out a study of strategic options for the future of public services in the area.

However, all the authorities recognise the extreme circumstances and urgent need to restore financial sustainability and residents' confidence in local government. They are responding to the Secretary of State's invitation by creating a constructive proposal for the improvement of public service delivery in Northamptonshire. Accepting that that is the origin of the proposal, the councils intend to ensure that reorganisation is used as a real opportunity to mark a change in the way that local government is delivered and the way that public service organisations work together in the county.

The section describes:

- The current and future challenges facing the county area.
- The current structure and challenges for local government in Northamptonshire.
- An overall approach and vision for local government reform and how it can work other local public services.

3.1 What are the Northamptonshire area's opportunities and challenges?

Northamptonshire stands to benefit from its considerable economic potential. It is part of the East Midlands region yet it is also close and well connected to London and the South East. This offers an attractive environment to business and gives a wide employment catchment to residents. It is truly an area of growth and significant parts of Northamptonshire were identified by the National Infrastructure Commission as sitting in its Cambridge – Milton Keynes – Oxford Corridor.

However, this picture of growth sits alongside significant challenges:

- Deprivation: overall 16.1% of the Northamptonshire population live in the 20% most deprived areas of England, with highest concentrations in Corby, Northampton and Wellingborough.
- An increasing number of older people: a projected 62% growth in those aged 75 and above by 2030 compared to a rate of 42% for England as a whole.
- Educational attainment: fewer children in secondary schools rated as "outstanding" or "good" than the English average and more pupils in secondary schools rated as "requires improvement" or "inadequate" than the English average.

This must also be placed in a context of a diverse area with a large county town (Northampton); an industrial town that has undergone significant recent economic regeneration (Corby); several market towns with a large rural hinterland of small towns and villages. Both new unitary authorities will contain a mix of urban and rural settings which will inevitably create challenges about ensuring fair access to services for residents living in the different settings.

In order to set the context for assessment of the opportunity the unitary proposal creates to improve outcomes, this section gives more detail about the county's opportunities and challenges under five headings:

- Economy.
- Infrastructure, housing and environment.
- Health and wellbeing (including adult and children's social care).
- Education and skills.
- Community safety.

3.1.1 Economy

The Northamptonshire economy has significant advantages, and is capable of performing strongly in comparison with neighbouring areas. A study showed that the area had the joint highest number of new business start-ups per 10,000 residents in the UK in 2014, on a par with London[6]. There are sectoral strengths in engineering, logistics and storage and food and drink. The West area has a particular strength in high-performance engineering, with a major centre at Silverstone. There is a higher proportion of manufacturing employment in the North area, notably in Corby. Both West and North areas have large rural areas, where agriculture and tourism are important. Northampton is a hub for business services. SEMLEP's Northamptonshire Growth Hub[7] has funding to March 2019 to promote research and innovation among small and medium sized enterprises in several key sectors, notably high performance technologies; agri-tech including food and drink; creative; and cultural industries and logistics. Economic growth is shown through growth in business rate income in both West and North Northamptonshire since 2013/14. Average household income has also increased at a higher rate than the national average since 2008[8].

However, the economy does face challenges in maintaining growth and building on its potential. The proportion of Local Super Output Areas (LSOAs) across Northamptonshire classified in the 20% most deprived in England is below average. But there are disparities between districts: in the West area, while more than 50% of the population of South Northamptonshire lives in the 20% least deprived LSOAs, Northampton has 27.7% of its population in the most deprived 20% of English LSOAs. In the North area, East Northamptonshire has one LSOA in the most deprived 20% but Corby, and Wellingborough have over 20% (see Figure 12 below). Northamptonshire as a whole has a lower level of unemployment than the average across the UK, with 2018 claimant count statistics showing a figure of 1.8% in Northamptonshire compared with 2.1% across England, although these rates do vary significantly between districts (see Figure 12).

[6] 'Northampton now UK's number one town for new business creation', August 2017 https://www.northamptonshiregrowthhub.co.uk/2017/08/northampton-now-uks-number-one-town-new-business-creation-beats-london/
[7] https://www.northamptonshiregrowthhub.co.uk/support/innovate-northamptonshire/
[8] ONS Regional gross disposable household income by local authority, May 2018

Figure 12: % population living in LSOAs[9] classified in the most deprived 20% of LSOAs nationwide[10] and the claimant count

Council Area	% population in most deprived 20% of country	Claimant Count (%)[11]
Corby	27.1	3.1
Daventry	4.8	1.9
East Northamptonshire	1.9	1.2
Kettering	13.9	1.9
Northampton	27.7	2.0
South Northamptonshire	0.0	0.7
Wellingborough	22.8	2.1
Northamptonshire	**16.1**	**1.8**
Future West unitary area	**16.7**	**1.7**
Future North unitary area	**15.3**	**2.0**

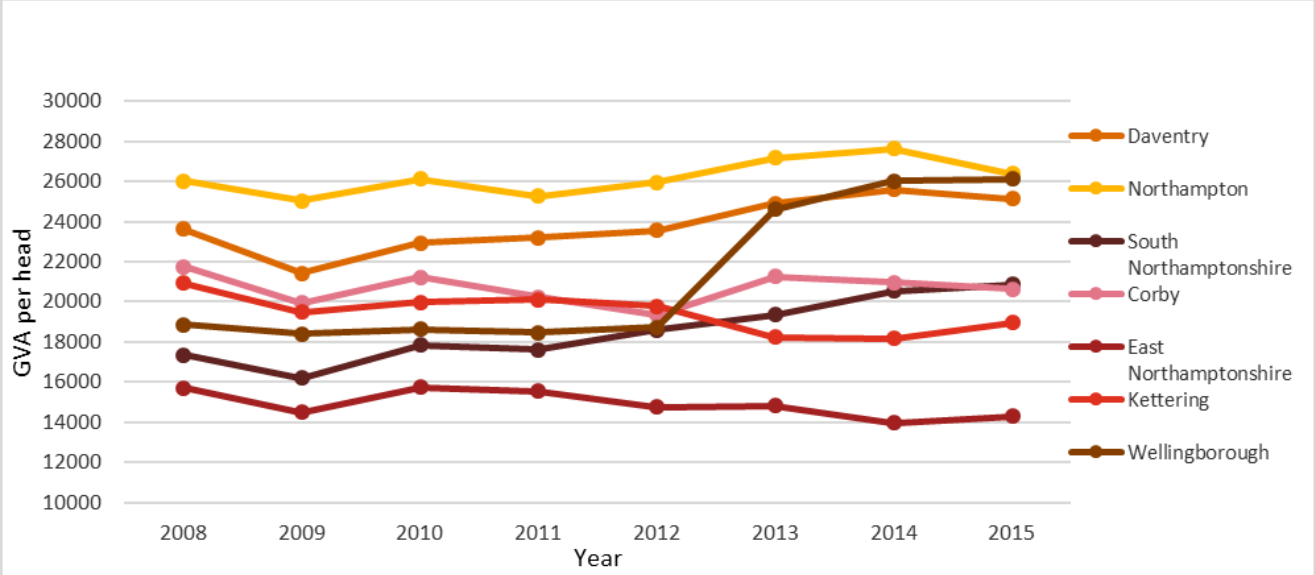
The large amount of rural areas present their own economic challenges: the 2016 SEMLEP Plan for Rural Northamptonshire identified areas of rural deprivation across the county, as a result of low wages and a lack of business growth in these areas. While the plan presents priorities for rural areas including ensuring business support for rural businesses, and attracting a younger workforce back into rural areas[12], supporting rural employment and need for associated infrastructure and affordable housing remains an important challenge for the local authorities and their partners.

The North Northamptonshire Joint Core Strategy lists priorities for promoting economic prosperity as facilitating the right mix of employment opportunities, creating sustainable employment sites, and safeguarding the tourism industry and cultural assets[13]. The West Northamptonshire Joint Core Strategy emphasises town centre regeneration and the need to diversity employment opportunities, especially in rural areas[14]. Both areas have clear plans for ensuring sufficient provision of employment land, with West Northamptonshire looking to the SEMLEP Northampton Waterside Enterprise Zone and twelve Sustainable Urban Extensions combining living space and employment land[15], whilst the North Northamptonshire Joint Core Strategy acknowledges an over-supply of employment land, presenting opportunities to focus on regenerating older sites[16].

The fact that Corby, East Northants, and Kettering all experienced fluctuations in in Gross Value Added (GVA) per head between 2008-2015 (see Figure 13) points to the challenges of sustaining economic growth.

[9] Geographical areas across England with a minimum population of 1,000 and an average of 1,500
[10] MHCLG English indices of deprivation 2015 (file 7, All ranks, deciles and scores for the indices of deprivation, and population denominators)
[11] Regional labour market: Claimant Count by unitary and local authority, June 2018
[12] Rural Northamptonshire: A Plan, September 2016
[13] North Northamptonshire Joint Core Strategy 2011-2031, July 2016
[14] West Northamptonshire Joint Core Strategy Local Plan, Dec 2014
[15] West Northamptonshire Joint Core Strategy Local Plan, Dec 2014
[16] North Northamptonshire Joint Core Strategy 2011-2031

Figure 13: growth of GVA per head[17] for districts and boroughs (2008 - 2015)



3.1.2 Infrastructure, housing and environment

Northamptonshire possesses relatively good connectivity with London and areas to the north, with rail connectivity to the north and south on the West Coast mainline, and in the east of the county with East Midland Trains. It also has major links by road. There are weaknesses in that the north – south rail link is less frequent than for other nearby centres on the West Coast mainline and there is limited East-West public transport. Limited road access to Northampton town centre has been cited as a driver of businesses to locate themselves in business parks outside of town[18]. The amount of daily commuting in and out of Northampton has also been cited as a significant driver of high congestion in the area[19]. Addressing these infrastructure weaknesses is important for enabling effective links with neighbouring areas and make Northamptonshire a more appealing destination for businesses and investment and thus to underpin the growth agenda.

There is also a need to link rural and urban areas more effectively. The SEMLEP Strategic Economic Plan refers to a DEFRA report which states that the two key enablers for high economic performance in rural areas are the proximity to local population centres, and the quality of local broadband[20]. More effective physical infrastructure decreasing travel times between urban and rural areas in the county could bring more business to rural areas, and encourage rural firms to increase exports of goods produced. In terms of digital connectivity, the Northamptonshire Local Economic Assessment (2015)[21] rates Northamptonshire's superfast broadband availability, and median download and upload speeds of fixed broadband as broadly similar to the national average. In order to build on this, and support its rural areas, an ambition in the West area draft Housing and Growth deal is to engage with DCMS on the deployment of the Local Full Fibre Networks project and becoming a test bed for 5G coverage[22].

[17] ONS Regional GVA by local authority in the UK, 2015
[18] Oxford, Milton Keynes, Cambridge, Northampton Growth Corridor: National Infrastructure Commission Strategy Assessment Report, November 2017
[19] Oxford, Milton Keynes, Cambridge, Northampton Growth Corridor: National Infrastructure Commission Strategy Assessment Report, November 2017
[20] South East Midlands: Where Innovation Fuels Growth - Strategic Economic Plan, 2017
[21] The Northamptonshire Local Economic Assessment, March 2015
[22] Towards a Growth Deal for West Northants, April 2018

A further but very important context for consideration of infrastructure is that the county council's financial problems have resulted in cut backs on infrastructure investment with resultant impact for example of roads maintenance.

Since 2002, there has been a sharp increase in house price to earnings ratios across Northamptonshire, with a county-wide average increase in these ratios of 70.1% compared with the national average of 54.8% (see Figure 14). As an illustration of this, the median house price in Northamptonshire has risen from £85,000 in 2002 to £200,000 in 2017. This shift has primarily been driven by house prices in Corby (£48,000 to £157,250), Wellingborough (£74,000 to £175,000), and Northampton (£82,000 to £185,000)[23]. Combined with a projected increase in population to 2030 (and therefore housing need) which is substantially higher than the national average[24], this clearly sets out the increasing need for affordable housing across Northamptonshire.

Figure 14: ratio of median house price to median gross annual residence-based earnings[25]

Area	2002	2017	% increase
Corby	2.85	6.83	139.6
Daventry	5.56	9.14	64.4
East Northamptonshire	4.49	6.71	49.4
Kettering	4.22	7.11	68.5
Northampton	4.38	7.52	71.7
South Northamptonshire	5.98	8.24	37.8
Wellingborough	4.17	7.96	90.9
Northamptonshire	**4.52**	**7.69**	**70.1**
Future West unitary area	**4.98**	**8.01**	**60.7**
Future North unitary area	**4.00**	**7.14**	**78.5**
England	**5.11**	**7.91**	**54.8**

This must be viewed alongside the wider context of pressures on local services. The Northamptonshire School Organisation Plan 2016-21 outlined the need for 34 new schools with a combined capacity of 17,765 to be built across the county by 2021[26], with the potential to put further pressure on infrastructure funding, land availability, and house prices. The increasing population and needs discussed in Section 3.1.3, when combined with growth plans including Sustainable Urban Extensions (SUEs), will also contribute to a need to develop new health infrastructure (new GPs, health hubs and hospital capacity to meet demand[27]).

The type of housing, as well as the location and the sustainability, must also be taken into account. Changing demographics and concerns over health and wellbeing across Northamptonshire mean that it is more important than ever for the housing supply to cater for all needs, in alignment with the surrounding place, ensuring sustainability and promoting a healthy lifestyle. Elements of support required from government in working towards a Housing and Growth Deal for West Northamptonshire, for example, include a request for support in using housing to generate renewable energy, provide extra support as people age, and the development of a garden settlement[28].

[23] ONS Median house prices for administrative geographies, June 2018
[24] NOMIS Population Projections, May 2018
[25] ONS House price to residence-based earnings ratio, April 2018
[26] Northamptonshire School Organisation Plan 2016-21, Sep 2016
[27] See for example analysis in: Quod North Northamptonshire Health Study, Jan 2018
[28] Towards a Growth Deal for West Northants, April 2018

Northamptonshire's environment is characterised by sites of biological, geological, and man-made interest. There are currently 57 'Sites of Special Scientific Interest' across the county[29], and seven Special Landscape Areas[30]. This natural capital can exert significant positive effects on health, and attract investment to Northamptonshire through tourism and a study[31] has given a value to the natural capital of the Nene Valley Improvement Area (NIA). In light of the significant increases in population and therefore housing projected for the near future, it will be increasingly important that this natural capital is taken into account, in order to support sustainable economic growth and prosperity, ensuring growth fits into a wider context that provides attractive and healthy locations for people to live.

3.1.3 Health and wellbeing

The evidence relating to the benefits of improved health and wellbeing is clear and nationally accepted. The health and wellbeing of the population can have significant impacts on delivery partners across all sectors in terms of their finances, operational performance and most importantly in terms of outcomes for people. Within Northamptonshire, there has been a sustained and rapidly increasing pressure felt by local health and social care services.

By 2030, Northamptonshire faces projected increases of 62% in the population aged over 75 and a 59% increase in those aged over 85 - larger than the projected whole of England increases. The proportion of the working age population is also forecast to decrease to only 58.9% by 2030[32]. In recent years there has also been an increase in the number of younger adults (26-35 year old specifically) receiving adult social care services as people with learning and physical disabilities are now living longer and with more complex conditions.

The age profile and trajectory is a challenging one for the County given that 95% of all hospital admissions are now for the over 65s (and mainly over 75s) and 50% of all over 75s live alone. The county also faces a shortage of care in rural areas, a shortage in nursing care and needs to develop more options to support people in accommodation that can meet changing and escalating needs. The county council has estimated near 100% increases in requirements for supported accommodation facilities for older people over the next 20 years to match this level of population growth[33].

These projections of significant demand pressures sit alongside the need to reduce spend year on year. In Northamptonshire, spending on adult social care as a proportion of the council's net budget has reduced from 49.0% in 2011/12 to 36.9% in 2017/18[34] with the council spend in 2017/18 being the 24th lowest of the 27 shire counties. Proportionately, spending on older people is high: spend per head on adults aged 65+ ranked 5th out of 27 counties, and in 2016/17, the county council spent £529,000 per 1,000 people over 65 compared to an average of £381,000 across the East Midlands[35].

Spend on children in care was the highest per head of 0 – 19 population of English counties in 2017/18, and third highest per child in care[36]. The referral rate per 10,000 children was 86% higher than the average county council in 2016/17[37], but performance monitoring shows it has reduced substantially in 2017/18, although the

[29] https://designatedsites.naturalengland.org.uk/
[30] A Review of Special Landscape Areas in South Northamptonshire
[31] Mapping Natural Capital and Ecosystem Services in the Nene Valley, Natural Capital Solutions, October 2016
[32] NOMIS Population Projections, May 2018
[33] NCC Older People's Needs Assessment, September 2015
[34] Internal Northamptonshire County Council Business Intelligence & Project Management analysis, May 2018

[35] Internal Northamptonshire County Council Business Intelligence & Project Management analysis, May 2018
[36] Internal Northamptonshire County Council document, using DCLG 2017/18 revenue account data and 2016 population estimates
[37] LGInform, using DfE statistics

rate of re-referrals within 12 months remains high[38]. The rate for children looked after was also above the English county council average in 2016/17 and just above the East Midlands average. For children in need, Northamptonshire was above the 2016/17 English county average, but below the East Midlands average[39]. Northamptonshire ranks 9th worst out of the 27 English counties in the Income Deprivation Affecting Children Index (IDACI)[40]. It also has a particular problem with high numbers of unaccompanied asylum seeking children.

The situation with regard to health services is similarly challenging. The Northamptonshire Sustainability and Transformation Plan (STP)[41] estimates the system deficit across all health and social care partners is currently £41 million (as of 2016), rising to £230 million by 2021. This is partially due to increases in demand for urgent care by between 4 and 5% a year (but 13% higher in the over 65s), and lifestyle factors, notably a 19% rate of smoking and the fact that two out of three people are overweight. Both factors are higher than the national average.

A recent Care Quality Commission system review report[42] has assessed interfaces between health and social care in the county following a request by the secretary of state and concerns over delays in getting people out of hospital (so called delayed transfers of care - DToCs). This has identified several weaknesses in the system and the ways partners worked together which lead to twice as many older people being admitted to hospital in the county and care homes being three times more likely to admit older people. The report highlighted the need to undertake more community and prevention work and to grow the existing successful schemes to support people in their own homes or to recover outside a hospital setting. The report noted a new optimism in the system associated with recent resetting of the STP, through the Northamptonshire Health and Care Partnership. Overall, however, it points towards a need for a greater and more integrated commissioning focus; more collaboration including through systems; and cultural change to encourage a whole system workforce approach.

The Joint Health and Wellbeing Strategy for health and care services across Northamptonshire highlights that rural areas have better health and wellbeing outcomes, despite limited access to support services, whilst urban areas have higher concentrations of poor health, wellbeing and deprivation. As both new unitary areas will have a mix of urban and rural areas, this is an important context point.

3.1.4 Education and skills

The education system across Northamptonshire has been the subject of significant scrutiny. In June 2016, Ofsted wrote to key stakeholders across Northamptonshire, expressing concern about the quality of education in the area. This letter stated that there were "too many early years providers and schools of all types and phases that are not good enough", with this displaying a negative effect on disadvantaged children in particular. This was highlighted as a "systemic underperformance" given that many primary and almost all the secondary schools in the county are academies[43].

The last publicly available data shows the proportion of children in outstanding schools across the county is below the national average, whilst the proportion in schools rated as "requires improvement" or "inadequate" is

[38] NCC Corporate Performance Report, January to March 2018,
[39] LGInform, based on DfE statistics
[40] LGInform, based on MHCLG data
[41] Northamptonshire's Sustainability and Transformation Plan (STP): How We Will Support Local People To Flourish?
[42] CQC Northamptonshire Local System Review Report, published July 2018
[43] 'Concerns about the quality of education in Northamptonshire', June 2016, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/527715/Chris_Russell_s_letter_to_Northamptonshire_June_2016.pdf

more than double the national average[44]. The proportion of the population living in LSOAs classified as being located in the 10 and 20% most deprived for education, skills and training is above the national average in Corby, Northampton and Wellingborough[45]. The most recent national figures (for the year 2015/16) show the percentage of pupils achieving the English Baccalaureate is slightly lower than the national average, and the percentage of pupils achieving A*-C in English and Maths GCSEs was at 59.7% compared to a nationwide average of 63.3%[46]. However, the most recent county council annual performance report (published in March 2018) indicated improvement, with the percentage of pupils attaining the English baccalaureate comparable to the national average and the number of pupils achieving grade 9 – 4 in English and maths as above national average, though lower than the comparator group.

Figure 15: the proportion of pupils attending secondary schools as categorised by most recent Ofsted rating[47]

Area	'Outstanding' (%)	'Good' (%)	'Requires improvement' (%)	'Inadequate' (%)
Corby	31.6	0.0	68.4	0.0
Daventry	0.0	57.3	16.6	26.1
East Northamptonshire	0.0	76.3	0.0	23.7
Kettering	17.3	43.2	39.5	0.0
Northampton	24.8	33.5	29.9	11.7
South Northamptonshire	18.4	63.4	18.3	0.0
Wellingborough	25.4	29.0	22.3	23.4
Northamptonshire	**18.7**	**41.8**	**29.1**	**10.4**
Future West unitary area	**17.9**	**47.1**	**23.8**	**11.1**
Future North unitary area	**19.5**	**35.6**	**35.3**	**9.6**
England	**25.4**	**56.2**	**14.3**	**4.1**

In addition to challenges in education, the working age population across Northamptonshire also tends to be less skilled. The 2015 UK Commission on Employment and Skills employer skills survey for 2015 shows that Northamptonshire area has a lower representation of employment in higher skilled occupations (30%) compared with the national average UK (36%).[48]. The same survey identifies that the percentage of job vacancies that are hard to fill is above the national average, and that 28.3% of job vacancies were skills shortage related (compared with 22.6% for England). 91.6% of employers affected by skills shortage vacancies reported that this was having an impact on the business. Nevertheless there has been growth in the last 10 years in the percentage of the population in the county qualified to NVQ level 4 or equivalent (which includes first degree level). In 2017 this was at 35%, above the East Midlands and just below the English average[49].

[44] DfE Education statistics by LA district and pupil disadvantage, Oct 2017
[45] MHCLG: All ranks, deciles and scores for the indices of deprivation, and population denominators, May 2018
[46] DfE Education statistics by LA district and pupil disadvantage, Oct 2017 (Secondary school attainment data tables).
[47] DfE Education statistics by LA district and pupil disadvantage, Oct 2017 (School quality data tables)
[48] NCC Place Statistical Bulletin 2016/03, based on the UK Commission for Employment and Skills Survey 2015
[49] Data from LGInform, based on NOMIS.

These figures underline the link between education and skills and the growth agenda. While the growth potential in the area is high, there remains a need to invest and influence the skills agenda to ensure businesses are attracted to the area to complement expected housing increases.

3.1.5 Community safety

Community safety is a very important outcome area which is closely linked to the other themes described in this document. Crime rates affect the level of confidence in the area, with knock on impacts on investment and prosperity. The negative effects of crime and disorder have direct impact on the victims of crime, but also affect the overall wellbeing of communities, for example by discouraging older and vulnerable people from going out and connecting with their communities. A vicious cycle of impacts can also reduce community capacity to build skills and employment in the areas affected.

The English Index of Multiple Deprivation provides one view of the current state of crime related deprivation. 21.3% of the population live in neighbourhoods classified in the 20% most nationally crime-deprived areas, with Northampton, Wellingborough, Corby and Kettering having the highest proportions (see Figure 16). Overall, a slightly higher proportion of the population of Northamptonshire as a whole lives in the most crime deprived 20% of LSOAs than the rate for England. Equally, a slightly higher proportion of the Northamptonshire population lives in the 20% least crime deprived LSOAs than in England as a whole. These statistics take into account violence, theft, burglary, and criminal damage.

Figure 16: % population living in LSOAs classified in the most crime-deprived 10% and 20% of LSOAs nationwide[50]

Area	% population in most crime-deprived 10% of country	% population in most crime-deprived 20% of country	% population in least crime-deprived 20% of country
Corby	10.9	25.0	7.1
Daventry	4.5	6.9	31.2
East Northamptonshire	2.1	6.5	17.3
Kettering	15.3	24.1	19.7
Northampton	21.9	35.9	12.8
South Northamptonshire	0.0	0.0	57.7
Wellingborough	14.8	29.4	16.6
Northamptonshire	**12.1**	**21.3**	**21.8**
Future West unitary area	**13.3**	**21.8**	**26.8**
Future North unitary area	**10.7**	**20.7**	**15.8**
England	**10.3**	**20.5**	**19.5**

One of the key problems currently in Northamptonshire is serious organised crime (SOC) and organised crime groups (OCG), with increases particularly in Northampton, East Northamptonshire and Wellingborough both

[50] MHCLG English indices of deprivation 2015 (file 7, All ranks, deciles and scores for the indices of deprivation, and population denominators).

from historical gangs based in the areas and infiltration by other gangs from outside the area. A significant proportion of this increase in outside gang activity is based on what is known as "County Lines" and predominantly look to set up drug distribution networks using children and vulnerable people. This in turn is increasing cases of child sexual exploitation, modern slavery and servitude and extreme violence against those involved and the families of those involved in gangs.

There is also a growing problem of "cuckooing", whereby a drug network uses coercive behaviours to take over the dwelling of a vulnerable person. This is a problem in Northampton and Kettering but progressively emerging in East Northamptonshire and Wellingborough. The Northampton Community Safety Partnership (CSP) has developed based on a specific tasking group, in which relevant partners work together to target specific locations, properties and known organised crime groups. Under the auspices of Operation Viper, the partnership initiative tackling SOC and OCGs, there is potential to replicate Northampton's model elsewhere in the county.

The joint Northamptonshire Health and Wellbeing strategy identifies a particular concern with a higher than average rate of violent offences and cites that 38% of violent crime in the county is domestic abuse. The priority of tackling violent crime, including domestic abuse is reflected in the local CSP strategies. Other key themes identified by CSPs in the district/borough areas include:

- Reducing crime in targeted areas, creating a healthier and safer environment.
- Reducing anti-social behaviour and hate crime.
- Re-offending, particularly around crimes involving drugs, alcohol and serious acquisitive crime.
- Building stronger and resilient communities that can anticipate and minimise risk and engage with voluntary organisations in priority areas.
- A reduction in violence in the night-time economy.

3.2 The current structure of local government in Northamptonshire

3.2.1 Current structures and delivery models

Northamptonshire is a fully two-tier local government area. Unlike many county areas, previous waves of creation of unitary authorities in the last twenty years has not affected it. However, the reality of day to day organisation of local services follows a much more complex pattern. This has developed as the authorities have sought to work together, with local partners, and as a necessary response to funding pressures that have become acute since 2010.

A key example of authorities working together is in planning and economic development. The districts and boroughs also work closely together, and with business, skills and infrastructure providers on a North and West Northamptonshire basis on joint strategic planning, and increasingly in terms of linkage to the Cambridge - Milton Keynes - Oxford Corridor concept, promoted by the National Infrastructure Commission (NIC). In the north, this is formalised through the North Northants Joint Planning Unit, and both North and West areas have joint core strategies agreed by all the local planning authorities and the county council. The councils also work closely with the business-led Local Enterprise Partnership, SEMLEP, which covers the South East Midlands area.

The councils also have a wide range of alternative delivery models. These include:

- Joint ventures - for example, Daventry and Wellingborough have joint ventures with a private sector partner for waste management and cleansing.

- Arm's length delivery - for example Northampton Borough's housing management is with an Arm's Length Management Organisation (ALMO) called Northampton Partnership Homes.

- A range of outsourcing contracts; in the districts and boroughs this includes for procurement advice and internal audit.

- The county council has operated a wide range of alternative delivery models. These are discussed in section 3.2.2 below.

- Shared services. There is a wide range of shared service arrangements in place:

    - The county council is a partner in LGSS (a public sector shared services provider), along with Cambridgeshire County Council and Milton Keynes Council, and uses the organisation to provide the majority of its back office services, such as HR/payroll, finance, IT, democratic services.

    - Northampton Borough also has a contract with LGSS, but this year is bringing some roles, such as the Director of Finance back in house.

    - There are many examples of shared services in the district/borough councils, including shared IT services, such as between East Northamptonshire and Wellingborough; shared licensing between Wellingborough, East Northamptonshire, Kettering and Daventry; shared legal services (Daventry, Kettering and Wellingborough); and shared streetscene and grounds maintenance between Corby and Kettering.

    - The most far reaching arrangement involves South Northamptonshire District Council which has a staffing structure, estates and infrastructure which is almost entirely shared with the neighbouring Cherwell district in Oxfordshire. This has given the two districts the economy of scale to operate efficiently.

Partnership working with other local public service organisations covers many areas of delivery, in areas such as:

- Health and Wellbeing: the Northamptonshire Health and Wellbeing Board brings together three of the large county responsibilities (adult social care, children's services and public health) in a forum with partners from the NHS, police and voluntary sector, as well as district and borough representatives to set the strategic direction for health and wellbeing improvement.

- Community safety: as required under the Crime and Disorder Act 1998, district and borough councils work with partners to reduce crime and disorder in their areas. Partnerships involve the county council, police, the Police and Crime Commissioner, Fire and Rescue Authority, Probation Service, health representatives and, depending on the locality, the voluntary sector. Daventry and South Northamptonshire have a joint partnership and plan.

- Housing: four of the districts/boroughs no longer own their own housing stock but work in partnership with registered social landlords to meet their statutory obligations. Together, and through their economic and infrastructure partnerships, the councils work with developers, and their own planning teams, to secure delivery of ambitious housing build targets.

Partnership working has been an imperative for local authorities for many years, particularly since the power to promote economic, social and environmental wellbeing was introduced in 2000[51]. Joint commissioning and pooled budgets between health and social care has been permissible since the Health Act 1999 and since then the national policy ambition has grown. Since the establishment of Sustainability and Transformation Partnerships in 2016, the aspiration is now for Integrated Care Systems where "NHS organisations, in partnership with local councils and others, take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve"[52]. However, the reality of making deep partnership and mainstream integration happen is very complex. The level of assertion of aspiration to partnerships in strategy documents such as the Northamptonshire Health and Wellbeing Strategy[53] testifies to the practical difficulties. Different lines of accountabilities, organisational boundaries, performance frameworks and the need to deal with urgent business as usual make the practicalities of partnership working challenging. The creation of unitary structures offers a route to some degree of simplification of partnership working arrangements. But the fact of reorganising and marking a new start creates a context of change and aspiration which could be exploited to create a new focus on cross agency links, joint use of resources, and planning and commissioning of operational activity.

There is a mixed picture of local council governance and differing extents to which parish and town councils have been established. In the West, there is complete coverage by parish and town councils of the districts of Daventry and South Northamptonshire, but not of Northampton Borough. In the North area, East Northamptonshire is completely parished, but the borough councils in Corby, Kettering, and Wellingborough are not. There are also significant differences between parish councils' size, capability and appetite to take on responsibilities within districts and boroughs.

3.2.2 The financial position

The origin of this document lies primarily in the financial problems faced by the county council and, at the time of writing, there are uncertainties about this position and the financial starting point it will create for the new councils.

The central points understood at the time of writing that set the context for this document include that:

- The history of financial problems has led the council to cover its liabilities by drawing on reserves and other one off financial sources, which as a result are depleted and need some replenishment. It also has high levels of debt and resultant revenue requirements for interest payments.

- A factor influencing the financial context is the county's council tax level, measured using the Band D rate, which is lower than the average for county councils[54].

- The county council has overspent on its budget since 2016/17[55]; there are substantial savings requirements in its current budget and new pressures continue to be identified. The county's section 151 officer has recently issued a further section 114 notice. This identifies a need to find in the region of £60 million to £70 million of in-year savings in 2018/19. The exact amount will depend on the outcome of the 2017/18 audit as this amount takes into account a 2017/18 unfunded deficit.

[51] Local Government Act 2000 subsequently replaced by the power of general competence in the Localism Act 2011.
[52] https://www.england.nhs.uk/integratedcare/integrated-care-systems/
[53] Supporting Northamptonshire to Flourish: Northamptonshire's Joint Health and Wellbeing Strategy 2016-2020, Northamptonshire Health and Wellbeing Board
[54] Internal Northamptonshire County Council Business Intelligence & Project Management analysis, May 2018
[55] Northamptonshire County Council Best Value Inspection, January – March 2018 - table on page 9

- The county's medium term financial plan[56] also projects a savings requirement of £52.2m for 2019/20 and the section 114 notice refers to the potential for £54m of savings in 2019/20, on top of those required in the current year.

This continually evolving financial situation is not a robust basis on which to plan successor organisations.

The districts and boroughs have their own financial challenges associated with the general financial pressures on local government and uncertainties about future funding. The projections from their medium term financial plans show an aggregate savings requirement for 2019/20 of £1.3m and then £8.3m and £8.7m for the following two years. It is important to note here also that the unitary concept has led South Northamptonshire Council to decide to break its current joint arrangements with Cherwell District Council – this is likely to lead to additional financial pressures, which are at this stage unquantified.

But the scale of district and borough finance, even in aggregate, is much smaller than that of the county. Their total collective annual net expenditure[57] projected for 2019/20 is £94.6m compared with the county's projection of £475.3m[58]. The county's position is strongly affected by the size of social care spending - whilst spending on children and older people is significantly higher than the national average due to rising need and changing demographics, pressures on funding mean that there is a widening gap between budgets and funding required.

The table below illustrates the collective financial pressures that new unitary authorities would face, extrapolated from published material from early in 2018 and discussed with the s151 officers. This is the most recent data available which allows consistent aggregation across the different authorities for this time period. We have assumed for this illustration that the Commissioners are able to deliver a balanced county budget at the end of the financial year 2019/20, and that districts/boroughs will do the same. This is a significant assumption, especially given the £60 - £70m deficit risk highlighted in the 24th July 2018 county council section 114 notice. There is a risk that some of the existing deficit will carry over and increase the pressure shown here – the associated risks to the unitary authorities are discussed in sections 8.2 and 8.3. The table must also be understood in the context of the notes below it.

Figure 17: *projection of financial gap if current structure and spend/income patterns continue*

Year							
	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Net expenditure*	536.4	561.8***	584.4	607.5	631.7	657.2	683.9
Income	523.5	536.7	543.1	553.5	563.9	574.3	584.7
Cumulative gap - status quo**	(12.9)	(25.0)	(41.2)	(54.0)	(67.8)	(82.9)	(99.2)

Notes on figure 17:

*Net expenditure is used here to refer to service expenditure which is not funded by ring-fenced grants.

** Some MTFPs, including the county council, show deficits as in year, and then reduce spend in the following year to reflect necessary savings; and then show only new pressures in the next year. Others show a position that accumulates each year, without savings. In order to show an aggregated position,

[56] See "Final Revenue Budget Totals 2018-19 to 2021-22", approved by full council on 28th February 2018: https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3155/Committee/398/SelectedTab/Documents/Default.aspx

[57] The term "net expenditure" is used here to refer to service expenditure which is not funded by ring-fenced grants. The projections shown here are from the Medium Term Financial Plans.

[58] The county amount is the aggregate of the "total budget funding" shown in the MTFP and the "savings to be found" figure, in order to create comparable figures with those for districts and boroughs.

we have agreed with the s151 officers that this table represents a position assuming all deficits are cumulative from 2020/21 (and where necessary, expenditure has been raised to correct for MTFP savings that have therefore been lost from the picture).

***Forecast deficits are treated differently between the county and district/borough MTFPs. Districts/boroughs show a forecast deficit, whereas the county shows "savings to be found", and expenditure reduced to match this. In order to show comparable data, we have added the county "savings to be found" back to the expenditure.

This table projects a position beyond that shown in the MTFPs for all authorities, so from 2023/24 for all, and for some from 2021/22, figures have been derived by extrapolating from MTFP data.

- The range of alternative delivery arrangements operated by the county council, and referred to in 3.2.1 above, was described as a "Next Generation" approach. Examples include:
    - First for Wellbeing, established in 2016 as a social enterprise, jointly owned with Northamptonshire Healthcare NHS Foundation Trust and the University of Northampton bring joint working and innovation into the health and wellbeing service.
    - Olympus Care Services, a company owned by the county council to provide care and support services adults with disabilities and older people.
    - Children's First Northamptonshire - currently a limited company exists for putting children's services into an arm's length vehicle. However, the original intention to use it as a vehicle for provision on an outsourced basis are on hold.

The model was for a small commissioning and democratic core of the council to work with four arm's length delivery vehicles, which would have the flexibility to generate additional revenue to support mainstream services. Two of these arrangements – Olympus Care Services and First for Wellbeing - are in the process of being liquidated and returned in house in the 2018/19 financial year.

The Best Value report strongly criticised the level of financial scrutiny given to the setting up of these arrangements they received. There is reference to a culture of overspend and where scrutiny was at times discouraged. These are highlighted as a major contributory factor to the council's non-compliance with Best Value. Making reference to this background in this document is not intended to add further criticism to the county council. However, it sets a very important backdrop and led to the reference to the need for a "new start" for local government services in Northamptonshire.

This overview of the financial position sets an important context point for this report: reorganising structures alone cannot realistically address the financial challenges. Indeed, it potentially risks only redistributing the existing financial instability across two new organisations. Steps will be needed to address the existing cost and income challenges. Beyond that, deeper change and reform in the way in which local government and the public sector works in the Northamptonshire area will be needed to address overall sustainability.

3.3 What would reorganisation achieve?

The Best Value report's reference to a "new start" for the residents of Northamptonshire is couched in terms of delivering "confidence and quality in the full range of local government services".

Simply reorganising to two unitary local authorities cannot on its own deliver the "new start" referred to by the inspectors. It can only be a building block. As a building block, reorganisation could create circumstances that are conducive to resetting the relationship between local government organisations, their residents and other

part of the public sector. By reducing the number of councils, there is the potential to benefit from economies of scale, reduce duplication and to clarify responsibilities to local people. Following the last wave of reorganisation in 2009, Cornwall Council has been able to assert itself as a more strategic voice for the county; Cheshire East has taken a lead in creating a place-based approach to local public service delivery, with a design centred on the needs of the customer; and Shropshire has used reorganisation to drive a commercial approach.

The opportunity can be seen as involving three levels of change. All are linked but the difference between the outcomes they could achieve needs to be understood as background to the analysis of the potential to improve outcomes and services in section 4.

The three levels are described below:

- **Reorganise**: this refers to the basic change to the structure of local government. This is a big change in terms of the institutional and democratic structures of local government. However, in terms of delivering outcomes, it is an enabling change. Bringing together services that are currently split between county and districts/boroughs into two new all-purpose councils provides potential for greater economy of scale and a basis for tighter working between services and a more strategic view across a larger geographic area. However, it is likely reorganisation in itself would not significantly change the way in which councils operate.

- **Transform**: this means using the opportunity of merging local government services into two unitary authorities as the springboard to deliver a 21st century model of local government. Between the existing councils, much has been achieved in terms of modernising their ways of working, but reorganisation gives a basis to drive the very best practice consistently across the whole area and to deliver a genuine transformation of the way in which local government in Northamptonshire operates. If properly resourced, the new councils will have the opportunity to be more efficient by reducing duplication and simplifying and standardising their processes. Digital technology and exploitation of data assets through analytics would offer faster ways for people to connect with the councils and for the councils to sense and respond to their needs. New agile ways of working would give flexibility to employees to spend more time delivering front line services and make the new councils an attractive place to work.

- **Public service reform:** people's needs span organisational boundaries. Whether it is dealing with anti-social behaviour or ensuring a managed transfer of care from hospital to home, it is the outcome that matters to people, not which organisation delivers the solution. Although partnership is an established way of working, public service reform now requires a focus on the aspects of cross agency links which are the hardest to achieve: shifting resources to preventative services and interventions; bringing operational activity together to manage demand in a more holistic way; and consistently linking the ambitions of public service providers to the ambitions for Northamptonshire's people and communities. A major change like local government reorganisation could offer the opportunity to review and reset the relationships and to build a programme of public service reform.

3.4 The proposed future local government structure

The councils in the Northamptonshire area have identified a future structure *for two new unitary authorities*. They would be formed as follows:

Figure 18: 2018 population projections for new unitary areas[59]

West unitary authority		North unitary authority	
Existing district/borough	**Population**	**Existing district/borough**	**Population**
Daventry	82,008	**Corby**	70,706
Northampton	228,687	**East Northamptonshire**	92,766
South Northamptonshire	91,301	**Kettering**	100,753
		Wellingborough	79,389
Total population	**401,996**	**Total population**	**343,614**

The rationale for this structure reflects the government's guidance, which includes reference to the need for the population to be substantially in excess of 300,000. While there are several unitary options for Northamptonshire in theory, only one meets the guidance. This report therefore assesses the two unitary West and North area option, and this option has also been the focus of the parallel consultation exercise.

Figure 19: a summary of the range of options for a unitary structure in Northamptonshire

Option	Comments
Establish a unitary authority on the whole Northamptonshire county boundary	Establishing a single unitary authority on a whole county boundary would not deliver a recognisably "new start" and a single unitary option is expressly ruled out in the government's invitation letter.
Create three unitary authorities	Establishing three unitary authorities would not meet the population requirement. Northamptonshire has a total population of around 740,000 and no authority under a three unitary structure would have a population level in excess of 300,000.
Create two unitary authorities based on a single authority for Northampton and a single authority for the areas around it	This would also not meet the government's population test – the population of Northampton Borough is only 228,687.
Create two unitary authorities based on	The option for two unitary authorities covering West and North would deliver two credible geographic units, both with populations in excess of 300,000. **This**

[59] NOMIS 2016-based subnational population projections, May 2018

groupings of existing west and north districts or boroughs	**is the proposal that is being made.**
Mergers with some neighbouring councils outside Northamptonshire	Current legislation dictates that unitary authorities cannot span more than one Police Authority. In Northamptonshire, the County has a police Authority co-terminous with its boundaries. Hence, without a change to the law, a unitary council covering part of Northamptonshire cannot merge with another authority outside the county. It would not be possible to effect a change in the law within the timescales for submission of this proposal.

The two new authorities will follow the existing boundaries between Kettering and Daventry, as well as between Wellingborough and Northampton and South Northamptonshire. The boundaries between existing boroughs and neighbouring areas will also be unchanged.

Figure 20: map showing how existing district/borough areas would be aggregated to form the future unitary areas

However, at an operational level there will be a significant change in the South Northamptonshire area. The present district council has a staffing structure, estates and infrastructure which is almost entirely shared with the neighbouring Cherwell district in Oxfordshire. This has given the two districts the economy of scale to operate efficiently. This arrangement will be dissolved in the transition to the new unitary authorities. Cherwell District Council will pursue joint working with Oxfordshire County and the South Northamptonshire area will be served by the new West area unitary authority in Northamptonshire.

3.5 A vision for local public service reform in Northamptonshire

Although they would not have proposed reorganisation to two unitary authorities without the intervention of the Secretary of State, they recognise the opportunity reorganisation presents as a catalyst to deliver a wider programme of public service reform, which they believe is needed to secure sustainable local public services in a context of the widening gap between demand and resources.

The Northamptonshire councils are developing a vision for the future of local government in the county, with emerging emphases for the West and North areas, as shown in the diagram below:

Figure 21: emerging vision for the new unitary authorities in Northamptonshire

The councils know they will need to focus on the design of the new unitary authorities to refine their views. They also understand that they have a once in a generation opportunity to deliver something that is genuinely ambitious. However, they are also mindful of the need to focus on the core components of a local authority and ensuring any risks relating to the statutory duties of the future organisations are mitigated.

Achieving these changes will present a major implementation challenge for two new authorities borne out of adverse circumstance. The future councils will want to determine their own priorities, shape and ways of working, but to enable some design work to be carried out before vesting day, they have proposed a set of design principles. The new councils will be able to:

- **Design their processes around the needs and experience of their customers** – customers will be at the heart of everything the new councils do.

- Address the need for **culture change** – they will be learning organisations, in which openness and challenge are encouraged.

- Tailor services to **reflect local need**, reflecting the distinct needs of the urban and rural localities they serve, while ensuring consistent minimum standards are applied.

- Place the utmost importance on ensuring **financial sustainability**.

- **Focus on efficiency**, standardising processes, reducing waste and consolidating common functions.

- Maximise the use of **digital technology**, embracing opportunities to encourage self-service and resolving as many requests as possible at the first point of contact.

- Maximise their use of **technology**, improving efficiency and enabling the workforce to adopt more agile ways of working.

- Build their capacity around **analytics**, to anticipate and manage demand and understand the impact of service interventions more accurately.

- Pursue an **ambitions integration and public service reform agenda**, sharing functions and responsibilities and developing positive partnering relationships with other organisations where appropriate.

- Encourage **innovation, entrepreneurship** and help staff to develop a commercial mindset, but not at the expense of stable service delivery and sound financial management and sustainability.

- Encourage **openness and transparency**, by supporting robust scrutiny, corporate governance and performance management arrangements.

- Pursue **community engagement** and consider the **devolution of responsibilities** to town and parish councils and other community groups.

The councils will use the principles above to guide the design of the new organisations. These should provide a guideline to decisions during transition and into the early stages of the new councils so accelerating the delivery of a transformed model of local government in Northamptonshire.

4. Improved outcomes and services

As we have described in section 3.3, the move to two unitary authorities can create a platform from which to make changes to how the business of local government and its relationships work. This section analyses the opportunities from the point of view of the five thematic areas described in section 3.1:

- Economy.
- Infrastructure, housing and environment.
- Health and wellbeing (including adult and children's social care).
- Education and skills.
- Community safety.

In addition, in section 4.6, we describe the general opportunity to build new and more innovative service delivery models. Section 4.7 assesses how these opportunity can be developed into wider public service reform.

4.1 Improving the economy

Economic growth is an important priority for all the councils in the Northamptonshire area and there has been considerable success in recent years: Northampton has the second highest number of new business start-ups per 10,000 residents in the UK outside London and the west of the county is host to Silverstone, with its associated high performance engineering centre. There has also been growth in logistics hubs on major arteries, such as the A14. The councils work closely with the South East Midlands Local Enterprise Partnership (SEMLEP) and its Strategic Economic Plan[60] sets out ambitions which reflect local economic development objectives.

4.1.1 Current aims and ambitions

At the core of current economic growth planning is the National Infrastructure Commission's (NIC)[61] Cambridge – Milton Keynes – Oxford Corridor concept. This identifies the potential for a growth Corridor to connect more closely and strategically the economic hubs and centres of excellence which operate in these locations. By promoting its development, the NIC aims to develop a platform from which to compete on the global stage in areas such as medicine, life sciences, autonomous vehicles, biotech and artificial intelligence, bringing benefits to both the Corridor area and wider regions through growth in industry and trade.

The North and West parts of the county already have their own Joint Core Strategies for their areas, which match the proposed unitary geography. These reflect their shared economic and social interests and the fact that they form single housing market areas. The North grouping works through the North Northamptonshire Joint Planning Unit (NNJPU). This was constituted as a formal joint planning committee in 2005, and took on the growth delivery role five years ago from the former North Northamptonshire Development Company. In the West, there is also a history of many years of joint working on strategic planning.

A central focus for both the West and North groups of authorities currently is the development of Housing and Growth Deals with government. These intend to build on the history and political commitment to joint working

[60] South East Midlands: Where innovation fuels growth
[61] Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, November 2017

and growth and build on successes. They will be a central means of bringing additional capacity to the growth agenda and ensuring provision of key infrastructure. If successful, these will help to promote innovation and productivity and support long-term sustainability as a driver of economic development, housing provision and benefits for local communities.

Local authorities have their own economic development plans and priorities, but these are consistent with the larger spatial area strategies, including the Corridor. Examples of local priorities include:

County council[62]:

- **Business and Innovation -** developing the supply chain, exporting more, and attracting new investment.
- **Employment and Skills -** meeting current demands of business and developing the delivery infrastructure.
- **Infrastructure and connectivity -** increasing superfast broadband availability, and using transport to enable growth.

District and borough councils:

- Corby - building new houses, seeking inward investment to attract new jobs and infrastructure[63], and securing a reputation as a major distribution centre[64].
- Daventry – four interlinked themes where the council can shape opportunities for businesses and residents: thriving town centre, sustainable rural economy, employment, skills and business growth and visitor economy[65].
- East Northamptonshire - tackling out-commuting, supporting tourism, and aligning job growth to SEMLEP and the Cambridge – Milton Keynes - Oxford Corridor[66].
- Kettering – working with local economic sectors to maximise the contribution they make to the local economy, in the context of a long-term agenda to delivering 8,100 new jobs and infrastructure between 2011 and 2031[67].
- Northampton - developing the Enterprise Zone, and bringing business into the town centre[68].
- South Northamptonshire - strengthening its growth sites (such as Silverstone), town/village economies, and the visitor economy[69].
- Wellingborough - focusing on infrastructure connections and locally based education and skills, and a supply of jobs in a wide variety of sectors, in order to be a well-connected, thriving, urban centre, seeking sustainable growth but at the same time, preserving a traditional village way of life both in its four "large villages" and many rural locations[70].

[62] Northamptonshire's Strategic Economic Plan 2014
[63] Corby Economic Development Strategy 2015-2020
[64] Northamptonshire's Strategic Economic Plan 2014
[65] Daventry District Economic Development Strategy (draft), 2018 - 2012
[66] ENC Economic Growth, Tourism and Regeneration Strategy, 2017 - 2020
[67] Kettering Economic Development Plan, 2017 – 2025.
[68] NBC Corporate Plan 2017-2022
[69] SNC Economic Growth Strategy 2016-2019
[70] An Economic Development Strategy for Wellingborough, 2016 - 2021

4.1.2 How could reorganisation help?

The proposal for two new unitary authorities would build on arrangements that are already established. In both the West and North areas, the local planning authorities and Northamptonshire County Council have well-established joint planning and delivery arrangements to support an ambitious growth agenda, which can easily be translated into a new organisation with the minimum of disruption. The two new unitary areas could offer two coherent geographic units to engage with the economic growth agenda and thus maximise the potential of the target Housing and Growth Deals.

New unitary structures would reflect geographic synergies that are already acknowledged. The West Northants unitary would represent a coherent central urban and surrounding rural and market town area, whereas North Northants would be a logical cluster of interdependent towns and villages set close together in a shared green infrastructure (the Nene Valley and Rockingham Forest). The two areas could thus each focus on their specific issues. For example, in West Northants this would mean tightening links between Silverstone and the supply chain that exists in its hinterland. While the areas are already recognised for their West and North level strategic thinking, replacing eight authorities with two could facilitate this further, which will be helpful in making a success of the Housing and Growth Deals and the Corridor.

It would create a stronger focus for place-shaping. The advantage of a unitary authority is that it can align the full range of local government services, from planning and economic development, to highways, behind agreed priorities. At a practical level, this can make for much easier linkage between interdependent economic, infrastructure and skills policies for example. But it can also help to create a focused and ambitious culture, supported by more operational scale. This could bring more resilience to keep projects on track as well as bringing more impact to activities such as marketing to business or bids for funding which are either carried out at an individual authority level or require careful co-ordination between councils. It could also give a clearer focus to links with neighbouring areas - West Northants would be able to focus on relationships with Milton Keynes, Oxfordshire and the West Midlands, whereas North Northants would be able to relate to Cambridgeshire and Central Bedfordshire.

It would give a stronger voice to the West and North areas and support stronger working with key partners. While the authorities work together effectively in strategic negotiation, such as for the Housing and Growth Deals the change to two larger, unitary, authorities could make it easier for the West and North areas to engage on an equal footing with other unitary authorities in the area. Working with partners, such as SEMLEP, chambers of commerce and economic sector representatives could become more impactful. From the partner point of view, they will be able to work with less dispersed local government functions, thus creating clearer lines of communication and strengthening the exchange of key messages. This should give a stronger voice to attract the investment and skilled workers that are needed to support the strategies.

Opportunity to streamline decision making. Even with the commitment to West and North level working that currently exists, effort is needed to make decisions involving three and four different councils as well as county services. While unitary authorities would still have to prioritise, bringing activity together could simplify the process of making decisions where a range of current county and district/borough services are involved, supporting the delivery of priority outcomes or entrepreneurial activity.

More attractive climate for economic growth. Unitary authorities would be able to bring together functions in a way that could enable the launch of one-stop shop services to businesses, giving ready access to advice on business rates, licences, planning, building control and other local regulatory functions. It could also allow resources to be focused, reducing competition between towns and enabling a more strategic focus of effort, for example in assisting businesses to finding suitable locations.

4.2 Improving infrastructure, housing and the environment

Infrastructure improvement is closely linked to economic growth, but is treated separately here because of the central importance of housing growth in the area and the need for infrastructure development to support economic ambitions. Maintaining natural diversity and environmental sustainability are important intrinsically, for overall wellbeing, and to provide an attractive setting to encourage skilled people to live and work in the area. This is important in an area that has no green belt or Area of Outstanding Natural Beauty designations that protect natural assets.

Population growth is a critical context factor for this theme: Northamptonshire experienced higher population growth than the average in England and the East Midlands between 2011 and 2016. Office of National Statistics (ONS) projections show a similar rate of increase expected to continue to 2031.

4.2.1 Current aims and ambitions

The Joint Core Strategies for the West and North of Northamptonshire respectively set out policies and aims, including:

- A requirement for 35,000 additional homes in North Northamptonshire in the period 2011 - 2031 and 42,620 in the period 2011 - 2029 for West Northamptonshire.

- A range of transport infrastructure improvements, to promote connectivity, notably between urban areas and planned growth areas, while improving road infrastructure to relieve congestion, but also encouraging modal shift to reduce car dependency.

- Promotion of Green Infrastructure assets and corridors as assets to be conserved and enhanced in face of the inevitable pressure created by economic growth.

The Housing and Growth Deals in prospect for both the West and the North areas would deepen the commitments in these areas. For example:

- In West Northamptonshire, a proposal to develop a comprehensive, shared infrastructure investment plan, as part of the Central Area of the Corridor, which will prioritise key strategic infrastructure and growth enabling projects and programmes.

- For North Northamptonshire, the NNJPU has committed to being fully involved with the Corridor. Not all of its area fell within the initial NIC defined geography, but in developing the growth deal, it has made the case for the inclusion of the four district/borough areas. This creates the potential to stretch and accelerate planned growth.

4.2.2 How would reorganisation help?

The proposal for two unitary authorities should help the North and West Northamptonshire areas to maximise the role they can play in the Corridor. The unitary authorities would have more critical mass to identify priorities, and to convince external partners that they can marshal resources for effective delivery. This is especially important in the context of the two emerging Housing and Growth Deals.

Establishment of two new councils could facilitate a more coherent approach to addressing the challenge of providing infrastructure for growth. In both the West and North areas, the history of joint core strategic working and more recent work on potential Housing and Growth Deals testifies to a strong will to work together. However, this is led by very small teams, relies on senior officers from different councils working together, and requires significant effort to agree shared strategic positions. To push forward stretching

targets will require coherent action. Providing the necessary infrastructure for growth needs "joined up" delivery. Simply having transport, housing, planning and strategic economic functions in the same organisation should speed up delivery. For housing growth specifically, bringing functions together could enable more co-ordination of scarce local authority resources bringing more capacity for proactive work in terms of land assembly, planning, design for health and wellbeing, and liaison with large and small/medium sized house builders as well as registered social landlords.

Developers should find engagement with local government in Northamptonshire more straightforward. From the partner organisation point of view, they will be able to build stronger strategic relationships with the new councils simply as a result of having to engage with fewer organisations. This depends on creating the right culture in the new organisations, but if achieved has the potential to create a more consistent planning environment, which will be key to building houses, communities and business growth.

Opportunity to achieve practical delivery of a consistent approach in the West and North areas. The new councils should be able to build on existing collaborative working arrangements, such as the development of the joint local plans. This may be critical to unlocking key strategic sites for commercial and residential developments which offer benefits beyond current local administrative boundaries. There could also be the potential for important strategic decisions to be made more quickly, bringing planning, transport planning and parking and roads standards together in a single place. This should make it much easier to manage day to day work to match the strategic intent currently set in joint authority working.

Greater internal capacity to address infrastructure, housing and environmental considerations together and make greater use of natural capital. The new councils could have the critical mass to generate more creative responses to the challenges posed by facilitating development and growth at the same time as protecting Northamptonshire's natural assets. The opportunity is to build up a clear offer to prospective new residents about new houses and settlements as attractive places to live. Unitary authorities would be better placed to direct specialist resource, such as conservation and landscape officers, to focus on the cases of most strategic importance. Given the importance of housing in setting a firm foundation for wellbeing, there is also the ability to link housing and agendas such as Extra Care much better. In the North area, the greater size of a unitary authority would allow considerations to be balanced over a larger but interdependent geographical area. In the West, the new arrangement would provide an environment in which the best solutions for Northampton-related growth can be addressed, including consideration of new settlements.

More influence in the region, and especially in the Corridor. Making a success of the Corridor, both from the local, regional and national point of view, will require co-ordination with neighbouring areas. The stronger voice highlighted in section 4.1 above is also relevant here, enabling clear, focused engagement with neighbouring areas of the Corridor. The emerging Housing and Growth Deals are designed to enable the delivery of housing and economic growth across the two new unitary areas. A strong, articulate voice will be important in helping to ensure that the best solutions are found, particularly to requests for freedoms and flexibilities where government departments face significant challenge in making concessions to local need.

4.3 Improving health and wellbeing

Ensuring a positive impact of local government reorganisation and associated local public service reform on health and wellbeing is absolutely central to this proposal. Social care and health provision are at the centre of the tensions between reducing resource and increasing demand that affect the county's local public services and ultimately the quality and efficiency of the care provided. Overspending in the county council has been highest in adult social care and in children's services and concerns about meeting the demand for social care with limited and reducing funding are at the heart of the whole question of sustainable local government arrangements in Northamptonshire.

Overall health and wellbeing cannot be effectively supported unless health and social care systems work together. A recent Institute of Fiscal Studies working paper[71] found that reductions in social care spending in England have directly led to increased use of accident and emergency services by people aged 65 and over. More widely, there is a link to a much wider range of local services that keep people happy, fit and healthy, and so reduce demand on the system.

4.3.1 Current aims and ambitions

The Health and Wellbeing Board sets the strategy for health and wellbeing in the county, with a focus on commissioning across the NHS, social care and public health[72]. A wide range of organisations are represented, covering local government, health, police and voluntary sector services and the strategy emphasises the importance of:

- Giving children the best start, which links to early intervention.
- Promoting independence and quality of life for adults.
- Taking responsibility and making informed choices - promoting a healthy lifestyle.
- Creating an environment in which all people can flourish. For example the importance of effective communities in keeping people healthy and so promoting prevention.

This is supported by an approach to delivery which emphasises joint working, involving:

- Moving beyond collaboration towards shared decision-making.
- Effective governance with a commitment to partnership working and collective responsibility.
- Thinking about use of resources on an area wide, rather than organisation specific basis.

The joint county council and NHS Strategic Transformation Plan (STP)[73] recognises the need for "whole system" working including:

- A focus on prevention first – supporting people to stay healthy and live independently.
- A "whole person" approach – taking into account all care needs, both physical and mental, where services are focused on the individual, not the organisation providing them.
- The right care, in the right place and at the right time – safe care in the most appropriate setting; fast access to services wherever people live.
- Reduced reliance on hospitals – high quality specialist services available when needed, supported by a system which enables people to move back home quickly.
- Integration – more joined-up services, delivered in the community by GPs and other professionals working in one system; stronger collaboration between specialists in the main hospitals in Northampton and Kettering.

[71] IFS Working Paper W18/15: The impact of cuts to social care spending on the use of Accident and Emergency departments in England (June 2018).
[72] Supporting Northamptonshire to Flourish: Northamptonshire's Health and Wellbeing Strategy 2016 - 2020.
[73] Northamptonshire's Sustainability and Transformation Plan 2016 - 21: How We Will Support Local people To Flourish

- Voluntary support – greater involvement of voluntary and community groups in helping people to stay well.

- Working differently – supporting staff to work in new ways and across mixed teams in one Northamptonshire system.

The STP has been undergoing a reset since the strategy was published. This is realigning focus and priorities and is branding it as the Northamptonshire Health and Care Partnership.

4.3.2 How would reorganisation help?

There is still a significant gap between the aspiration and the achievement to date. Although the July 2018 CQC report was positive about the recent STP refresh, it produced a clear set of areas for improvement, including more integrated commissioning between the county council and CCGs to improve flow through the system and a far greater focus on prevention; to accelerate delivery of the STP partnership plans and to use system-wide performance data to drive improvements.

There is a lack of strategic planning in relation to community solutions and future population needs. The county is therefore not currently equipped with enough shared capacity, accommodation and joined up intervention and wellbeing services which means that community resilience and its part in prevention is not being fully exploited to the benefit of residents or the financial stability of public services. One of the workstreams of the refreshed STP is an intermediate care group project which is emphasising the need for cross partner working and community investment to reduce the pressure on hospital bed solutions and help keep people in their own homes.

In children's social care, the Ofsted inspection in 2016[74] identified that the Northamptonshire housing protocol for homeless 16- to 18-year-olds was not robust and there was a lack of a joint process involving social care to prevent homelessness at an early stage.

Reorganisation alone will not address these whole system issues - they require change at all three of the levels described in section 3.3. However, the move to two unitary authorities could offer significant potential on which to build.

Reorganisation offers an opportunity to design services which align with the vision set out in the Health and Wellbeing Strategy and the STP. The demand and financial projections make clear the need for profound change in the provision of social care, and this is acknowledged in existing strategies and was highlighted in the recent CQC report. To be effective, this needs to be at all levels of strategic and operational function: from strategic commissioning and governance, through financial planning, day to day decision-making to the operation of multi-disciplinary teams and use of buildings. The advantage of reorganisation is that it will remove some of today's artificial barriers from two tier working and can be a catalyst that leads to redesign across all these levels with a focus on use of resources and planning for needs in a whole place.

Strategic decision making would be more straightforward. For the local government services, the unitary model will bring different services together under one roof, allowing for collective planning and budgeting, and response surges in demand. Another advantage would be that greater scale could allow for a more focused approach across the unitary area to bidding for funding, with a resultant greater chance of success.

Cohesive whole population housing strategies. A key theme from partnership discussions has been the critical importance of housing in wellbeing. Establishing two new unitary authorities would provide

[74]Ofsted: Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board, 27 April 2016.

opportunities for social care services to work much more proactively with housing services, to share land, facilities and create locally focused delivery that could better utilise community assets and services. Improved outcomes would include:

- Reducing inconsistency in current housing protocols across district/borough councils. This could allow better support for care leavers who are bidding for housing and improve outcomes in Southwark judgement cases concerning the provision of accommodation for homeless 16 - 18 year olds.

- By bringing housing and planning into the same organisation as social care, this should allow for better planning of specialist housing provision and matching to need.

- Disabled Facilities Grant, where closer working provides an opportunity to streamline assessments and decisions about adaptations and, through more proactive forward planning and matching of clients to adapted houses. This should also end the cycle of adapting and then reinstating homes (rather than creating them as assets to be deployed strategically).

- Better use of technologies and telehealth to create homes for life approaches where people's environments can adapt to their changing needs without the need to formal residential care.

Reorganisation could provide an opportunity to share and exploit data more strategically. Data sharing between agencies is not easy and there are areas where this works well currently, for example in the Multi Agency Safeguarding Hub (MASH). However, the establishment of new local government structures offers an opportunity for improvements. One example is expected to be in sharing and cross-matching of data with the current district/borough housing and wellbeing services. Unitary authorities may also allow an easier scale for sharing and analysis of data with a view to spotting indicators of concern, such as Acute Childhood Experiences (ACEs), whether for individuals, or localities, and so supporting commissioning of the right services to prevent these matters, or to intervene where they are apparent. It is important to note that there are dependencies here on developments with replacement of the current county council social care case management system and on ongoing delivery of the STP's Local Digital Roadmap.

Closer alignment in related areas of service would support better health and wellbeing outcomes. The proposed reorganisation also offers potential to bring about positive change in other areas of activity which have a direct influence on health and wellbeing outcomes. Generally, unitary structures will join up the services that affect public health provision that are currently split across the two tiers and dispersed in districts/boroughs. Planning is of key importance here – by connecting it more closely to public health and social care services there are opportunities to work through healthy living and community support considerations. For example, there is an opportunity to work more proactively with planning teams to plan more strategically to encourage Extra Care Housing schemes and other lower-cost housing solutions, informed by data about demand growth and a collective understanding of provision and gaps in services provided across the unitary areas. This would enable much more consistent exploitation of these concepts to keep people in community facilities and away from higher acuity settings. Another example is in the planning of young people's accommodation and linkage to services such as leisure, which all help to support an authority's corporate parenting responsibilities.

The new councils should have more opportunity to focus on prevention. The unitary authorities would provide a better scale for strategic planning for services that have an impact on demand for high cost provision. The opportunity is to bring capacity closer together by reducing fragmentation in commissioning and delivery. Examples include home adaptations and telecare where, depending on the client's immediate setting, advice can come from a district and borough housing service, county social care, or from a hospital, and involving different providers. Establishing unitary authorities is an opportunity to map need, consolidate commissioning and monitoring, making for more efficient use of resources and a more coherent experience for the resident.

There is shared a view that current community investments suffer from the "pepperpot" effect with little strategic approach to enhancing community resilience/capacity across areas, customer groups or services. Unitary status would enable the new councils to take a more strategic approach mapping services to need and planning activities to improve wellbeing outcomes. This links to the STP's emphasis on improving the model of intermediate care.

More widely, there is a need to connect district/borough services directly to the public health agenda. A King's Fund study[75] highlights the role that district services, particularly in housing, leisure and green space and environmental health play in influencing overall health, and reducing homelessness. The opportunity is to bring this together into a single, better coordinated preventative capacity, to work with social care, health and public health services.

The authorities are very aware that the extent of preventative services the unitaries will inherit may be affected by action at the county council to prioritise its current spending on to statutory priorities. This is noted in risk 4 in the risk log in section 8.2.

Establishing new unitary arrangements still allows flexibility to operate effective whole county based arrangements. It is important to recognise that the move to two unitaries could also be a major disruption. Many of the current partnership structures are county-wide. This creates risks that the move to two unitary authorities increases the operational layers beneath county wide partnerships, creating a burden on partners in health, police and the voluntary sector. There are some specialist and strategic key services that might operate better across the area due to their size, their skills (or difficulty recruiting). Consideration will need to be given to this during detailed design work, for example assessing the safest arrangement for adults' and children's safeguarding as well as some services that act as a bridge between hospitals and community services and work at a cross county level. For strategic commissioning, it will also be important to agree the right level that allows commissioners in health and social care to make the best use of resources, while recognising differences in local needs.

4.4 Education and skills

4.4.1 Current aims and ambitions

There is a need for improvement in education and skills outcomes in Northamptonshire:

- In education, the Council Plan 2018 - 22 notes that 84% of primary schools and 60% of secondary schools in the county are rated Good or Outstanding by Ofsted, which is a lower proportion than the average for England. It notes that: "as a county we need to be ambitious and improve these levels". It is important to note that all but one secondary school, and many primary schools in the county, are academies.

- Demand for school places is also increasing (11.5% since 2010).

- The residents of Northamptonshire have, on the whole, lower levels of qualifications than neighbouring counties. The county adult learning offer, through First for Wellbeing, helps people develop their skills and access work. Nevertheless, a 2017 SEMLEP survey of businesses in its region[76] found that 23% of businesses reported having at least one vacancy that was difficult to fill (up from 18% in 2015) and 87% attributed this to skills shortages. While this is a sub-regional figure, work for the Northants Housing and Growth deals is emphasising the importance of exerting local influence over skills development priorities.

[75] The district council contribution to public health: a time of challenge and opportunity, November 2015
[76] Reported in the SEMLEP Strategic Economic Plan, "Where Innovation Fuels Growth",

4.4.2 How would reorganisation help?

These are all priorities that require a co-ordinated response from a range of providers, which in turn means that co-ordination between local government services is needed to work with them. Making progress will be important for attracting people to live and work in the Northamptonshire area, supporting economic growth and also contributing to the local tax base. The move to two unitary authorities could offer opportunities in the education and skills area to plan at a geographic level that meshes with economic planning.

Two new unitary authorities should provide a much clearer link between growth and the education and skills agenda. Given that the majority of secondary education is outside local authority provision, one of local government's core roles is to exert influence over the location and nature of education that is provided. Unitary authorities could provide an opportunity to make effective operational links between school place planning and economic growth, which is more challenging with dispersed district and borough based economic development functions. Given the increasing demand for schools places, this could be an opportunity to ensure that academy specialisms and locations reflect growth requirements.

Greater opportunity to influence skills provision and funding. Reducing the number of organisations with which the local training providers would need to interact would offer the chance to develop clearer direction about linking priorities and the growth agenda, and enhance their ability to plan for the future. Two unitary authorities could also exert more strategic influence than individual districts and boroughs over SEMLEP's work in supporting the skills agenda. For some providers, travel to learn patterns would still cross boundaries and we would expect co-operation between the two new authorities (and indeed areas such as Milton Keynes and Bedford) when liaising with providers. Arguably, having two unitary authorities in the Northamptonshire area would make the cross county aspect easier than it is at present.

The expected emphasis on service redesign generally could be used to support innovative approaches in education and skills. The focus on exploiting digital technology in other service areas could provide opportunities for schools and local education services. The potential investment in data and analytic capacity should help with the targeting of education related intervention and advice, and the possible investment in digital platforms to serve the new councils could be extended to schools and colleges.

4.5 Community safety

Crime, domestic violence, anti-social behaviour and poor road safety all have a damaging effect on communities. Not only do they cause suffering for individuals or businesses directly affected, but they damage the overall health of a community. High incidences of crime and deprivation tend to run together and create a vicious cycle. In turn this pushes up demand for emergency services, adversely affects the perception of an area and suppresses ambitions for growth.

4.5.1 Current aims and ambitions

These connections are reflected in the requirement for partnership working in the Crime and Disorder Act 1998 (as amended). Community Safety Partnerships (CSPs) operate in each borough/district – most are single area, except for South Northamptonshire and Daventry who have a joint arrangement. There are differences in how they are configured and operate, in terms of how they engage with partners beyond the statutory core of district and county councils and police and how they operate specific task groups. The objectives in the district/borough based community safety plans reflect similar themes: reduction of violent crime, interpersonal violence, anti-social behaviour, alcohol and substance abuse but there are different emphases from one district/borough area to another, reflecting local conditions. This ranges from rural crime related measures, to targeted actions on particular "hotspots" that rank highly on indicators for factors such as crime, drug seizures, employment, school attendance and attainment. Being able to focus action, including preventative work, to match local needs is vital in terms of prioritising resources. Maintaining this tailored

local focus will be a major concern in the move to unitary local government. Currently there is no county-wide CSP.

4.5.2 How would reorganisation help?

Bringing community safety resources together in two unitary authorities could provide economy of scale. Unitary local government could provide the opportunity for better planning and deployment of resources. Strategically, having social care, welfare benefits, planning/development and public health functions in one place, led by one corporate management board would offer the ability to bring the resources together much more easily. Currently officers who contribute to community safety work are dispersed in the districts/boroughs as well as the county. This can isolate expertise into the area where a particular individual works. Combining resources should give a better scale to deployment of expertise across the whole new unitary areas.

Having two unitaries will reduce the overall number of partnerships. This will be more efficient for statutory partners who currently have to be part of each district/borough's plan as well as supporting the many tasking and working groups belonging to each one. This should allow for more consistent representation from partners such as health, probation and voluntary sector groups in particular.

Operating community safety on a unitary boundary should make it easier to engage with strategic thinking affecting the whole area. In North Northamptonshire, the Joint Planning Unit gives support to improve overall design in developments. Given the importance of urban design in "designing out crime", this is an important area on which to make links. Similar considerations apply to other areas such as action on child sexual exploitation and drug use, where existing teams would currently need to work with multiple district/borough based partnerships. In this way, the move to unitary local government should be an opportunity to refresh and deepen a focus on prevention.

Very careful design will be needed to ensure that moving community safety partnerships on to larger unitary boundaries balances a number of potentially competing considerations. For the police and other partners who operate at county area level, there is a concern about the need for a county wide strategic vision on growing major issues such as serious organised crime, as well as the overhead of engaging with two large partnerships. Equally, it is important that moving community safety partnerships on to larger unitary boundaries does not dilute the ability of existing work to respond to local circumstances based on local needs. Detailed design work will need to balance out the shape of strategic level and practical delivery mechanisms, such as task and finish groups, geographic or thematic sub-groups and delivery groups.

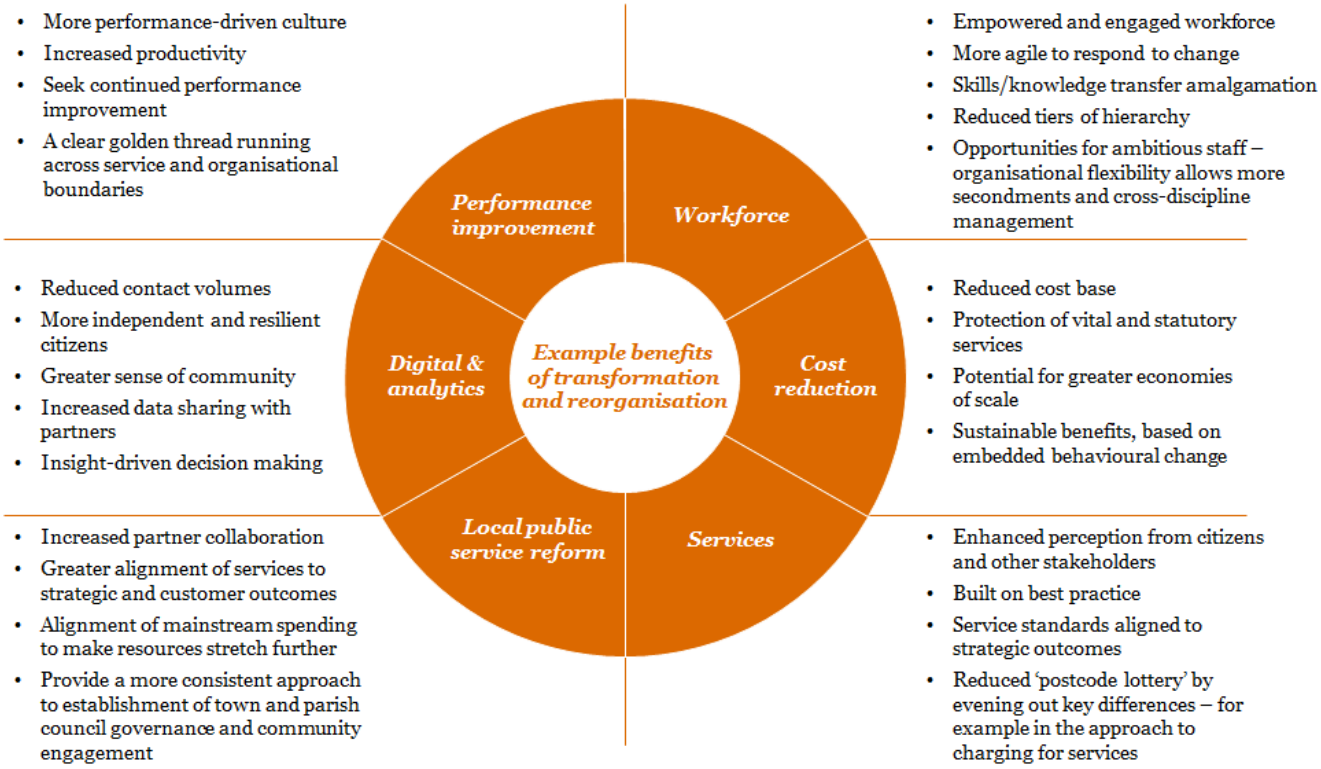
4.6 Transforming services

Many of the anticipated outcome benefits described in sections 4.1 to 4.5 will result from the increased potential, in a unitary context, to plan services together and in doing so to create a single focus for joint working with partners. But creating new organisations is an opportunity to make major changes to the way that the local authorities achieve outcomes. A reorganisation should also be seen as an opportunity to redesign interaction with customers and partners; back office services; and other enabling activities.

Using the platform of reorganisation to shine a spotlight on transformation opportunities will be a core component of the Best Value inspector's concept of reorganisation to deliver "a new start … for the residents of Northamptonshire".

The diagram on the following page summarises a range of qualitative benefits that a properly resourced transformation should offer.

Figure 22: Key themes summarising qualitative benefits expected from local government transformation



A helpful starting point is to consider the whole range of activity performed in the eight councils as falling into three categories:

Figure 23: a summary of the three key categories for activity taking place in local government

Customer contact and assessment	Service delivery	Enabling support
Activities and processes relating to the management of interactions with customers which includes managing customer enquiries; processing applications and requests; performing eligibility and assessments; and a range of activities that support customer facing staff.	Activity and processes relating to the direct delivery of council services to customers. This includes the delivery of people, place and cultural services.	Strategic and back office supporting activity which underpins the delivery of the organisation's service delivery activities.

PwC has experience of transformation in these areas, based on assessing operating models at nearly 70 upper tier or unitary local authorities. This has provided a bank of comparator data which has been used to give an indication of transformation potential. The time available to prepare this report was not sufficient for carrying out an extensive survey to understand the activities on which staff spend their time, so the comparator data have been used to provide an indication of where transformation savings may be expected.

4.6.1 Customer contact and assessment

Customer contact and assessment activity covers initial customer interactions, which often involve similar processes for different service areas. Examples include: handling customer enquiries, processing their applications and requests and conducting eligibility checks and assessments. It also covers some "middle office" support for customer facing work - such as scheduling, data recording and entry.

The potential for this to be carried out by generic teams, equipped with the right knowledge support and customer facing skills, is acknowledged in many local authorities by the creation of specialist customer contact teams of departments. The challenge is to focus the effort in such specialist teams rather than allowing it to remain in frontline service teams.

PwC's assessments often find:

The current customer experience is fragmented, with a high number of staff handling customer contact but sitting outside of the current customer services teams. This means that these staff are likely to lack the required skills and training, as well as access to knowledge bases and overall customer histories that would help them handle queries efficiently.

Multiple entry points into each organisation. Where a large degree of customer contact activity occurs within frontline service areas, there is a risk that the customer service departments are bypassed, distracting frontline staff and undermining the creation of single customer records.

Customer service teams are not operating at optimum efficiency. A high proportion of customer contact and assessment activity performed within the service delivery areas suggests an opportunity to increase the percentage of enquiries that could be resolved at first point of contact, thereby reducing the extent of double handling performed across each organisation.

Take up of digital contact has not been exploited to its full potential. Availability of services online is variable between the districts and boroughs. Generally, a more even standard of information and digital functionality available to customers online would enable resolution of more queries through self-service or signposting to other organisations in the community who might be better placed to support them. Our analysis suggests the current councils could be going much further with digital. Even in a district such as Corby, which has undertaken a major digitisation of its service availability in the last two years, there is still a high reliance on telephone and face to face contact.

How would transformation help?

A transformation could be used to generate some reduction of customer contact effort. Key drivers of this change would be:

- By enabling contact and requests for service through council websites it is possible to allow local people to contact the council at a time that suits them, to find information easily from an electronic device at home or at work and to make electronic payments for services or council tax. For councils, this reduces the number of staff needed to provide information and guidance through more expensive face to face and telephone methods.

- Consolidating the number of points of access (for example in adult social care, where in addition to the county call centre, there are home adaptations contact numbers in each district or borough, as well as a separate number for Olympus Care Services) will simplify contact for customers and increase the amount of resolution at first point of contact.

- Creating two new authorities will provide an opportunity to design an effective mode of interaction with citizens that suits the geography of the West and North Northamptonshire areas. Local people should expect much more emphasis on the benefit of contacting their council through online, self-service methods. In return, they should expect more information and signposting online and better functionality.

- Improvements to overall productivity, for example, consolidating knowledge management sources to enable faster handling of enquiries.

- Digital interactions also assist councils in gathering data that enables them to understand patterns of need, so that resources can be better targeted and to support preventative action. This in turn should prevent some contact from residents by sign-posting them to solutions.

- Consideration of the suitability of straightforward transactions to be automated, so freeing up professional resource to focus on more complex cases.

Opportunities for telephone and face-to-face contact will need to be retained to recognise the assistance and support that vulnerable and older people will need in order to ensure they are not isolated. But the location and opening times of customer contact points, such as one stop shops will need to be considered during a detailed design phase of work.

4.6.2 Enabling support

Enabling support covers the administrative and strategic activity that enables a local authority to operate. It is generally carried out within corporate functions, such as HR, finance, IT and procurement and the strategic core. PwC's assessments typically find:

- **A high proportion of enabling support activity is occurring outside of corporate services and could be duplicating effort**. Even where councils have undertaken extensive administrative reviews, areas of 'siloed' activity often remain, creating duplication of similar types of activity in different parts of the organisation. A detailed review will be needed, but the establishment of two new authorities would be expected to deliver efficiencies by addressing this issue.

- **Councils have not automated service provision to the extent that technology now allows , suggesting a lack of integration between IT systems**. Discussions with senior officers suggest that the districts and boroughs are at different levels of maturity with the move to self-service transactions, and that there is scope to move to it in current county services. Designing in the necessary IT integration and committing to automation should be a target transformational change to link to reorganisation.

How would transformation help?

A transformation could be used to reduce enabling effort. Key drivers of this change would be:

- Establishing a shared service function that can offer transactional services to both future unitary authorities, thereby maximising efficiency benefits and ensuring a common service standard across the Northamptonshire region. Full benefits realisation here will take time - there is a wide range of existing shared service arrangements, including some (such as for waste and streetscene) where new arrangements are in the process of being negotiated and the county back office services are provided by LGSS. The potential benefit is also slightly lowered because South Northamptonshire already has a full sharing arrangement with Cherwell District Council in Oxfordshire. This arrangement will be broken by the Northamptonshire unitary proposal and means that a shared service saving has in effect already been taken from this authority.

- Automating less complex activities which do not require professional judgement or intervention.

- Building on synergies between back office functions and developing a tiered approach, in which transactional activity which cannot be automated is performed by trained generalists, with business partnering offered where more specialist advice is required. An example would be supplemented professional social work assessment with generalist, but "trusted" assessors.

- Standardising and simplifying internal processes, reducing non value-adding activities, to enable processes to be as efficient and effective as possible and giving a productivity improvement.

- Greater sharing of customer and operational information between teams and systems, and using this to generate greater business intelligence to inform strategic and operational decision making.

- Develop the capability for all members of staff to self-serve for simple transactions and advice. From HR and pensions to IT support, there are opportunities to create 'digital employees' and so reduce the overall internal demand for back office support services.

4.6.3 Service delivery

This is the total staff effort spent on delivery of frontline services customers.
Any new unitary authority will want to work to maximise proportion of service delivery effort carried out by their organisation. This is where release of capacity from front office and enabling functions creates strategic choices about whether to reinvest capacity saved into the front line.

Further opportunities to focus service delivery capacity, and either to release or reinvest capacity, could include:

Consolidation of service delivery models. For example, Olympus Care Services, which has delivered Community Occupational Therapy assessments and Assistive Technology assessments on behalf of the county council since 2012 is coming back in house. There is an opportunity to redesign this model to a two unitary area, joining up with the assessments for Disabled Facilities Grants adaptations that are currently administered by district and Borough Councils. There are further examples of fragmented delivery and commissioning arrangements in children's services.

Providing professionals and frontline officers with the tools and information to enable them to focus on performing value-adding activity, not administration. The procurement of the replacement of the CareFirst social care case management system, for example, could be planned in a way that maximises the opportunity for mobile working - with remote access to data, and the ability to input information to the system without returning to the office or while waiting for cases at court.

Exploiting data and analytics capabilities to enable frontline services to predict emerging trends, inform decision making and target the delivery of services to enable support for better outcomes.

4.7 Towards public sector reform

This section has emphasised how the unitary local government concept, and its expected geography, should provide a simpler unit than the two tier model, on which to plan services together and to enable partner organisations to work together.

Partnership working has become the norm over the last twenty years in local public services. But the more significant outcome benefits will come from pushing this firmly into the area of local public service reform.

The core concept is mainstream integration – by building ambition and capability together, it is possible to

build a scale and strength of local public service that can innovate, is efficient, an attractive place to work, and genuinely collaborates to solve the most complex cross-cutting problems.

The councils and their partners, especially in health and policing, recognise the change created by unitary local government as a spur to open up discussion on deep public service reform.

There are building blocks such as the Multi Agency Safeguarding Hub in children's services, which is staffed by local authority, police and health. But there is much wider need for mainstream integration in order to create sustainable and innovative leadership of place, not just of services. A wider ranging programme of public service reform should offer opportunities to:

Provide a place-based solution to complex problems. Mental health is an example. There has been a lot of national publicity about funding restrictions on direct mental health services. But in reality the problem is much more wide-ranging, encompassing environment and leisure provision, early years support, housing, mental health support in the criminal justice system, in schools and the workplace, as well as equipping GPs with the knowledge of where to refer patients before symptoms become severe. This requires a genuinely cross public sector solution.

Promote innovation. Technology continues to develop fast, but an innovative culture is needed to spot opportunities to exploit it. Working multi-agency offers a scale to bring together small multi-disciplinary hubs (including virtual hubs) to exchange ideas and tailor technological possibilities to the needs of the place. Police, highways and countryside officers could work together to harness the potential of the use of drones for example.

Share data and insight. Austerity has caused many organisations to reduce spend on corporate and strategic functions. As a result, many public bodies have yet to realise how best to gain insight and understanding from the data they hold. The routine of performance reporting serves the needs of individual services and accountability to funders. But there would be much more power in working with other agencies to combine the insight from their primary data to anticipate, plan for and deflect demand for services in the whole system, based on their understanding of their communities and what has happened in the past. By combining resources, local public service organisations can create strong shared business intelligence helping them to plan community governance together.

Share capacity. Although there are requirements for distinct professional qualifications in different agencies, there are many areas where skills are transferrable and activities can be shared. This means pushing beyond shared back office services into areas that can extend capacity and also promote sharing of insight. An example could be shared out of hours services between health and social care.

Share assets. We expect the creation of unitary authorities to release parts of the existing councils' estate. This could be used as an opportunity to design new flexible working spaces to be shared with other local organisations. As well as promoting efficient use of public assets, this will allow co-location of teams working in support of related outcomes who can share ideas and approaches.

Promote a flexible 21st century workforce. Patterns of work and employees' aspirations have changed greatly since the turn of the century. The rise of digital recruitment, professional social networking such as Linked In, or employment based experience sharing sites, such as Glassdoor, mean that dynamic and talented employees can find new opportunities with great ease. Millennials bring digital native attitudes to the workplace; they know their transferrable skills and will move to find a better job. Experienced staff increasingly will look for freelance opportunities because of the greater flexibility it brings them. Public services can work with the grain of this trend – by working together to define skill requirements and to encourage staff to move between agencies in the area.

4.8 Conclusions

The themes discussed in this section identify a range of opportunities to improve outcomes. This builds from the argument that creating unitary authorities will provide local government of a coherent size and scale to enable robust engagement with the challenges identified. There are indications, especially in the economic and infrastructure areas that the future unitary areas genuinely present a credible geography and can engage externally on behalf of their areas.

In general terms, the move to unitary authorities is a first step in a process that needs to involve clear programmes of transformation to ways of working in each of the new authorities and a shift into wider public sector reform.

This process will be difficult. This is partly because of the depth of the existing financial problems at the county council. But secondly, transformation will be a major challenge for two new organisations emerging from a culture where the largest legacy organisation, the county council, was found not to deliver Best Value, and where all the councils in the area will expect to lose experienced senior leadership capacity during the transition process.

Section 8 assesses the risks and high level implementation plan. Further work will be needed to plan programmes in detail so that the new authorities can capitalise on the expected impetus and momentum of change to develop the opportunities to transform, engage with public sector reform, and begin to realise significant outcome benefits.

5. Value for money, efficiency and delivering cost savings

This section of the analysis focuses on the potential of the creation of two unitary local authorities to deliver value for money and cost savings. Work is ongoing through the government-appointed Commissioners and external audit of the 2017/18 accounts, to establish clearly the extent of the deficit faced by the county council. Until those findings are known there are necessarily caveats about the baseline position, which affects the ability at this stage to make financial plans for successor organisations. The July 2018 section 114 notice for the county council indicates the very large extent of risks here.

The analysis below shows that some savings are expected from reorganisation. However, based on the MTFP assumptions across all the authorities, these will not be enough on their own to lead to the new authorities being set up on a financially secure basis. Consistent with the approach described in sections 3 and 4, the emphasis on transformation and public service reform has the potential to deliver further savings or value for money improvements in return for significantly higher investment. This section gives a description of how they would be expected to arise and why they should be seen as benefit in terms of value for money for the taxpayer. However, there is also a major caveat that the baseline for transformation, and the extent of saving that can be delivered, will depend on the starting point inherited by the new authorities. This starting point will be significantly shaped by measures expected from the existing county council to address the deficit risks reported in the July section 114 notice.

5.1 Financial analysis for reorganisation

5.1.1 Savings arising from reorganisation

The change from a two-tier to a unitary local government structure presents the opportunity for some savings. Our analysis assumes savings from the following:

- A reduction in senior and middle management posts.
- An overall streamlining in corporate functions and a limited number of services.
- A reduction in IT licence costs, based on the level of staff reduction.
- Reduced running and maintenance costs for property.
- Democratic savings, based on a reduction in the overall number of councillors and the ending of county elections.

A breakdown of these savings is represented in the table below. Initial modelling suggests an annual saving of £6 million for the West unitary area, and £6.1 million for the North area has been estimated, totalling £12.1 million of annual savings arising through reorganisation, fully realised from the year 2021/22 onwards. These estimates have been based on the assumptions set out in the appendix. More detailed assessment may be required to confirm these figures prior to implementation, especially as the county's baseline position is likely to change in response to its immediate deficit pressures.

Figure 24: estimated savings to be realised in the proposed unitary areas as a result of reorganisation

Savings area	West (£m)	North (£m)
FTE	3.0	3.6
IT	0.7	0.4
Property	1.9	1.9
Democratic	0.3	0.2
Unitary Total	6.0	6.1
Overall Total	12.1	

5.1.2 Transition costs

There will be costs in transitioning to a unitary structure. These have been estimated as one off costs, occurring in 2019/20 and cover the following areas:

- People related: redundancy and pension/retirement costs from staff reductions[77].
- ICT costs: for data cleansing and migration; changes to storage capacity; new licences; and changes to reports.
- Property refurbishment costs.
- Democratic costs for shadow member roles and Chief Executives.
- Other costs, including public consultation; executive appointment costs; costs of closing the existing councils; contingency planning; rebranding; internal programme management; external support.

A summary of these costs is represented in the table below. Initial modelling suggests that £14.9 million of transition costs will be incurred in the proposed West unitary area, and £15.0 million in the North area, totalling £29.9 million of transition costs occurring in 2019/20. As with the savings, these estimates have been based on the assumptions set out in the appendix. More detailed assessment may be required to confirm these figures prior to implementation. It is also important to note that the decision of South Northamptonshire and Cherwell District Councils to break their current joint arrangements is likely to lead to additional financial pressures, which are at this stage unquantified.

[77] At this stage modelling has been on the basis of redundancy costs only. We have assumed redundancy in all cases of FTE reduction. This is unlikely to be the case as some staff are likely to leave and not have permanent replacements before the unitary authorities are launched. This allows some flexibility for costs such as for pension strains which have not been quantified.

Figure 25: estimated non-recurring costs to the proposed unitary areas as a result of transition

Area	West (£m)	North (£m)
Redundancy costs	2.2	2.8
IT	1.1	0.9
Property	3.4	3.5
Democratic	0.2	0.2
Other transition costs	8.1	7.5
Unitary Total	14.9	15.0
Overall Total	**29.9**	

5.1.3 Overall impact of reorganisation on costs

The overall estimated impact of the reorganisation on the cost base shown in the table below.

Figure 26: impact of reorganisation on cost base

Recurring savings (£m)	One off costs (£m)
12.1	29.9

The exact impact of this will depend on the financial starting point for the new authorities, which in turn is dependent on the work the commissioners are undertaking at the county council. But with the scale of the existing and projected deficit described in section 3.2.2, the financial impact is likely to be relatively minor and certainly not a factor that makes the new authorities sustainable. Transition costs will also pose a significant further short term strain on finances.

5.1.4 Impact of reorganisation on income

The impact of harmonising council tax is a key factor which will affect the income available to the new authorities. There are variables here including the period of harmonisation and the level to which harmonisation takes place. Government advice is that a precise equalisation scheme will be set out in a Statutory Instrument and will have regard to local preference, impact on the new councils' finances and the impact on council tax payers[78].

The shadow authorities will wish to determine and then suggest their preferred approach. At this stage, it is important to note that the arrangements for council tax harmonisation will create a sensitivity to the

[78] The detail of the harmonisation process is described in an Explanatory Memorandum (2008 No: 3022) to the Local Government (Structural Changes) (Finance) Regulations 2008

reorganisation financial analysis which brings further uncertainty to financial projections and can lead to income foregone. For this reason, the councils will need to work closely with government to find the optimum approach that balances impact on the taxpayer with sustainability of the new councils.

It is also important to note that there will need to be harmonisation of the currently different rates of Council Tax Recovery Scheme that operate in different districts and boroughs currently - for example 8.5% in Corby and 45% in Kettering. Because of the potential impact on people with less ability to pay Council Tax, a policy decision will be needed, and this may have additional revenue implications.

5.2 Financial analysis for transformation

We set out in sections 4.6 the potential to use reorganisation as a platform from which to create transformational change in the way that council services are delivered. The extent of change, and the financial benefits this will bring will depend on the new councils' ambitions; their appetite for risk; the way in which implementation is prepared and delivered; and the availability of the necessary capacity and capability. The new councils will need to make strategic choices about these factors. Robust quantification of opportunities will also require more analysis of the baseline and current maturity than has been possible in preparing this report.

In addition, it is important to note that the baseline will be affected by work at the county council to address the current deficit. In particular, this is likely to affect the baseline for third party spending and number of employees.

5.2.1 How can transformation deliver savings?

Section 4.6 identifies a set of potential operating model changes that the new council could choose to implement. This creates savings opportunities in a number of ways:

Process change and customer centricity
Designing customer service processes around new technology and exploiting automation; standardising and simplifying processes; reducing duplication in back office functions (using common technology systems and a mix of multi-skilled and specialist staff) and increasing the use of data and analytics to predict need all offer the chance to release capacity. There will be a choice about how far this leads to reduction in establishment or is used to direct more resource to front line operations. However, the potential is there to realise savings.

Property savings
Reduction in establishment as a result of transformation savings will also reduce the amount of office space needed - enabling savings beyond those in the reorganisation. However, a transformation involving new technology and initiatives to promote flexible, mobile and, where possible, home working also is an opportunity to reduce the area of required office space. This can then be realised as saved running costs, through rental income, or by sale and generation of a capital receipt.

IT savings
IT will be an area of investment in a transformation, as the new councils build their digital capabilities. However, rationalisation of processes involving new IT should allow for some balancing of the investment by reduction of current licensing and maintenance costs.

Demand management
Transformation is likely also to focus on working to prevent escalation of demand. Use of the big data and predictive analytics capabilities in modern data systems provides a way to develop a much stronger capability to anticipate users' needs and reduce later, more expensive and urgent interventions. While this may not be turned into a headcount saving, the prevention of escalation of demand is a way to contain spending that would otherwise grow in step with demographic change. This has not been quantified at this stage.

Third party spend
Reorganisation offers the opportunity to undertake a large-scale review of third party spending. This means reviewing purchasing models, ensuring as much purchasing as possible is through frameworks and contracts; using the larger buying scale of the new councils to negotiate contracts; and reviewing the nature of what is purchased, ensuring a consistent process and level of control.

Income
Reorganisation gives an opportunity to review the approach to fees and charges. There will be a need to harmonise currently varied levels of fees and charges, but there is also an opportunity to look for new opportunities to generate income. There are significant differences in the fees and charges levied by the existing councils. For example, PwC comparator data (which is based on 2016/17 figures) identified Daventry as generating only 5.6% of income in comparison to total service expenditure, compared with a figure of 26.9% for Kettering. Opportunities to increase income generation can be investigated through:

- A gap analysis on leading practices elsewhere compared with current practice, focusing on commercial awareness, culture and processes employed in generating income.
- The agreement of key principles, determining the service level of the cost recovery, consistency across the system, formal targets, and accountability.
- Identification of opportunities, validated based on the ease of implementation and the potential benefits.

We estimate that this gives an indicative range of potential transformation savings as shown below. As with the reorganisation savings, this has been based on a set of assumptions, a more detailed assessment may be required prior to implementation.

The range of potential savings is also likely to be affected by the work of the county council's commissioners – the measures they take in reducing deficit will make savings that cannot then by counted again in transformation – the notes below the table explain some adjustments made in anticipation of this. If deeper measures are taken, the transformation range may reduce, or if savings are not achieved, the transformation potential may be higher than shown.

Figure 27: range of potential transformation savings

Savings area	Low (£m)	Mid (£m)	High (£m)
Process change and customer centricity*	14.4	21.8	29.3
IT	0.6	0.7	0.8
Property	0.4	0.6	0.8
Income generation	6.5	8.7	10.9
Third Party**	11.9	19.8	27.7
Total	**33.7**	**51.6**	**69.4**

* It is likely that the county council will need to reduce its establishment prior to April 2020 in response to its current deficit. Anticipating this, we have made adjustments to the baseline in terms of establishment size (described in the appendix).
**In recognition that third party spend will be a major focus on county council efforts to reduce its current deficit, we have only included 25% of existing county third party spend in a baseline of addressable spend.

5.2.2 Transformation costs

Transformation will require significant investment. Costs will need to take into account a wide range of factors, in particular: redundancy costs, investment in IT and programme and change management, involving both internal and external support costs.

Costs would be one off but expected to be incurred during the period when savings are realised. As with the reorganisation transition costs, this has been based on a set of assumptions, and a more detailed assessment may be required prior to implementation.

Figure 28: range of potential one off transformation costs

Area	Low (£m)	Mid (£m)	High (£m)
Process change and customer centricity	7.2	10.9	14.7
IT	6.0	7.0	8.0
Internal project management	2.0	2.5	3.0
External support costs	16.0	18.0	20.0
Property	0.5	0.8	1.0
Third party spend	1.5	2.0	2.5
Income generation	0.5	0.8	1.0
Total	**33.7**	**41.9**	**50.2**

5.2.3 Overall impact of transformation

Transformational savings will take several years to be realised. The table below shows a highly indicative profile of potential savings, based on the mid-point of the savings range and an assumption that savings take four years to realise.

Figure 29: indicative profile of transformation savings and investment costs, based on mid-point of the range

(£m)									
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Recurring savings	0.0	0.0	0.0	12.9	25.8	38.7	51.6	51.6	51.6
Investment costs	0.0	0.0	10.5	10.5	10.5	10.5	0.0	0.0	0.0

Transformation programme design work, and further analysis of the present ways of working, will be needed to estimate the scale of the opportunities, and to balance short-term affordability and implementation capability with medium-term benefit. The potential will also need to be assessed against the activities of the commissioners at the county, whose work to balance the deficit is likely to involve significant cuts that affect the

starting point for transformation. However, if it can be successfully implemented, transformation could provide a route to medium-term financial sustainability which reorganisation alone will not deliver.

5.3 Public service reform

Extending transformation into the area of public service reform (as described in section 4.7) offers the potential for further financial benefits. At this stage these have not been quantified. It is too early in the process of engagement with local public service partners. Opportunities need to be identified and would need to be supported with their own business cases. It is, however, worth noting some of the potential features of these further benefits:

- Benefits would need to be measured in terms of their impact on the local public service, rather than just local government spending. Some benefits would be felt outside of local government, but equally local government would expect to experience benefits from action by other partners.

- Benefits would typically take several years to be realised. One of the improvements from public sector reform should be cross agency action focusing on prevention. 5 – 10 years is the most realistic horizon for being able to see measurable financial impact.

- There will be costs associated with public service reform, with investments needed in training and tools (for example for predictive analytics) or small innovation hubs may be established in each area with local authority and other agency staff seconded to them.

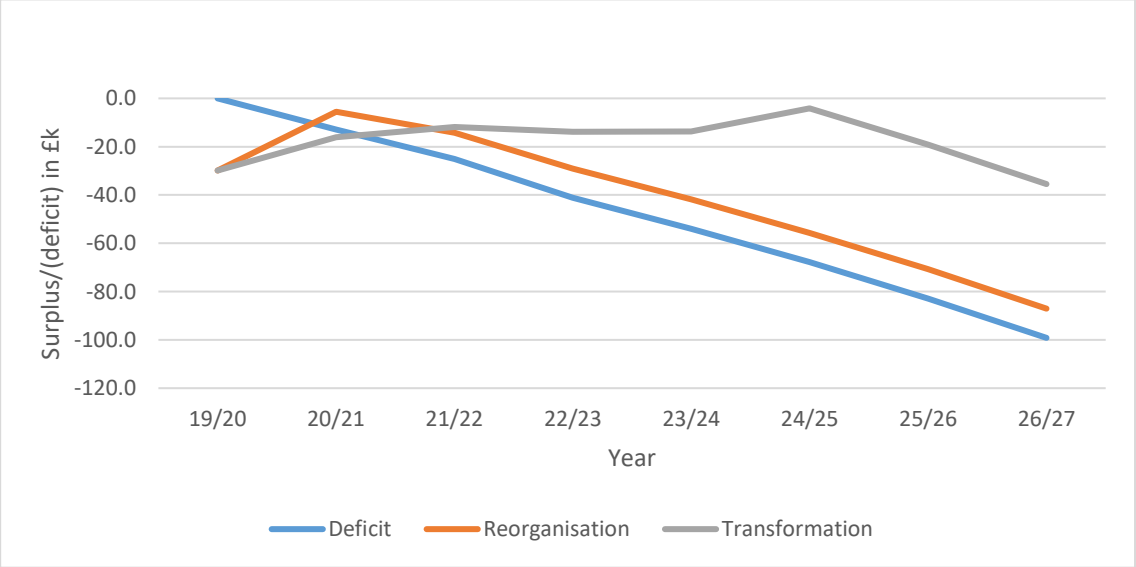
Sustaining support for the public service reform approach will require careful programme management in order to demonstrate success. It will be important to identify some early wins – for example by pushing for savings through cross agency shared services or asset sharing.

5.4 Conclusions

We noted in section 3.2.2 that the exact financial stresses at the county council are not yet fully understood and that this inhibits effective financial planning or modelling. But it is clear that there is a serious combination of deficit, debt and low income potential. While reorganisation can be expected to produce some cost savings, these will not be enough to tackle the county's cost pressures and reorganisation offers no advantage in terms of addressing the weaknesses in the county's balance sheet or historic income. This analysis suggests that pursuing reorganisation alone will not lead to two financially sustainable unitary authorities. Depending on the assumptions made, this may also be exacerbated by the impact of income foregone through council tax harmonisation.

The graph below builds from the analysis in section 3.2.2 about projected deficit. This is derived from early 2018 published MTFPs, and makes the significant assumption that action is taken before the unitaries are created to deliver a balanced financial position. The graph shows that moving towards a sustainable position relies on achieving significant transformational savings (the assumption here is based on the mid-point of the range being achieved).

Figure 30: indicative impact on projected deficit of reorganisation and transformation



A programme of transformation would require much more investment but has the potential to build on the platform of reorganisation and create a more sustainable financial context for both the new authorities, as well as being a means to focus on service development. Developing this further, into public service reform, may offer further savings to the public purse in the area, including to local government.

However, these ambitions first require the basic reorganisation to be delivered effectively, enabling the new councils to build the capacity and culture to capitalise on the opportunity to make a change in local public service delivery. Recognising this point, section 8 describes a range of challenges which will need to be addressed to help the councils to maximise the potential for the new unitary authorities to establish stable building blocks from which to develop.

6. Stronger and more accountable leadership

The fact that seven districts/boroughs and the county are currently considering submitting a proposal for two unitary authorities together is a sign of the strength of leadership in Northamptonshire now.

The approach is pragmatic. This is not a proposal that would have arisen from the councils' own initiative. However, they all accept the urgency of the financial situation and plan to ensure the reorganisation is used as a platform to obtain the best outcomes possible for the area. This includes providing the most effective leadership for the structures proposed.

All forms of representation and structures of leadership have strengths and weaknesses. There are significant concerns among district and borough leaders and members that the voice of the communities they currently represent will be diluted in new authorities covering larger areas with more competing priorities. There is also concern that rural interests will lose out in unitary authorities and that spend will be dominated by the demands of concentrations of deprivation in urban areas.

However, the two-tier system creates accountability that can be unclear and confusing. Local residents, businesses and other public sector partners may be unsure which local authority is accountable for which services. This is further confused by the fact that the largest component of their council tax bill, the county precept, is levied through the district or borough. Organisational boundaries also create challenges about information sharing and arriving at a single voice to provide clear leadership.

There is cost and complexity associated with separate county and district/borough electoral cycles and having a total of 320 council seats across the eight authorities. Time and effort have to go into building common positions between districts and boroughs and between them and the county. This diverts attention and means that the councils cannot make the most of the county's opportunities and are not tackling its challenges as effectively as they could.

The establishment of two new unitary authorities has the potential to improve these issues. It could facilitate a stronger voice for West and North Northamptonshire; make accountability clearer for local residents and businesses; and streamline decision-making.

The remainder of this section considers the overall impact under three headings:

- The opportunity to deliver stronger strategic leadership.
- The importance of local and community leadership.
- The role that reorganisation could play in supporting clearer decision making.

6.1 Stronger strategic leadership

The new local authorities would have a wider geographical remit than the existing ones and should be better placed to take a holistic view across their areas. The leaders will be able to make strategic decisions across what are presently distinct administrative boundaries. This would be particularly significant in relation to planning,

housing and highways decisions. They should also be able to take strategic decisions across service boundaries, better recognising the connections between leisure and youth provision, or housing and social care.

This would support local government's increasing role as a place leader - facilitating outcomes from a range of providers and partners, rather than controlling all the delivery levers itself. Locally the new authorities should be better placed to provide leadership to delivery partnerships because they can speak for all the aspects of local government accountability - giving a clear focal point for delivery partners.

Regionally and nationally, unitary authorities could be a much stronger voice. The key example in Northamptonshire will be the Cambridge - Milton Keynes - Oxford Corridor - by bringing critical mass to that concept, unitary authorities should be able to ensure they also derive local benefits from it.

In some areas, economies of scale and strategic planning considerations support delivery at a larger geographical level than the two new unitary authorities would represent. At this point, no decisions have been taken about this, but it will be considered during transition. Some aspects of partnership working may require whole county structures (for example to fit with the boundary of the police force). In such cases ensuring the best service outcomes and value for money would be the key considerations.

6.2 Stronger local leadership

One feature of a move to unitary local government is a reduction in the aggregate number of councillors in an area. Among the councils submitting this proposal, there is a keen appreciation of the risk of creating an electoral deficit - essentially the risk that removal of the district and borough level of local government takes decisions further away from local people. There will be fewer councillors, and each councillor will be representing a larger area. The consultation exercise showed there are concerns about a loss of local accountability and the risk of combining urban and rural issues in a single council area.

Exact electoral arrangements will be for the Local Government Boundary Commission for England to determine. This section of the proposal sets out the ways in which the councils propose to ensure effective, and potentially enhanced, relationships between councils, members and their communities. However, due to the rapid nature of the formulation of the proposal and the rapid transition that will be required to meet the target vesting date in April 2020, we expect an approach of incremental change will be needed. This affects the proposal for electoral arrangements, which is described in section 6.3.

There are two main opportunities in this area:

Local area structures and working arrangements with town and parish councils. There is a clear opportunity to introduce arrangements that design in local organisation and resident oversight of decisions and spending. Exact arrangements will be matters for the new councils to consider and discussion will begin during the shadow period. Ideas are under active discussion, with two concepts under consideration:

- More delegation to parish councils. There are examples of significant delegation of responsibility to this local council level in the county. At county wide scale, this would first require creation of new town and parish councils in currently "unparished" areas. This is already under consideration in some areas and could range from ceremonial delegation (for example, use of an existing borough title) to delegation of responsibilities. However, without more research, the councils cannot commit to parish and town council delegation at this stage. Such small bodies depend on the contribution of enthusiasts who may not be able to sustain the effort to maintain local assets. Quality and capability is also variable, so consideration would need to be given to capacity building and training.

- Area governance. An alternative option is to follow the example of a number of the unitary authorities established in 2009 who created area governance arrangements to support councillors in their community

leadership roles and to help them engage more effectively at a local level. In many instances, these arrangements comprised local area boards, made up of representatives of service providers, town and parish councils, the voluntary sector and community groups and overseen by the councillors in those areas.

The councils submitting this proposal are aware in particular of arrangements in Wiltshire and Cornwall, whose features offer evidence to build on:

- Following its establishment in 2009, Wiltshire Council created 18 new 'area boards'. These were given responsibility for finding solutions to local issues, such as road maintenance, traffic management, litter, facilities for young people and affordable housing. The community areas, the boundaries of which are closely aligned to those of Wiltshire's 'natural' communities, are inclusive, informal and popular – hundreds of residents regularly attend their meetings. The boards also oversee an area grants scheme, to which local communities and voluntary organisations may apply for funding to support local projects and priorities. In addition, Community Area Partnerships were established, in order to engage local people according to their needs, and designed to be accountable to the community[79].

- Cornwall Council, which was also established in 2009, put in place 19 'community networks'. These are effectively multi-agency panels, and operate in much the same way as Wiltshire's area boards. However, in Cornwall the networks have been used as the principal vehicle through which the local authority has engaged town and parish councils in discussions about the delegation of service responsibilities. The council has also set up a framework to facilitate partnership working with local councils, enabling them to negotiate the basis on which they choose to take on any service responsibilities and helping to guide them through procedures such as contract monitoring and/or asset transfer. There is no obligation on the town and parish councils that participate in the networks to take on service delivery responsibility[80].

The advantage of area governance is that it offers a solution acting over larger areas than those covered by town and parish councils. They have provided a platform for elected members to engage with their communities in a different way and have enabled them to coordinate action at a local level. This will need to be weighed in the design phase against the strength of existing town and parish arrangements. It may well be that each new unitary chooses a different arrangement.

Digital connections. New technology offers new and efficient ways to sample opinion and to share ideas. The information age also means that local people can inform themselves in much detail, and without leaving their homes, about the local issues that they care about.

In this context, representation by fewer councillors can be seen to have a smaller impact than the extent of the reduction suggests. Equally, effective use of digital technology can enhance participation.

An active councillor can keep interested residents informed by channels, such as e-mail. A council's own IT platform can also provide simple tools to councillors to enable them to run surveys or discussion forums - as part of transformation, the new unitary authorities have an opportunity to review IT platforms and to consider what is needed to promote engagement. This is not just about democratic engagement - it is also a way to connect non-resident relatives of elderly or vulnerable people to issues that they are facing.

Digital technology also offers ways to engage more people with the issues that councils are discussing. Social media accounts and streaming council meetings are now established techniques. The advantage that unitary authorities offer is that by covering all of local government business in an area, it is easier for people to understand the context for the communication.

[79] http://www.wiltshire.gov.uk/council-democracy-area-boards
[80] https://www.cornwall.gov.uk/community-and-living/communities-and-devolution/community-networks/

The potential of digital engagement is supported by research. For example a study at Bournemouth University[81] found that some forms of digital participation offer both a sense of empowerment within communities, have the potential to impact the mainstream media agenda and inform and impact the views of decision makers.

While digital engagement will not currently be to the taste or all residents, carers or councillors, it will be something for which there is a growing expectation. Digital technology will be used by the new councils as a central tool to supplement traditional face to face contact; this creates much potential to connect people far more to local affairs and decision-making. In addition to voting, this can include political petitions, representation on local health and care bodies and parish councils, with public satisfaction depending in part on a broad scope and range of mechanisms for engagement, to enable citizens to participate in the ways that are tailored to their needs[82].

6.3 Improving accountability

Two factors need to be considered here: consistency of governance, and in particular scrutiny; and the proposal for electoral representation (number of members).

Consistency of governance

Currently the county and two of the districts/boroughs use the cabinet system, while the other districts/boroughs have retained the committee system. Decisions about the model of leadership to adopt will be for the new councils to take. This analysis examines the question of ensuring effective scrutiny if a leader and cabinet model (which is in widespread use by upper tier and unitary authorities) is adopted.

The leader and cabinet model is good for fast decision-making and is another contributory factor for a unitary model making partnership working more straightforward. But there is an argument that the cabinet model concentrates power, and risks councils missing out on the advice and expertise of non-cabinet members on some issues. This concern needs to be addressed for future Northamptonshire councils. The Best Value report is succinct in its criticism of scrutiny arrangements at the county council: "The overall impression that the Inspection team gained from all the interviews they undertook on scrutiny was that challenge and criticism was to be discouraged as senior members and officers knew best".

Reorganisation does not itself lead to more scrutiny, however there are a number of ways in which the creation of new authorities will help:

- This is a prime instance in which the power of signalling the new start will throw the importance of scrutiny into relief. With the likelihood of inherited debt and deficit, scrutiny roles will be high profile and have necessary officer support.

- The economy of scale achieved through creation of one core of elected members, in a single electoral cycle, in each new authority should make it easier to create a systematic approach to member training and development. We would expect scrutiny to play an important role in such development. It would complement training in digital skills - helping members to understand how to engage with the views of residents and represent their concerns through effective scrutiny.

[81] Bournemouth University, Civic political engagement and social change in the new digital age, 2016
[82] Rand Europe: 'Civic Engagement: How Can Digital Technology Encourage Greater Engagement in Civil Society?'

Electoral representation

The Northamptonshire area has 200 electoral areas (57 county divisions and 146 electoral wards). In total there are 321 elected members.

The table below illustrates the extent of variation in the ratio of population per elected member in the area currently:

Figure 31: member statistics for each local authority[83]

Authority:	Council members	Members per electoral area	Electoral areas	Electorate per member
Corby	29	2.4	12	1,720
Daventry	36	2.25	16	1,743
East Northamptonshire	40	1.8	22	1,712
Kettering	36	2.1	17	2,050
Northampton	45	1.4	33	3,553
South Northamptonshire	42	1.6	27	1,681
Wellingborough	36	2.3	16	1,652
Northamptonshire	57	1	57	9,559
Total:	**321**		**200**	

[83] Local Government Boundary Commission for England electoral data – available at: https://www.lgbce.org.uk/resources/electoral-data

A comparison to some unitary authorities in the table below, illustrates that they show fewer members per electoral area and generally a higher population per member:

Figure 32: member statistics for other selected unitary authorities

Authority	Council members	Members per electoral area	Electoral areas	Electorate per member
Bedford Borough	40	1.48	27	3,241
Central Bedfordshire	59	1.90	31	3,575
Cheshire East	82	1.58	52	3,651
Cheshire West and Chester	75	1.63	46	3,630
Peterborough	60	2.73	22	2,257
Luton	48	2.53	19	2,919

The existing councils have recognised that unitary local government will require a material reduction in the number of elected members, but also recognise the potential impact of a reduction in member numbers on allowing sufficient scrutiny.

One option is to consider member numbers in relation to the number of existing county division areas (57). Having three members per division would make for an aggregate of 171 members (93 in the West and 78 in the North); having two members per division would make for an aggregate of 114 members (62 in the West and 52 in the North). Both options are higher than the recommendation of 45 members per authority in the Best Value report. However, the two member per division option produces a ratio of one member per 4,790 electors, which is considerably in excess of the English unitary district average of 2,849. The three member option gives a ratio of one member per 3,186 electors.

The shadow authorities will need to consider their views on how to balance agile decision-making with allowing for effective local representation particularly while area governance arrangements evolve.

6.4 Conclusions

The move to two unitary authorities could provide an opportunity to strengthen leadership at different levels. Strategically, it can provide a stronger voice for the councils, particularly when engaging externally and fulfilling the role as place leader.

Local leadership is an important consideration for district and borough councillors, who do have a concern about the strength of rural community and smaller towns' voices in the new arrangements. There is a clear will to find effective area based arrangements, whether directly with town and parish councils or through a more diverse area forum or committee arrangement. In considering this, the potential to use digital engagement methods will be considered – technology offers a faster and, for many demographics, far more convenient way to participate in the affairs of their communities.

The councils are considering the options for reducing the aggregate number of councillors. While it will ultimately be a matter for the Local Government Boundary Commission for England to determine, the councils are concerned with achieving a balance between ease of practical decision-making, and the need for effective local representation, particularly while area governance arrangements evolve, and the need to promote the right level of scrutiny.

7. Demonstrating the new model is sustainable in the medium to long term

The impact of the county council's financial challenges, associated audit warnings, government intervention, and press coverage has been painful for Northamptonshire. For users of services, already feeling the impact of large funding constraints, it adds further uncertainty about what support they will receive in the future. For members and staff at the county there is an ever more acute challenge of delivering critical services with very limited resources. For members and senior officers in all the authorities in the Northamptonshire area, there are discussions and events associated with the unitary proposal which prevent them from focusing on business as usual. For all there is the reputational damage to the sector to which they devote their own time or in which they have made their careers.

However, the impact is also galvanising. Over 6,000 open questionnaire responses have been returned as part of the local consultation exercise which shows the public are taking an active interest in the way that their local services will be delivered in the future. The seven districts/boroughs and the county, at leader and senior officer level, have worked collaboratively to produce the proposal. Partner organisations have joined in positively at workshop sessions.

While a proposal for two unitary authorities would not have been initiated by the districts and boroughs without the Secretary of State's intervention, there is a vision for making this structure work and improving local government and local public services in Northamptonshire.

Sustainability is the key concern of the authorities proposing the two unitary approach. This derives from a number of factors:

- The size of the deficit in the county council's finances and the ongoing revenue pressure from its debt creating a fear that the new authorities will be saddled with financial burdens from the outset.

- That the urgent action required at the county council to address the July 2018 section 114 direction will lead to service cuts of such severity that unsustainable services will be passed on to the new unitaries, and a loss of prevention work now will store up major problems over the medium term.

- Growing demand in adult social care - in particular a projected high growth in over 75 year olds in the next decade which will outstrip the supply of care home places.

- Growing demand in children's services (for example, growing home to school transport costs resulting from the growth of academies and an expected rise in the Looked After Children population – the latest ONS population estimates show that the number of under 19s is forecast to increase at a significantly higher rate than the national average between 2016-21).

- The ability to deliver the required transformation in the context of such significant financial and demand pressures.

This section considers how effectively reorganisation will enable the new councils to respond to these challenges and to deliver local government organisations which meet the needs of their communities now and into the future.

7.1 Financial viability

Financial viability of local government is a concern nationwide, not just in Northamptonshire. However, in Northamptonshire it is a particularly acute issue for the proposed new unitary authorities. The county council's section 151 officer has recently issued a section 114 notice highlighting the risk of a £60m to £70m deficit in the current year's budget. This needs to be seen in addition to factors including that the county council has overspent on its budget annually since 2016/17; and that there were already substantial savings requirements in the 2018/19 budget. There is a risk that the new unitary authorities inherit the deficit and cannot begin with balanced budgets. It is clear that the economy of scale type savings that come from moving from two-tier to unitary local government will not be enough to address financial viability.

Moving towards financial viability will require the larger scale of savings that need to be made through a comprehensive programme of transformation. For a more significant investment than the transition costs of reorganisation, this could reduce cost and complexity and maximise the effort devoted to frontline services.

But transformation will be a major challenge: first, the investment costs will need to be met. Secondly, implementation will be difficult for two new organisations emerging from a culture where the largest legacy organisation, the county council, was found not to deliver Best Value, and where all the councils in the area will expect to lose experienced senior leadership capacity during the transition process.

To be able to set themselves on a course for financial viability, the authorities will need support in addressing the gap between costs and income which is currently too great to build the basic building blocks of stable new authorities.

Delivering reorganisation successfully therefore requires action to address the county's financial position. The work of the Commissioners is aiming to produce a stable position in terms of deficit, and will involve actions to reduce costs. This must be seen as a pre-requisite for successful reorganisation, but needs to be done in a way that still leaves the new authorities with a legacy of sustainable services.

Section 8.3 describes a range of challenges that will need to be addressed if the councils are to maximise their potential to set sustainable platforms from which they can undertake transformation and public service reform. These include addressing the county's current financial position; the considerable expenditure spikes that will be associated with transition and transformation; and improving infrastructure development, through the emerging Housing and Growth Deals for West and North Northamptonshire.

7.2 Improving service resilience

The question of service resilience is an important aspect when considering the ideal size of a local authority. It is logical that smaller local authorities have less resilience that larger ones with scale. This is based on the view that in a small authority, there is the risk of reliance on a small number of key officers, so there is vulnerability caused by sickness for example.

It can also be argued that moving to two unitary authorities reduces resilience. For the aspects of the existing county services that are not organised on an area basis, two teams will need to be created where there is currently one. For example, in children's services, virtual school, educational psychology and children with disability social workers are specialist services organised county wide.

But setting aside these considerations, it is the case that service resilience is an issue in local government nationally. PwC's 2018 survey of local government chief executives and leaders found that, though 72% of respondents felt confident about delivering their required savings over the next year, 74% believed that some local authorities would get into serious financial difficulty in the next year, and only 19% reported as 'feeling confidence' in the next five years[84].

Where shared services are in use by the Northamptonshire councils, this already provides additional resilience. There will be disruption to these arrangements, especially in South Northamptonshire which will be removed from its current arrangement with Cherwell. Management arrangements will also be needed for cases where there are contracts held by existing authorities that will span the two unitary areas.

No decisions have yet been taken about whether existing contracts will be novated or replaced. However, the creation of unitary authorities could provide an opportunity to build more resilience into service design. Examples include:

- Revenues and benefits services. With the exception of South Northamptonshire, the current district / borough services are not subject to shared service arrangements.

- Development control and building control. With some exceptions (South Northamptonshire, strategic planning in North Northamptonshire, and building control in Daventry) these are services provided individually by districts/boroughs which stand to benefit from more resilience.

It is not just resilience against absence that could be improved:

- Greater scale also enables authorities to offer more attractive career opportunities or professional development. In such cases resilience should enable authorities to retain key specialist staff for longer.

- Corporate functions has inevitably been a focus of spending reductions in recent years as authorities have prioritised spending reductions in these areas to avoid impacting the front line. But corporate functions are important in the overall sustainability of a council. This affects a council's ability to handle effective strategic planning, monitor performance, analyse data, communicate with residents and oversee spending. This is also the council's "think tank", enabling it to pursue cross-cutting opportunities or leading edge partnership working which in turn promote better resilience. The 350-400,000 population scale, and the opportunity to design two new authorities from scratch, should enable this issue to be considered from the outset.

- Creating the new authorities could also strengthen existing informal collaborative arrangements. It could strengthen the collaboration that underpins the approach to the Housing and Growth Deals for example.

In designing the new authorities, detailed consideration will need to be given to areas where there would be a risk to continuity of service from breaking up an existing whole county operation or team. This will need to be balanced against cost and consistency with the overall accountability arrangements. Continuity considerations will include the capacity of partners as well as the local authorities.

7.3 Managing future demand

Managing future demand is a central requirement for the medium term sustainability of the new councils. It is clear from population projections that there will be an increase in future demand for council services:

[84] The local state we're in: PwC's annual local government survey 2018

Figure 33: population figures for all ages for areas of Northamptonshire projected to 2018 and 2030, and the % increase from 2018 - 2030

Area	2018	2030	% increase
Corby	70,706	82,181	16.2
Daventry	82,008	87,385	6.6
East Northamptonshire	92,766	100,658	8.5
Kettering	100,753	109,867	9.0
Northampton	228,687	247,230	8.1
South Northamptonshire	91,301	99,012	8.4
Wellingborough	79,389	84,159	6.0
Northamptonshire	**745,610**	**810,492**	**8.7**
Future West area unitary	**401,996**	**433,627**	**7.9**
Future North area unitary	**343,614**	**376,865**	**9.7**

The impact of the pressures is underlined when compared with other counties. The projected population increase of 8.7% is significantly larger than the nationwide projection (6.3%), as well as projections for nearby areas, such as Oxfordshire (3.9%) and Warwickshire (4.8%).

Concerns about meeting expected demand for council services are most acute in the expected escalation in demand for social care. Nationally, the problem is well publicised. The Health Foundation and the King's Fund[85] reported in May 2018 that adult social care demand is set to rise by around £12bn by 2030/31. This gives a growth rate of 3.7% per annum, compared with a projected growth in spend of 2.1% a year and a projected funding gap of £1.5bn by 2020/21. In children's services, an open letter[86] jointly from the Local Government Association (LGA) and four children's organisations has warned of a national funding gap of £2bn by 2020. These pressures are felt in Northamptonshire. By 2024 the age band with the largest increase in population will be 75 - 79 years. Northamptonshire already has a demographic of above average "over 65s and over 75s characteristics" which is reflected in its 2016-17 spend per 1,000 people over 65 of £529,013, compared with an average of £381,127 in the East Midlands[87]. Population growth for children aged 10 - 14 between 2014 and 2024 is also projected to be high[88]. This will be significant for a children's service which already has an increasing number of children in care, on Education, Health and Care Plans, has high costs for home to school transport and the added pressure of high numbers of unaccompanied asylum seeking children.

Demand management is already part of the work of the county adults' and children's services. Examples include: promoting the use of Extra Care and assisted living; or targeting early help services to children and families at an earlier stage although this has been affected by budget pressures.

[85] A fork in the road: next steps for social care funding reform, Health Foundation and the King's Fund, May 2018.
[86] A joint letter to Government, LGA, Barnardo's, Action for Children, The Children's Society and National Children's Bureau, November 2017 - https://www.local.gov.uk/about/campaigns/bright-futures/bright-futures-childrens-services/close-childrens-services-funding
[87] The Northamptonshire Challenge - internal county council briefing paper, page 57, May 2018.
[88] JSNA demography - internal county council briefing paper, page 8, July 2017.

The move to two unitary authorities could provide opportunities to deepen demand management work but progress of the scale required will need transformation to push hard into the public sector reform agenda, particularly if prevention work is affected by cuts to address the current deficit. The creation of the new authorities will require a re-framing of the way in which health and social care work together on the new local government geographic boundaries. These boundaries may provide a manageable scale on which to bring together health and social care providers, voluntary and community sector organisations and carers to make the best use of resources. This will mean not just focusing on collaboration to reduce delayed discharges from hospital, but also to promote the right community services that can keep people active, link them to others in the community, and help vulnerable people to stay at home. However, as has been noted in section 1.5.1 careful design will be needed to balancing this, with the concern expressed in the consultation exercise by some Health and Wellbeing Board members about splitting some current county-wide functions.

The growth agenda also has an important link the question of demand. With the associated targets in both the West and North areas for new housing, this is an agenda that will increase demand. This is recognised in the Joint Core Strategies for both the North and West areas, which run to 2031 and 2029 respectively. The Housing and Growth Deals will be important to ensure demand for associated infrastructure can be met.

Section 4.6 looked at the potential benefits of the use of digital technology. This has an important part to play in demand management. The central aspects are:

- By providing information and self-service tools to help residents (or their carers) to identify services or support, they can be much more self-sufficient, and so reduce demand in terms of sign-posting and brokering.

- Better predictive analytics enables councils to spot patterns of need and take earlier action.

- A digital platform can be used to connect individuals in communities and support community action that can reduce the need for council intervention. An example would be in co-ordinating activity to look after local open spaces.

7.4 Improving community resilience

Community resilience is very important in a context of growing gaps between available public resources and increasing demand and expectations about public services. One solution is to build the capacity of communities to help themselves.

In Northamptonshire there are particular challenges in supporting the needs of rural communities and also in terms of the concentrations of deprivation in some parts of the county (as described in section 3.1).

Building community resilience requires encouragement of an approach where individuals or groups of residents make a greater effort to resolve less critical issues in order to help providers direct their resources to those with the greatest need.

Establishing the unitary authorities provides an opportunity to build the community perspective as an integral part of transformation. This will cover several dimensions:

- Community engagement. In considering the options set out in section 6.2, the councils will need to assess how the concepts of area committees, or greater delegation to parish and town councils, incentivise communities to take a greater role in local decision-making, or helping local public service organisations identify priorities.

- Digital participation. Digital platforms allow local authorities to create secure online communities or forums for sharing ideas or experience. Online peer-to-peer support for foster carers is now used widely across the country. Increasingly we can expect to see online collaborative case management - enabling professionals, care workers and families to share thinking and experience about a client's care needs. This can extend to matters of wider community interest and will be a valuable tool to listen to dispersed rural communities or to help match volunteers with opportunities with local groups and charities.

The establishment of the unitary authorities could offer the chance to make a model of community engagement and community action a central part of the design of the new organisations, and their relationships with partners and residents, from the outset.

7.5 Conclusions - ensuring sustainable structures

The Secretary of State's guidance is that the two future unitary local authorities must be "more sustainable structures". This section has considered four dimensions of the sustainability question:

- Financial viability.
- Service resilience.
- Demand management.
- Community resilience.

There will be other dimensions as well, such as building and retaining the right workforce, having an innovative and learning culture and being open to scrutiny and challenge. At this stage the detailed work has not been carried out to evaluate the detail of sustainability in all these areas. However, the new start represented by the creation of the new authorities represents an opportunity to review the way all these themes interact. It allows for a much more rounded review than would be possible under the status quo. The design principles described in section 3.5 on vision are very important here. They will need to be refined for each of the new authority areas, but they represent an aspiration to a form of local government and local public service delivery that recognises the challenges of funding, demand, customer expectation and delivery over an urban and rural geography. Applying these, or similar principles, during the set up and running of the new authorities, will be a significant guide towards maintaining sustainable structures.

8. Conclusions and next steps

8.1 What reorganisation can achieve?

A move from two-tier to unitary local government in Northamptonshire could deliver improvements to outcomes in the county area and create the new start recommended by the Best Value inspectors. However, reorganisation on its own is not a panacea. Changes to structures will on their own only deliver an administrative new start, provide a basis for some economy of scale savings, and give a platform for a clear single voice for an area. The significant benefit from reorganisation comes from the opportunity it creates to transform local government services and to use that as a platform for wider reform of the way local public services work together in the area.

Using reorganisation as a catalyst for transformation of local government services and a more radical programme of local public service reform is a central part of the vision of the current councils. This document has set out how using reorganisation to pursue this vision could enable achievement against the different themes of the Secretary of State's guidance, if it is properly resourced and supported in set up.

8.1.1 Improving local government and service delivery

Reorganisation could be an enabler of a different way of working in pursuit of outcomes. This document assesses this in relation to five different outcome areas. Having a unitary local government structure could make cross disciplinary working much easier, especially where responsibility and expertise is spread between tiers and between districts/boroughs. Having this single focus could in turn make it clearer to partners or businesses who they should speak to. Particularly in economic matters, this could give a stronger voice to the existing West and North groupings in the county, helping them to benefit from the Cambridge - Milton Keynes - Oxford Corridor, a centrepiece of national strategic infrastructure planning for the next 30 years.

This report has described the opportunity for reorganisation to be associated with significant local government transformation. This recognises that the new authorities will have a once in a generation opportunity to design ways of working that place their residents at the heart of everything they do. They will be creating new management structures, processes, policies and information sharing protocols. The opportunity is to make digital technology, data analytics, common processes and an agile and mobile workforce an integral part of the design of the new organisations, so maximising resources to work in value adding services on the frontline.

8.1.2 Greater value for money and generation of savings

The analysis presented in this report shows that reorganising to two unitary authorities will deliver some savings. But to do so in a way that makes a material difference to the projected medium term shortfall between income and expenditure requires reorganisation to be associated with major local government transformation. Given the extent of the county deficit and use of reserves to cover liabilities, it is important that the county council and its commissioners work to deliver a sustainable position for the unitary authorities to inherit.

At this stage we have not quantified the savings that would arise from wider public service reform. It is likely that there would be savings, many of which would be realised by other partners, such as in health.

8.1.3 Stronger and strategic leadership

Strategic leadership could be promoted by the way that a unitary form of local government brings services together that need to connect in order to deliver outcomes. Leaders should be able to take decisions with more

understanding and influence over the full range of contributory factors, and over a larger geography. The establishment of two new unitary authorities could also make it simpler for local people to understand the line of accountability for local government services. With only one tier of local government, in partnership with local town and parish councils, and one cycle of elections, this is more transparent whilst staying locally accountable.

Local people and current district/borough councils are concerned about the potential loss of the voice of particular towns or communities, especially of rural communities. While no detailed arrangements have been agreed, establishing unitary authorities does give an opportunity to strengthen local leadership. Use of digital tools allows members to listen closely to the voice of communities and to engage people at a time that suits them. There can also be new initiatives for area involvement either through area committees or with increased roles and extension of coverage of town and parish councils.

8.1.4 Sustainable structures

This vision of reorganisation with transformation and public service reform has the potential to establish Northamptonshire's local government on a more sustainable footing. The key point here, however, is the need to address the gap between costs and income at the county so that the basic set up of reorganisation can be achieved. Without this, there is a strong risk that the new authorities are unable to balance their budgets from the outset.

Beyond financial considerations, the larger scale of unitary authorities, in comparison with existing districts/boroughs could give more resilience against unexpected events, pressures or staff absence. By enabling better partnership working, there could be more opportunity to work pro-actively in support of prevention initiatives, thus aiming to reduce demand for more expensive interventions.

8.2 Delivering reorganisation successfully

Given the adverse financial position of the county council, the new authorities risk beginning their lives with significant constraints. This may affect their ability to invest in the scale of transformation that will be needed or mean that they are forced to fight immediate pressures as demand rises at the expense of building sustainable approaches. These are all factors which are increased by the tight timescale for establishing the new authorities.

To assist in managing the process of planning and implementation, the table below highlights risks associated with moving to new unitary arrangements. Risks identified to date stem from three factors: (i) sustainability of the legacy from existing structures, (ii) management of a large scale transformation and (iii) running larger organisations.

The table below highlights the most significant risks, together with mitigations.

Figure 34: high level risk log

Ref	Description	Mitigation
1.	The focus is put on reorganisation alone, when its real value is in being a catalyst for transformation and public service reform which are the only real solutions that can lead to sustainable services for Northamptonshire.	Ensuring in design and during transition that a focus is retained on transformation as being the only way to bring about sustainable services for Northamptonshire.
2.	New unitary authorities inherit existing deficit and cannot begin with a revenue neutral position.	As part of unitary submission to government, emphasise importance of Commissioners establishing a revenue neutral position at the county.
3.	Existing deficit exceeds savings achievable in the short to medium term through establishing unitary authorities.	Leaders' and Chief Executives' LGR Executive Group to be kept closely informed of financial position and of Commissioners' findings. Early engagement with partners to reset partnership delivery requirements, especially to support sustainability of social care.
4.	County council action to address severe deficit prior to launch of new unitary leads to service cuts of such severity that unsustainable services will be passed on to the new unitaries, and a loss of prevention work now will store up major problems over the medium term.	Districts and borough to consider what practical support they can give.
5.	Concern about ability of new authorities to serve local needs leads to a large number of capital projects prior to launch of the new authorities, depleting reserves.	Leaders' and Chief Executives' LGR Executive Group to provide a clear message about potential impact on future sustainability.
6.	Loss of experienced staff during transition.	Clear communication to staff about plans and progress, emphasising the opportunities for capable, committed and ambitious staff.

Ref	Description	Mitigation
7.	Outcomes for vulnerable residents – a rapid unitary set up and transition will consume senior time and could lead to a loss of resilience in business as usual.	Early establishment of programme management for the transition, with appropriate staffing, so that disruption to business as usual is predictable, planned and minimised.
8.	Contract renewal required before establishment of the new authorities results in arrangements that do not fit future requirements.	Transition programme management needs some procurement expertise to review tender material to ensure it is "future proof".
9.	A general risk of loss of localism - despite similarities between areas, key local projects may be put at risk and residents feel remote from councillors or do not identify with the new organisations.	Consider establishment of area structures or town and parish councils where they do not currently exist. Councillor roles would need to be clearly defined and communicated to residents.
10.	It is difficult to reconcile distinct urban and rural needs.	Design of access to services must be worked through both from a town and rural perspective, having regard for example to access to digital devices and high speed broadband.
11.	Cultural change - in particular the risk that organisational silos carry forward to the new organisations.	Senior members and officer leadership should model new behaviours and actively manage cultural change during transition.

8.3 Challenges that the new unitary authorities will need to address

In view of the risks described above, there are several challenges that will need to be discussed with central government to give the establishment of the two unitary authorities the best chance of success.

These are divided into four themes:

Beginning with a clean sheet
Our projection of future revenue and income from the published early 2018 MTFPs highlighted persistent and significant deficit forecasts. This position has now worsened with the July 2018 county council section 114 notice highlighting a potential £60 - £70m deficit in the context of a lack of resilience due to depleted reserves. Unless addressed, this position will transfer to the new authorities in 2020/21 and prevent them from setting balanced budgets. It is therefore a requirement that the county council working with the government-appointed commissioners, ensures a balanced revenue income and revenue expenditure position that can be inherited from day one. This needs to be achieved constructively – cuts need to be applied in a way that does not simply store up further sustainability problems for the new councils.

Transition
Funding the cost of transitioning to two unitary authorities, including costs for redundancies, property reconfiguration and programme management, will be a major cashflow stress at a time when large revenue

deficits are anticipated. We understand that government policy is not to provide funds for transition costs. However, in this case some financial flexibility will be needed to ensure a comprehensive transition to unitary platforms from which further savings and reform can be made.

Transformation

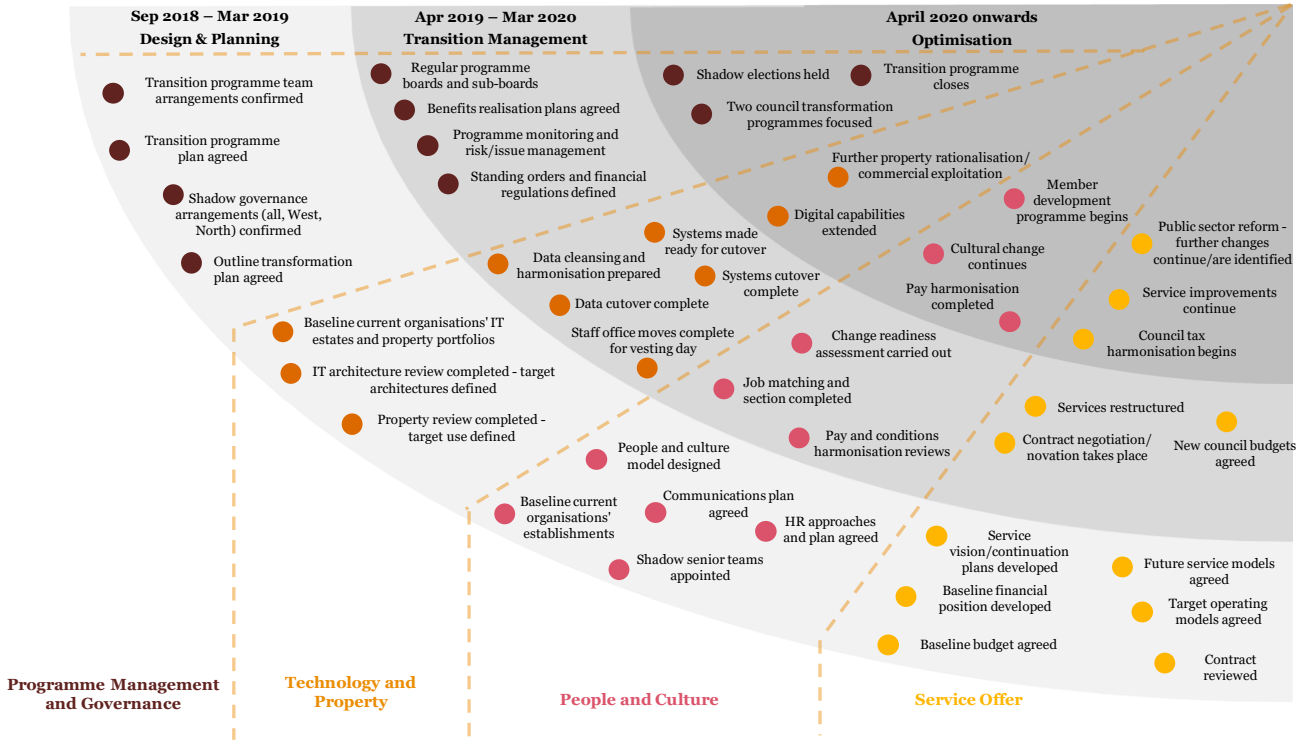
This report emphasises reorganising to unitary authorities alone will not create sustainable services. The future unitaries will need to use restructuring as a springboard to drive transformation in their own services and in pursuing wider public service reform. To do this, the new authorities will need investment and the policy and financial support that can come with involvement in national piloting, for example for Integrated Care Systems.

Infrastructure

The county council's financial problems have resulted in cut backs on infrastructure investment and, it has been reported that following the February 2018 s114 direction, projects have slipped. In this context, the Northamptonshire councils are committed to working with government to secure Housing and Growth deals in order to secure infrastructure capacity and to push forward stretching targets.

8.4 An approach to implementation

Figure 35: A roadmap detailing the principal workstreams and milestones of transformation



Appendix

This appendix presents a breakdown of the assumptions made in the calculations that support the analysis in this report. It shows this in three parts, representing the baseline financial position; savings and costs directly associated with reorganisation; and then the additional savings and costs that may be associated with transformation.

More detailed assessment may be required to confirm these figures prior to implementation.

Baseline financial position

The underlying financial position for the councils in Northamptonshire has been derived from the Medium Term Financial Plans and discussed with the s151 officers. These vary in how far forward they project but none goes beyond 2022/23. In order to project a position to 2026/27, extrapolation has been made from the MTFP data and discussed with the s151 officers. This has been done on the following basis:

- Government grants and business rates have been modelled as a constant equivalent to the last year within each authority's MTFP.
- Council Tax has been forecast in a linear trend from each authority's budgeted income cited within their respective Medium Term Financial plans.
- For all of the district and borough councils, net expenditure has been modelled to increase at a rate of 2% per annum to reflect inflationary and demand pressures.
- The level of projected county spend has been inflated using the changes to service pressures by directorate between 20/21 and 21/22.
- This information was then aggregated to project a financial position of all the authorities in Northamptonshire if no changes to local government structure were to occur.

Each MTFP is laid out slightly differently so, in agreement with the s151 officers, some figures have been adapted in order to show comparable projected data for deficits/surpluses. Notably, some MTFPs, including the county council, show deficits on an in year basis. Others show a position that accumulates each year. In order to show an aggregated position, data for authorities showing annual deficits has been adapted to present the cumulative position (and as necessary, expenditure has been raised to correct for MTFP savings that have therefore been lost from the picture).

Reorganisation savings

Staff full time equivalent (FTE) savings

FTE data from each council has been collated into a common taxonomy of directorates and teams, split between West and North based on current staffing. County FTE have been split between future West and North unitary areas based on population. A South Northants figure has also been derived from combined Cherwell and South Northants FTE figures based on population. LGSS staff on the county council establishment have been excluded as they also work for other councils in the LGSS partnership and Fire and Rescue have also been excluded as these staff will move to the Police and Crime Commissioner's office before the unitary arrangements come into effect.

An overall potential percentage reduction in FTEs for different areas in the taxonomy has been estimated as a result of reorganisation, based on judgment about where savings can be expected and taking account of existing shared service or outsourcing arrangements. This produces an overall estimate of 157 (2.55%) FTE reduction.

Savings amounts have then been calculated by dividing the reduction into senior management (tiers 1 to 3) and "other":

- For tiers 1 to 3, using transparency information online, we have identified 77.7 tier 1 to 3 posts in all eight councils at a total cost of £7.8m.
- We have then assumed a future structure for each new council of: 1 x tier 1, 4 x tier 2, and 14 x tier 3. Using the average of published data from analogous unitary authorities (two Cheshire unitaries and Central Beds and Bedford) we have assumed salaries of tier 1 - £165,504; tier 2 - £127,051; and tier 3 - £83,080, plus 20% (pension, NI) to give a total future tier 1 to 3 cost of: £4.4m.
- Comparing this with the existing costs makes for a saving of: £3.4m and of 39.7 FTE on senior staff.
- This has been applied to West and North on the basis of comparing the actual current costs per tier with the assumed future costs.
- We have subtracted the senior FTE reduction of 39.7 from the overall FTE saving, to give 117 FTE savings below tier 3, which has been allocated to West and North based on current staffing levels. Applying an average staff cost of £28,092 gives an aggregate saving of £3.3m.

This gives an overall staff saving **of £6.7m** of which **£3.0m is in the West area and and £3.6m in the North**. The higher north amount is explained by an overall larger number of existing senior officers.

We assume that 75% of the FTE savings will be made in 2020/21, rising to 100% in the following year.

IT savings

Data supplied by councils has been used to calculate total licence costs for each district. Proxies have been used to split county costs between future West and North unitary areas based on population splits, and to split combined Cherwell and South Northants costs. These totals have been collated to give a total cost of £4.7m. Any expired or one-off licence costs have been excluded. This cost was then subject to an assumed overall decrease of 25% following the assumed economy of scale savings of the two unitaries, producing a total estimated saving of **£1.2m**.

We assume that 50% of the IT savings will be made in 2020/21, rising to 100% in the following year.

Property savings

Current asset area data has been supplied by the councils. County office space has then been disaggregated by population to allocate it notionally to the new unitary authority areas.

We have assumed that future authorities will operate with 100sq foot of office space per FTE. We have then used the reduced FTE figures to calculate the total required space.

We have then reached an estimated reduction in running costs on the basis of resultant unused office space enabling a reduction in energy, cleaning, and routine repairs and maintenance. We have taken the amount of unused office space, and multiplied this by an average running cost per sq ft of £7.50. This was calculated using the Lamberth Smith Hampton Total Office Cost Survey 2017, which shows the average Hard Facilities Management cost per sq ft in Northampton as £14.88. It has been assumed that 50% of this cost can be saved. This produces an annual estimated saving of **£3.7m**.

We assume that 33% of the IT savings will be made in 2020/21; 67% in 2021/22, rising to 100% in 2022/23.

Democracy savings

A saving has been calculated on the basis of:

- Assuming the upper end of the range of future member numbers described in section 6.3 (171 in aggregate).
- A base allowance of £10,019 (based on an average of base allowances for six analogous unitary authorities) – leading to a total annual cost of £1.71m, compared with £1.77m currently.
- Assuming a special responsibility allowance structure for each authority, which would cost £0.67m in aggregate, compared with an aggregate amount of £0.83m currently.
- Assuming a saving for administering county elections: calculated at £1.07m in 2017 based on turnout and a figure of £5.99 per vote. Dividing by four gives an annual saving of £0.27m.

In total this leads to democratic savings assumed at **£0.49m** per annum, and assumed to be fully realised from 2020/21.

Reorganisation transition costs

Transition costs have been modelled as non-recurring, occurring in 2019/20 and covering the following areas:

Staff full time equivalent (FTE) costs

- For tier 1 – 3 staff, we have used actual costs to calculate a redundancy cost for each tier, based on 12 months' average salary. This has regard to the level of long service and multipliers expected for this cohort.
- For other staff, we have assumed a redundancy cost of £14,046 per FTE, based on 6 months of an average salary of £28.092.
- These amounts have been applied to the expected number of North and West redundancies to give costs of: **£2.8m North and £2.2m West and a total cost of £5m**.

ICT costs

- Accounting for changed reporting requirements, contract rationalisation, storage capacity, and data cleansing / migration. These costs have been estimated at an aggregate of £2m across both authorities, which has then been allocated to **West (£1.1m) and North (£0.9m)** on a population basis.

Property refurbishment costs

- We assume that costs will need to be incurred to refurbish 25% of the future space that will be used (for example to reconfigure it for occupancy at a rate of one FTE per 100 square foot).
- Refurbishment cost has been assumed to be at a cost of £39 per square foot[89].
- At the level of FTE assumed for West and North following the FTE savings described above, and adding back in space for LGSS staff on the county establishment, this produces a cost of **£3.4m for the West and £3.5m for the North**.

Shadow costs

- We have assumed shadow costs of **£0.4m** in aggregate allowing for costs of two shadow Chief Executives and special responsibility allowances for six members per authority.

[89] A lower range estimate based on data from https://www.fusionofficedesign.co.uk/office-fit-out-and-refurb-costs

Other transition costs

In addition to the costs detailed above, a number of other costs have been assumed:

- Relocation costs to cover additional travel have been assumed at **£1.7m** across the two authorities.
- **£0.45m** for any further public consultation.
- **£2.35m** for creating the new council, including costs for appointing new executive teams and filling new posts, setting budgets, and backfilling posts for business as usual activities in the existing councils.
- **£0.25m** for financially closing down other councils and creating sound budgetary control systems to manage this process.
- **£2.0m** for internal programme management and support, and costs for backfilling these roles in the existing councils.
- **£6.5m** estimated for external support and consultancy costs, to design both reorganised councils.
- **£0.3m** for rebranding costs, to develop and circulate new signs and logos.
- **£2.0m** of contingency costs, providing for extra expenses potentially incurred throughout the process of reorganisation.

This makes for a total of **£29.9m in one off transition costs, which we estimate will be incurred as £14.9 for the West area and £15m for the North area.**

Transformation savings

Process change and customer centricity

We assume that process change and transformation towards greater customer centricity will be able to lead to further FTE reductions. As described in section 4.6, the starting point is to consider the whole range of activity performed in the current councils as falling into three categories:

- Customer contact and assessment (enquiries, processing applications, eligibility assessments; activities that support customer facing staff).
- Service delivery.
- Enabling support.

Looking across these categories, we have assumed that reductions can be made in an aggregate range between 9.5% and 19%. These percentages are then applied to the FTE numbers after the reorganisation saving has been made, and still excluding LGSS staff on the county establishment.

Given that it is likely that the county council will need to reduce its establishment prior to April 2020 in response to the current deficit, we have made adjustments to the baseline in terms of establishment size, reducing the county numbers by 15%. This means the baseline to which the reductions apply is 5,418 FTE across all the authorities, and the FTE savings range is between 512 and 1,043 FTE. Applying an average FTE cost of £28,092, produces a range of aggregate annual potential savings range between: **£14.4m and £29.3m**.

These have been split between the future authorities in proportion to the baseline size. We assume that no saving will be realised until 2021/22 and then will build up over four years at 25% a year, reaching the full saving in 2024/25.

IT savings

It has been assumed that transformation will bring small further licence cost efficiencies through more consolidation as well as FTE reductions. This has been assumed as a per annum 10% saving on the total non-recurring investment made. As described under "costs" below, the estimated investment range is between £6m and £8m, so the assumed savings range is an aggregate of between **£0.6m and £0.8m**, which has then been split on a population basis between the future unitary authorities.

Property savings

The assumption is that further reduction in FTEs across Northamptonshire will lead to lower levels of office space required. Using the same assumptions as for the reorganisation saving, we assume that there is a running cost saving of £7.50 per square foot for each FTE reduction.

This makes for a savings range for the **West area of £0.18m to £0.37m** and for the **North of £0.2m to £0.41m**. That is a range of **£0.38m to £0.78m in aggregate**.

We assume that no saving will be realised until 2021/22 and then will build up over four years at 25% a year, reaching the full saving in 2024/25.

Third party spend

Data detailing third party spend (and other categories including supplies and services, transport costs, agency/contracted costs, and LGSS costs) has been collated from budget books for each council. For the county spend, we have reduced this by 75%. A 50% reduction is to exclude non-addressable spending (e.g. supported by specific grants), and then the further reduction is because we assume that third party spend will be a major focus on county council efforts to reduce its current deficit prior to unitarisation. We have also reduced the district/borough amount by 25% to exclude non-addressable amounts. This gives a total addressable spend of £197.5m.

We have assumed a range of savings possible, between 6% and 14%, making for a savings range of between: **£11.9m and £27.7m**. These have been attributed to West and North based on population.

We assume that no saving will be realised until 2021/22 and then will build up over four years at 25% a year, reaching the full saving in 2024/25.

Income generation

We have used public data from 2016/17, to calculate the proportion of gross expenditure recovered through fees and charges in the Northamptonshire local authorities. This data has been aggregated into an average figure of 9.6%. This figure has been compared with 2016/17 data for five other unitary authorities (in the Cheshire and Bedfordshire areas). Average recovery in those cases is 11.3%.

We have then applied the difference between the analogous unitary average and the Northants average to gross expenditure across the county in order to calculate a potential improvement figure. In order to provide a prudent estimate for modelling purposes, this number has been reduced by 50% to give an indication of the potential additional income available, and a figure of £8.7m has been used as the midpoint improvement achievable, with an assumed range of **£6.5m to £10.9m savings**. These have been attributed to West and North based on population.

We assume that no new income will be realised until 2021/22 and then will build up over four years at 25% a year, reaching the full potential in 2024/25.

Summary

The total of these potential transformation savings, gives an overall range of **£18.2m to £37.2m** for the West area and **£15.5m to £32.2** for the North, and **£33.7m to £69.4m** in aggregate.

Transformation costs

In addition to costs incurred throughout the transition to a new organisational structure, the transformation of ways of working in Northamptonshire will result in further costs. These costs have been assumed to be divided equally between four years, from 2020/21 to 2023/24, and assumed to be incurred as follows:

Process change and customer centricity

As explained above, we have set out the range of reductions in FTEs that would be expected from these changes. This will also create redundancy costs.

We have assumed that these will be at a cost of £14,046 per FTE, based on 6 months of an average salary of £28,092.

This makes for a range of redundancy costs between **£7.2m and £14.7m**. These have been split between the future authorities in proportion to the baseline size, meaning costs split as follows: **West £3.4m to £7.0m; North £3.8m to £7.7m**.

IT costs

Significant investment in IT systems will be required in order to enable more digital ways of working, and as an enabler for some of the process change and customer centricity savings. IT investment costs for transformation have been assumed to be between **£6m and £8m** in total, and assumed to be split on a population basis between the two future authorities.

Internal project management costs

Costs will be required in order to fund internal programme and project management, to guide councils through the complex process of transformation. The mid-point assumes a transformation team of ten in each UA on a backfilled basis at a rate of £45,000 per annum, led by an interim manager at a rate of ~£850 per day. This produces an approximate range of £1m - £1.5m per council, and therefore an overall range of **£2m - £3m**.

External support costs

In addition to costs for internal project management, costs for external support will be required in order to ensure effective, sustainable transformation. Costs will depend on the range of areas where external support is needed, but are likely to cover areas such as change management, benefits realisation, organisation design, process redesign and consolidation, and a review of shared services. The estimated cost for each council is an approximate range of £8m - £10m, resulting in an overall range of **£16m - £20m**.

Property costs

Further FTE reductions create the opportunity to release more office space. We assume that this may also create a further requirement for some refurbishment, for example to make the property suitable for renting out. We have again assumed refurbishment of 25% of the space saved at a cost of £39 per square foot.

At the level of FTE assumed for West and North following the FTE savings described above, this produces a cost of **£0.24m to £0.49m for the West and £0.26m to £0.53 for the North, making for a total of £0.5m to £1m**.

Third party spend

We have assumed costs of between **£1.5m and £2.5m** in total to undertaken the necessary review of purchasing models, to ensure the required controls are in place to put as much purchasing as possible through frameworks and contracts; and using the larger buying scale of the new councils to negotiate contracts. We assume that this would be split on a population basis between the two future authorities.

Income generation

We have assumed spend of between **£0.5m and £1m** on a commercial review to assess current income generation and identify opportunities. We assume that this would be split on a population basis between the two future authorities.

Summary

The total of these potential transformation costs, gives an overall range of **£17.0m to £25.1m** for the West area and **£16.7m to £25m** for the North, and **£33.7m to £50.2m** in aggregate.

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