

Local Government Reform in Oxfordshire

Options Appraisal

August 2020

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Executive Summary (i)

Overview

This report sets out a high level appraisal of three options for local government reform in Oxfordshire.

The three options considered by the report are:

1. Optimisation of existing two-tier collaboration.
2. Establishing a single unitary authority.
3. Establishing two unitary authorities on a 50/50 split of existing population basis in order to meet the Ministry of Housing, Communities and Local Government's (MHCLG) minimum stated population requirements for the establishment of new authorities.

Each of the options set out above have been assessed against the stated MHCLG 'criteria' or 'tests' for local government reform set out by the Secretary of State on the 22nd July 2019.

Background and Context

Like most local government areas, the current model and structures that councils in Oxfordshire are working within are reaching the limits of what can be achieved. In addition to this, the COVID-19 pandemic has only served to exacerbate the existing pressures facing the sector. Tackling the pandemic has both increased financial pressure on public services but also highlighted the need for an integrated, joined up approach.

Pre-COVID-19, the Oxfordshire councils were collectively facing a cumulative deficit of £46.9m to 2024/25. Within this the County Council is required to deliver approx £25.123 million of savings over the four year period with the city and district councils experiencing an increasing level of financial pressure in terms of the balance between investment and revenue portfolios.

In addition to this, Oxfordshire is facing further challenges in terms of:

- Additional financial uncertainty as a result of the upcoming spending review, economic recession and the end of the job retention scheme.
- The need to drive more inclusive growth and to continue to promote Oxfordshire as an attractive place for people to live.³

Executive Summary (ii)

Evaluating the options

The high level analysis undertaken as part of this options appraisal clearly demonstrates that local government reform presents an opportunity for Oxfordshire to address the issues set out on the previous page as well as to deliver improved outcomes for its residents (as set out opposite).

The table below represents a “base case” net annual savings scenario for each of the three options taking into account the impact of reorganisation and transformation.

This table shows that while each option has the potential to deliver savings to Oxfordshire, it is the single unitary option that delivers the highest net annual savings through reorganisation and transformation.

Reorganisation and Transformation Base (£m)		
Option	Net Savings Per Year	One Off Costs
Two-tier collaboration	15.5	-21.6
Single unitary	69.0	-28.0
Two unitary	45.3	-31.0

Through reorganisation and transformation, Oxfordshire can deliver place-based outcomes for its citizens including:

- Delivering the Oxfordshire Plan 2050.
- Ensuring there is an inclusive plan for economic recovery that includes delivering more affordable housing and infrastructure.
- Addressing inequalities in communities and ensuring that health and wellbeing outcomes improve.
- Tackling the impact of climate change and ensuring the local environment is sustainable.

There is, however, a challenge facing Oxfordshire as it considers the most appropriate option for reform, especially as it seeks to preserve those elements of the existing system that work well whilst also addressing the challenge of making the geography of the county, and its population, work against the stated MHCLG population criteria for the establishment of new authorities.

There is also an additional challenge in terms of managing the potentially disruptive consequences, and costs, of disaggregating key county functions (Fire and Rescue, Adult Social Care and Children's Social Care and Education) and rebuilding the associated delivery models and governance arrangements in a two unitary model.

1. Introduction and Context

Introduction

Given the context of the national policy agenda, and subsequent policy announcements regarding the role of local government reform in driving the recovery from COVID-19, Oxfordshire County Council and partners have agreed to explore what local government reform options might be appropriate in the current environment.

This report is intended to be a short thought leadership piece, supported by high level analysis that provides a view on the feasibility of different options. It also takes into consideration the potential risks, benefits and commitment involved that would be required to pursue any of the identified options.

This document is structured as follows:

Introduction and Context - The purpose of this document, and a high level look at the local government, Oxfordshire and public sector reform landscape including possible drivers for change.

Approach - Sets out our methodology for this work and the completed analysis to be delivered.

Case for Change - Outlines the reasoning and the need for change.

Options for Change - Sets out the identified and agreed options for potential change.

Assessment of the Options - Assessment of options against agreed criteria including financial modelling.

Summary - Key points raised throughout the report.

National Context - Austerity and COVID-19

Few have felt the impact of this ten year period of austerity more than those in local government. During this time there have been reductions in funding for councils despite greater pressure for increased service provision, particularly in care services. The evidence that austerity has had a profound impact on local government is clear.

In addition to austerity, local government has been at the forefront of national efforts to respond to the COVID-19 pandemic and this has served to further exacerbate the financial challenges facing the sector.

A national survey of local government chief executives, conducted in 2019, concluded that despite continuing uncertainty, there is a system leadership role to play in delivering a fair and inclusive future, with 94% agreeing that place leadership is important.

It is also telling that in trying to achieve transformational change and ensure better outcomes for their residents, 64% say unaligned incentives and funding are a barrier and 70% say that lack of investment infrastructure is a barrier to growth.

This requirement for integrated services and a whole-place approach has been underlined by the response to the challenges of managing and mitigating the impact of COVID-19.

£1.4bn

Estimated additional costs in 2020/21 from COVID-19 for county and district councils *

The pandemic has given rise to an unprecedented rise in short-term costs and lost income for both county and district authorities.

£21bn

Predicted funding shortfall over next five years in county and district councils**

This would be to deliver just the same level of service being provided today and is before taking into consideration the pressures now being felt as a result of COVID-19 and the reductions in revenue streams.

£16bn

Reduction in core government funding over the last decade***

This equates to a reduction of almost 60p out of every £1 the Government had provided to spend on local services over the last eight years.

* Ministry of Housing, Communities and Local Government Delta return

**PwC (2019) Independent review of local government spending need and funding

*** LGA - Local Government Funding - Moving the Conversation on

National Context - Devolution and Local Government Reform

After months of responding to and managing the consequences of COVID-19, government have indicated that it is now necessary to plan for the next phase, moving towards reset and recovery.

In the immediate term there are clear concerns about funding for the sector, in the face of shrinking incomes and the costs of this crisis. As a result, the Government has introduced a £500m comprehensive funding package for councils to help address coronavirus pressures and cover lost income during the pandemic.

However, it is clear that government anticipate devolution and further local government reform as being central to the longer term recovery from the pandemic.

At the recent LGA conference in July, the Secretary of State for Housing, Communities and Local Government announced that a recovery and devolution paper will be published later this year which:

“Sets out an ambitious plan, which will be a place-based regional economic strategy, one which helps us to kick-start the recovery and to level up.”

Alongside this, the Minister for Local Government and Regional Growth stated:

“The white paper will connect local recovery with levelling up...Providing a place-based strategy to boost regional economic performance in every corner of the country, from the Northern Powerhouse and the Midlands Engine to the Western Gateway and the Oxford-Cambridge Arc. Our transformative plan will include a clear, ambitious strategy for strengthening our local institutions.”

The pressure created by the extraordinary challenges of the past few months has increased the intensity around the debate about how services should be organised in the future.

Local government reorganisation may not be the preferred solution everywhere, but where it is being considered it is clear that the implications of different options and the benefits of establishing new unitary authorities need to be clearly understood within the Oxfordshire context.

Local Context (i)

Financial challenges and the recovery from COVID-19

Like most local government areas, the current model and structures the Oxfordshire councils are working within are reaching the limits of what can be achieved for their residents. Prior to the COVID-19 pandemic, the County Council was forecasting a need to deliver approx £25.123 million of savings over four years with city and district councils also highlighting that they were likely to experience significant financial pressures over the coming years.

These forecast financial challenges have been exacerbated by COVID-19, with all councils facing significant additional pressures due to uncertainty about income streams.

It is understood that local government reform could present a significant opportunity through which Oxfordshire can respond to these financial challenges as well as to drive the recovery from the COVID-19 pandemic. Building on the partnerships that already exist, there are possibilities which range from further two-tier collaboration to the establishment of one or more unitary authorities.

History of local government reform in Oxfordshire

Whilst there have been previous attempts, dating back to earlier rounds of local government reorganisation, to move forward with local government reform in Oxfordshire (including “One Oxfordshire” in 2016 and a proposed unitary authority between South Oxfordshire and Vale of White Horse in 2018), it is now widely acknowledged that given the national and regional pressures set out above, retaining the status quo is not an option, so alternatives need to be explored.

Local Context (ii)

Current position

In a recent full Oxfordshire County Council meeting, Council Leader Ian Hudspeth moved a motion in regard to local government reorganisation.

A key part of this motion stated, “This Council calls on the Leader to write to the Chancellor of the Exchequer highlighting the way Councils worked together in Oxfordshire and asking him to honour the Government promise to reimburse Councils for the additional expenditure incurred because of COVID-19 and to undertake an open and wide ranging conversation with Oxfordshire County Councillors, local authority partners, residents and stakeholders to explore all options for a new future for Oxfordshire which is inclusive, protects public services, supports a vibrant local democracy”

The motion was agreed unanimously.

Additionally, in a recent full Vale of White Horse District Council meeting, Councillor Nathan Boyd also moved a motion in relation to local government reorganisation.

The motion stated “Further to the motion passed at the December 2019 Council meeting, Council calls on the Leader to continue working with other Oxfordshire Council Leaders and OxLEP and start a conversation with residents and other stakeholders to consider possible options for a Unitary Authority or unitary authorities for Oxfordshire should the government bring forward the expected white paper on Recovery and Devolution later this year or the financial position of one or more council make this essential. Our priorities in any new structure would include; safeguarding and improving local services, moving decision making closer to residents, simplicity for residents, increased democratic accountability for elected members, greater transparency, and positive impact on the climate emergency.”

After debate and on being put to the vote the motion, as amended, was agreed.

2. Approach

Approach to our assessment (i)

Overview

This report provides a high level assessment of a range of possible options for future local government reform in Oxfordshire.

Our methodology has been comprised of four key steps which are set out in detail below.

Methodology



Identifying possible options

The three options assessed through this report reflect the desire of Oxfordshire partners to understand the implications of a range of possibilities for local government reform in Oxfordshire.



Assessment against MHCLG criteria / tests

Each option has been assessed against stated government criteria for change in local government.

Each option has also been considered in terms of political acceptability as well as its alignment to the wider government agenda following the General Election and the stated position on recovery from COVID-19.



Assessment of financial costs and benefits

High level financial analysis of each option has been undertaken to set out the indicative transition costs for reorganisation and any transformation, the savings generated, the cost of harmonising council tax within a unitary organisation, and any additional income that can be generated in a transformed council.



Conclusion and next steps

A section summarising the key points from the report and setting out a series of next steps.

Approach to our assessment (ii)

Alignment to government criteria

In carrying out our assessment, we have considered how each possible option might satisfy the ‘criteria / tests’ or framework that the Ministry for Housing, Communities and Local Government (MHCLG) have indicated any proposal or business case for future local government reform must meet.

These ‘criteria / tests’ (set out below) have been used by central government to assess recent proposals and are not formalised or permanent in any way.

For example, government officials have recently indicated a softening of the expectations around the size of any new authority in relation to population. Previous guidance suggested a ceiling of around 700,000 residents but more recent intelligence suggests that proposals that involve larger resident populations would be considered.

The Minister of State for Housing Communities and Local Government was quoted in a written response to a question this July as saying *“These plans will include restructuring our local institutions to deliver these outcomes, establishing more mayors and more unitary councils the populations of which will depend on local circumstances but as a rule of thumb are expected to be substantially in excess of 300k-400k.”**

Current MHCLG “criteria / tests”

Improved outcomes and services

Value for money and efficiency

Cost savings and recovering costs of change

Stronger and more accountable leadership

Immediate and long-term sustainability

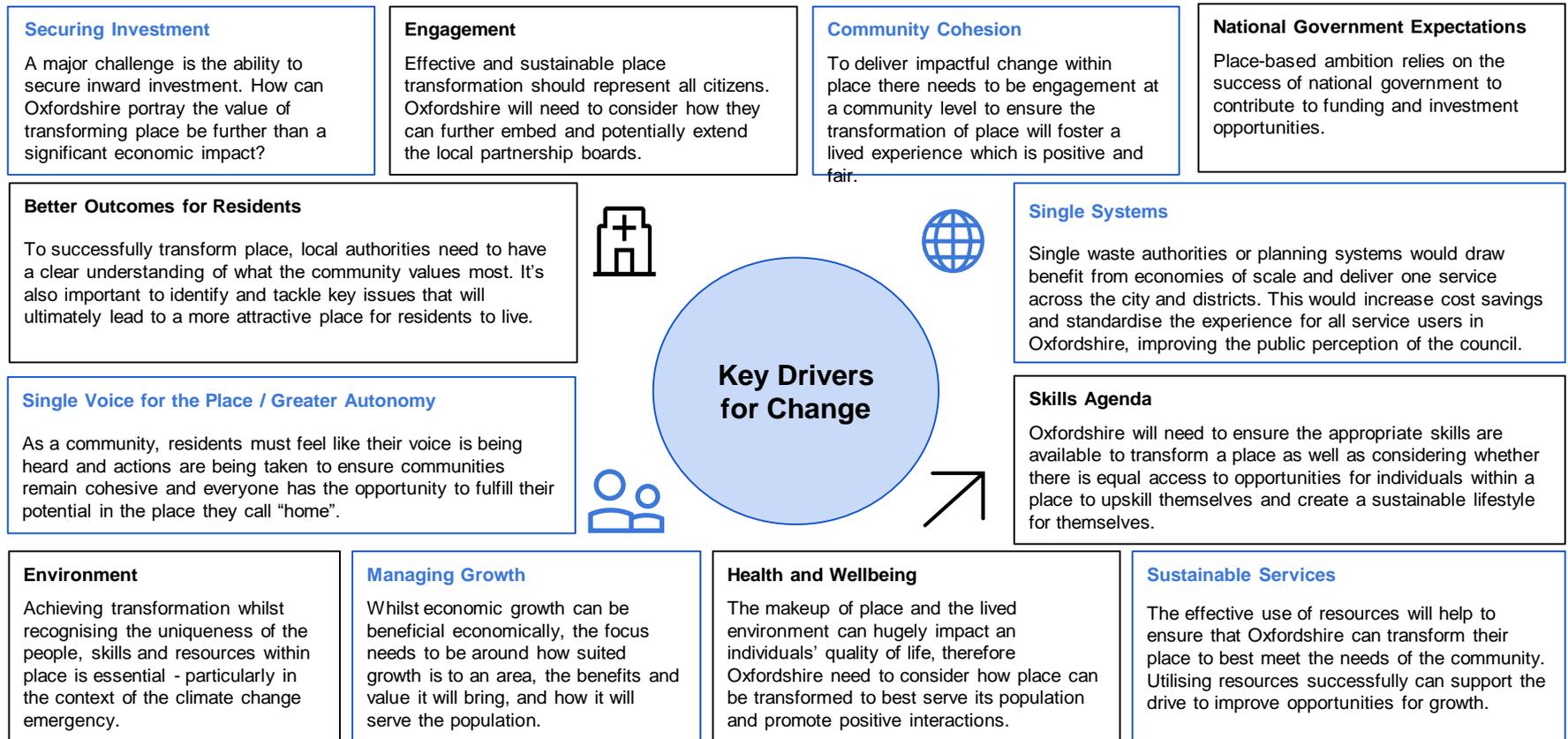
Broad stakeholder support

3. Case for Change

What are the drivers and challenges for change?

Drivers and challenges

Local public services can have an instrumental role in furthering the prosperity and driving better outcomes for the place and for the people who live there. In order to add value and meet the needs of the community in the place they call “home”, key challenges must be addressed and areas that will help make a positive change need to be identified. If managed successfully, there will be more opportunities to drive inclusive growth and create a more attractive place for people to live.



COVID-19 Response, Recovery and Renewal

Re-start, Re-cover, Re-new

Local government has been at the forefront in the response to COVID-19. From the outset, through its coordination of shield arrangements and provision of support to the most vulnerable groups in society, councils have demonstrated their ability to act efficiently, effectively and rapidly to mitigate, as far as possible, the impact of the virus. As the country begins to move beyond the initial response phase, councils are again being called upon to lead recovery at a local level. In Oxfordshire, this is being driven through the countywide 'Re-start, Re-cover, Re-new' strategy.

Individuals, communities and businesses are in desperate need of ongoing support, but there are many other systemic issues which also need to be addressed. It may be too early to suggest the way we live has changed forever, but the impact of the virus on several walks of life will have far reaching consequences. Local government will need to consider these strategic issues, alongside some of the more practical improvements to ways of working that have emerged during the crisis. The challenge will be doing so as they themselves begin to struggle as their own resources become increasingly stretched.

Prioritising place leadership

It will be essential for partners to work together in a completely joined-up ecosystem across the public sector that is aligned to places, people and outcomes.

Workforce

Volunteers have been trained and enabled to work in social care and health which demonstrates the need for individuals and workforces to be agile.

Technology

Digital transformation, sharing data and having common operating platforms in place is essential. This has been a fundamental challenge of the crisis response.

Engaging with communities

Much of the support currently being delivered to the most vulnerable is being provided by a combination of parties and there is an opportunity to rethink how place based, community development is harnessed going forward.

Information and analysis

In the face of current challenges, local authorities and the wider public sector are recognising the value of sharing information and insight.

Organisational resilience

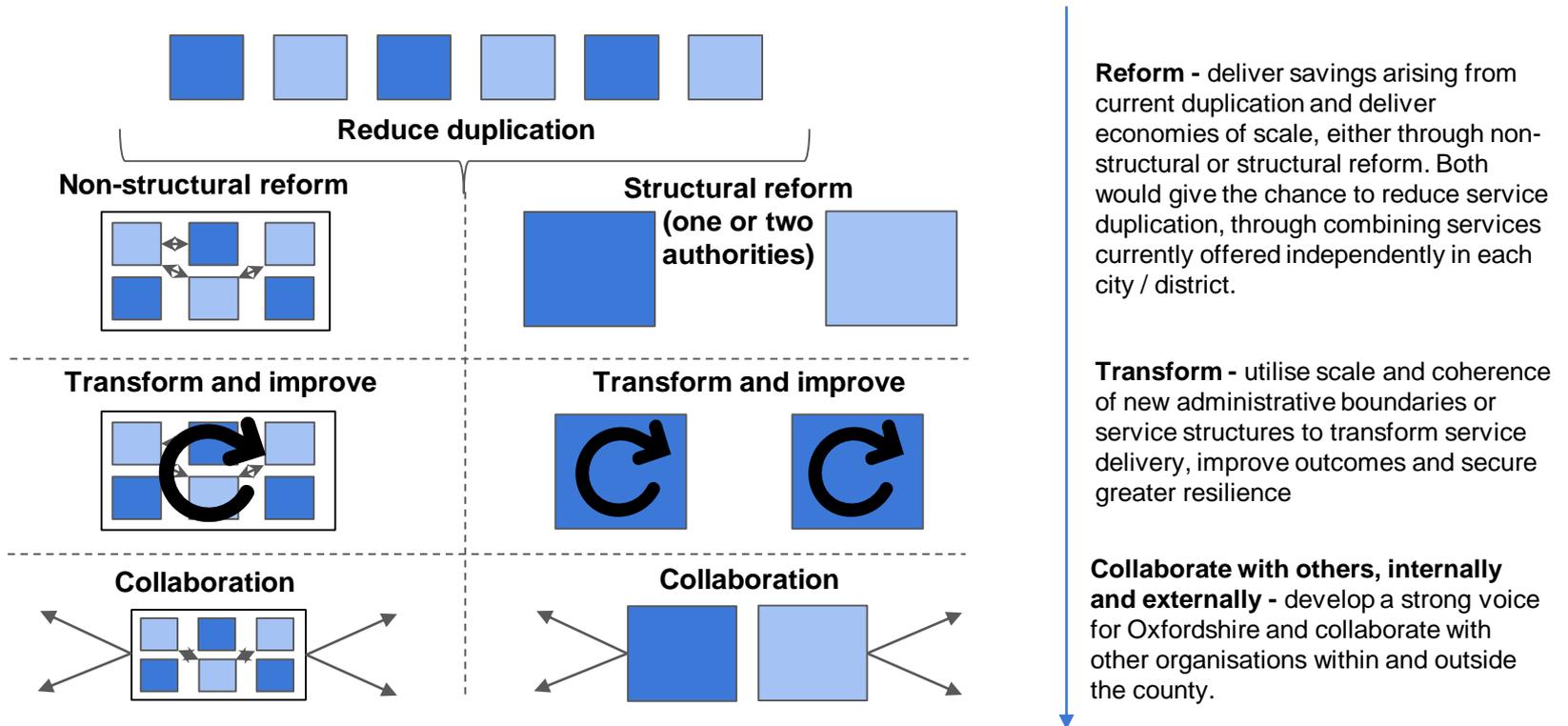
The response required over the past few months has highlighted the need for local authorities and other public sector agencies to build in more resilience.

Local Government Reorganisation

Identifying options for reorganisation

The diagram below (explored in more detail in the next section) sets out a perspective on local government reorganisation and demonstrates how the potential options are not mutually exclusive and can be seen as discrete but interconnected to one another, with the common aim of driving better services and outcomes for residents and place.

The diagram depicts all of the impacted councils (represented by the blocks) and seeks to demonstrate the various stages and likely outcome of pursuing either non-structural or structural change.



4. Options for Change

Overview of Options

Using experience developed from delivering similar work elsewhere and insight into the current local government and national government landscape, three options were agreed as the the most appropriate to assess. These are set out below.

It should be noted that options 2 and 3 focus on the creation of completely new geographic boundaries and administrative arrangements for Oxfordshire and are not simply based on drawing lines around existing boundaries and arrangements.

These new arrangements are required in option 3 in order for the two unitary authorities to meet MHCLG's stated minimum population requirements for the establishment of new authorities. It is important to note that these new arrangements would likely require changes to historic geographic boundaries, in particular those relating to Oxford City, in order to meet these requirements.

Option 1

Optimise two-tier collaboration

Geography

As-is.

Option 2

A single unitary authority.

Geography

Based on historic Oxfordshire geographic boundaries.

Option 3

Two unitary authorities

Geography

A two unitary model based on a 50 / 50 split of population to meet MHCLG criteria around size.

Option 1 - Optimise two-tier collaboration

This option focuses on optimising the existing two-tier local government arrangement within Oxfordshire through the establishment of mutually advantageous collaborations.

Oxfordshire is currently administered by the County Council and five city/district councils.

There are also 250 town and parish councils in the county.

There are a range of partnership working arrangements in place including the partnership between Oxfordshire County Council and Cherwell District Council, Stronger Communities, Safer Oxfordshire and Oxfordshire Growth Board.

As Oxfordshire County Council will be aware, the County Council Network recently produced a report* which set out a framework for establishing a different model of working in a two-tier arrangement.

This framework articulates a need to identify potential two-tier collaborations at three geographic levels: local, strategic, and wider regional or sub-regional.

Whilst this is a model of non-structural change, it would entail a realignment of responsibilities and influence across these scales, in a way that reduces duplication and fragmentation of effort and improves efficiency, while protecting the sovereignty of individual councils.



*Non-structural reform in English two-tier local government - a model for change (April 2019)

Option 2 - Creation of a single unitary authority*

This option focuses on the establishment of a single unitary authority for Oxfordshire.

This option would result in the creation of a single unitary authority as a completely new local government organisation operating across the whole county area.

Existing administrative arrangements both at county council and city / district council level would cease to exist in this scenario.

The current city / district and county boundaries are coterminous, so a single unitary authority would cover the same population and geographical area as the present county council arrangements.

This unitary authority would combine all services currently provided by each of the city / districts and take responsibility for provision of these services - for example, waste, housing, leisure and recreation.



2018 population:
149,161

2028 projected population:
174,202

2018 population:
109,800

2028 projected population:
131,056

2018 population:
158,108

2028 projected population:
170,172

2018 population:
140,504

2028 projected population:
160,252

2018 population:
133,732

2028 projected population:
166,020

*Population numbers taken from Oxfordshire County Council 2018 to 2028 housing-led forecasts for districts and MSOAs - August 2020

Option 3 - Creation of two unitary authorities*

This option focuses on the establishment of two unitary authorities for Oxfordshire based on a 50 / 50 split of population in order to meet MHCLG stated minimum criteria around population size.

This option focuses on exploring the creation of two unitary authorities based on a 50 / 50 split of population rather than on a split based on current geographic or administrative boundaries.

It is assumed that these authorities would cover the same geographic area as the Oxfordshire councils currently cover but that in order to meet the criteria set out by MHCLG, they would not be based around the geographic and administrative boundaries of the existing city and district councils.

Therefore existing administrative arrangements both at county council, city and district council level would cease to exist in this option and extensive re-organisation of boundaries would be required.

These unitary authorities could provide many of the services currently provided by each of the city / districts and the county for their respective populations. However it is likely that there would be a need to consider the most appropriate delivery model for strategic services such as Fire and Rescue and Adults and Children's Social Care going forward in a two unitary authority environment.

Unitary A
2018 Population - 345,652
2028 Projected Population - 400,851

Unitary B
2018 Population - 345,653
2028 Projected Population - 400,851

Establishing two unitary authorities could drive the delivery of a range of reorganisation and transformation benefits for those services currently delivered by the five district / city councils however there would be a need to disaggregate services currently provided by the County Council (unless collaborative arrangements can be put in place between the two unitary authorities). The impact of this is explored as part of the assessment of the options against the MHCLG tests.

However work undertaken with other county councils has highlighted that there are potentially significant annual costs (typically 2% of net revenue expenditure for a two authority model) associated with disaggregation as key strategic services such as Social Care are split across the new authorities.

5. Assessment of the Options

Overview

This report assess each of the identified options for local government reform in Oxfordshire against the ‘criteria / tests’ that the MHCLG have indicated any proposal or business case for future local government reform must meet.

These and the corresponding key indicators of success are set out in the table below.

MHCLG ‘Criteria / Tests’:	Key indicators of success
<p>Improved outcomes and services</p>	<ul style="list-style-type: none"> • A system which looks after the population of Oxfordshire, taking into account different demographics, different needs for different places, and areas where provision is currently lacking. • A system which provides a unified voice for the whole of Oxfordshire, instead of prioritising areas based on geographical boundaries.
<p>Value for money and efficiency</p>	<ul style="list-style-type: none"> • Local reform which makes full use of any possible service efficiencies or economies of scale, and removes as much duplication of services as possible across Oxfordshire.
<p>Cost savings and recovering costs of change</p>	<ul style="list-style-type: none"> • True reform with a transformative agenda, allowing even more savings to be made through reductions in third party spend and ensuring service efficiency. • Minimising transition and transformation costs while still implementing reform thoroughly.
<p>Stronger and more accountable leadership</p>	<ul style="list-style-type: none"> • A system which encourages leadership to be accountable, decisive and strategic, whilst still factoring in local opinions from across Oxfordshire without needless obstruction through inefficient governance arrangements.
<p>Immediate and long-term sustainability</p>	<ul style="list-style-type: none"> • An operating model which is not only financially viable now, but also years into the future, coping with future demand pressures. • Engagement with the community to examine and work with deprived areas.

MHCLG Test 1 - Improved outcomes and services

Improved outcomes and services (i)

How could reorganisation could help to improve outcomes and services?

Supporting the recovery from COVID-19

Government have clearly signalled that local government will be expected to play a major role in supporting local, regional and national recovery from COVID-19 and that reorganisation, where appropriate, will play a key part in this. Reorganisation could provide an avenue through which to address some of the key challenges highlighted in the initial response to the crisis including: emphasising place leadership, improving engagement with communities, developing future workforces and creating stronger organisational resilience.

Improving infrastructure, housing and the environment

Reorganisation could create an environment where the response to infrastructure, housing and environmental issues is shaped by policies which reflect the broader ambitions of Oxfordshire as a place, building on existing infrastructure initiatives (Growth Deal and Housing Infrastructure Fund) and positioning Oxfordshire to secure the resources needed to deliver its ambitions as a place.

Delivery on ambitions for the economy, jobs and skills

Growing the local economy, attracting inwards investment and increasing skills and training opportunities are all priorities for the councils, LEP and Growth Board. Further collaboration or reorganisation has the potential to expand and accelerate this work. There would be scope to benefit from the economies of scale that would be achieved to invest further in skills and education services, as well as build stronger and more effective partnerships to develop specialist capacity and expertise.

Improving health & wellbeing

Increasing demand and complexity of demand from a growing and ageing population poses a major challenge. Reorganisation provides the opportunity to make access to services easier for users and patients, realise greater capacity to support those who need it and to pursue a preventative, upstream agenda. Transformation of relevant services could also take place with a view to ensuring services are localised as far as possible and that they take advantage of a clear appetite to pursue a whole system approach.

Improved outcomes and services (ii)

What benefits could be achieved through reorganisation and transformation?

It is anticipated that local government reform will provide an opportunity to design new, modern and more streamlined authorities, prioritising sustainable and inclusive growth.

These new authorities would be positioned to work more effectively together, and with other partners, to deliver improved outcomes and services, as well as adapting the very best examples of innovation from across the public sector and other industries.

Performance and improvement

- More performance driven culture.
- Increased productivity.
- Ongoing focus on performance improvement.

Cost reduction

- Reduced cost base.
- Greater capacity to protect, sustain and improve services.
- Sustainable benefits - greater economies of scale created.

Services

- Opportunity to align services and make it simpler for residents and customers.
- Create greater efficiencies.
- Redesign services aligned to county-wide outcomes.

Alternative delivery models

- New delivery models shaped by scale.
- Greater alignment of services - focused on resident and customer need and outcomes.
- Increased collaboration with partners from all sectors.

Digital and analytics

- Ability to interact with customers in the way they want.
- Increased data sharing with partners.
- Better analytics and data for evidence based decision making.

Workforce

- Empowered and engaged workforce.
- More agile to respond to change, customer need and local requirements.
- Reduced hierarchy.

Improved outcomes and services (iii)

Evaluating the potential options

Option	Advantages	Disadvantages
<p>Optimise existing two-tier collaboration</p>	<p>Administrative boundaries would remain the same therefore there would be little change / disruption to governance.</p> <p>Depending on the service area or function chosen, a simpler and more coherent experience for residents and service users would be possible.</p>	<p>Administrative boundaries would remain the same resulting in potential for the quality of services to vary across councils and gaps in provision to remain / be amplified.</p> <p>Option would require extensive negotiation and governance to navigate and implement transformational change within the complexities of partnership working in a multi authority environment.</p>
<p>Single unitary authority</p>	<p>A single system for Oxfordshire providing services to all residents and addressing gaps in current provision.</p> <p>Opportunity to drive high quality service delivery to all of the residents of Oxfordshire.</p> <p>Residents and customers may benefit from having access to a single point of service delivery.</p>	<p>There could be a perception of a single unitary authority being too remote from communities they serve and that would be less able to respond to the needs of different demographics.</p> <p>Some may find the period of change and transformation destabilising - there may be a particular risk in terms of existing relationships and agreed outcomes.</p>
<p>Two unitary authorities</p>	<p>Residents and customers may benefit from having simplified, reduced access points to services.</p> <p>There would be the opportunity to develop a shared service approach across the two organisations as part of a transformation programme.</p>	<p>There could be a perception that even the establishment of two unitary authorities would result in organisations that are remote from the communities they serve and that would be less able to respond to the needs of different demographics.</p> <p>The disaggregation of strategic services held at the county level would have a cost associated with it and could impact the quality of service provision.</p> <p>Establishing two unitary authorities could also have unintended consequences resulting in the fragmentation of services that are whole county / place based such as health arrangements, Fire and Rescue Service, social care markets, Children's Trust.</p>

MHCLG Test 2 - Value for money and efficiency*

* Based on publicly available information

Value for money and efficiency (i)

Scale of the financial challenge

Local government in Oxfordshire faces an unprecedented financial challenge in response to increasing demand for services, an uncertain funding landscape and the ongoing economic and sociological impact of the COVID-19 pandemic.

As a consequence, there is a clear financial driver underpinning this assessment of suitable local government reform options.

The table below sets out the cumulative deficit, before the use of reserves, that the Oxfordshire councils are facing over the next four years. This has been produced using publicly available information and is before any adjustments resulting from the impact of COVID-19.

Where a 0 figure is shown, this is because the relevant council has forecast a balanced budget position for that year according to current publicly available information.

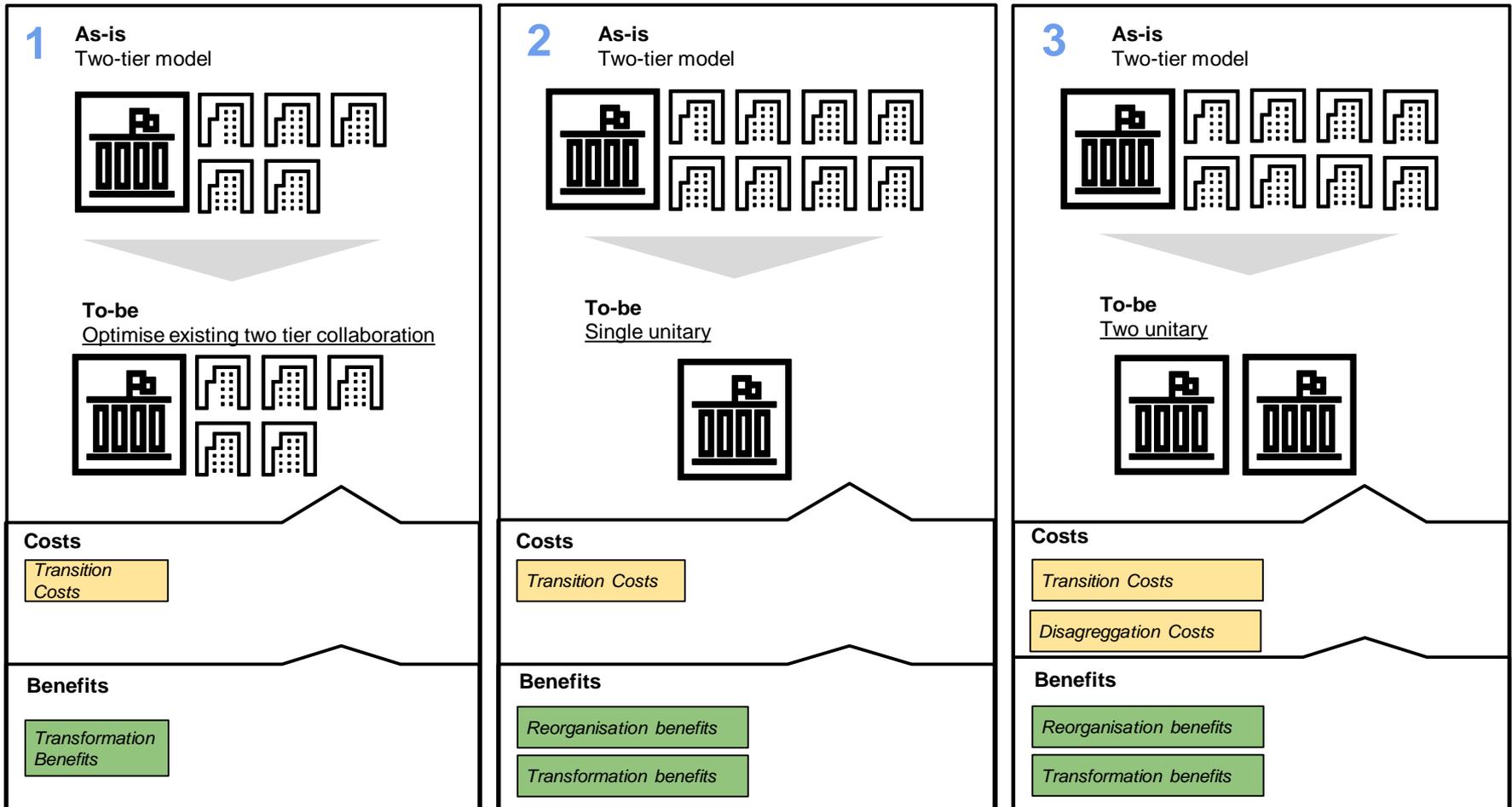
Council	2021/22 £m	2022/23 £m	2023/24 £m	2024/25
Oxfordshire County	25.1	25.1	25.1	25.1
Oxford City*	-0.1	-0.6	1.6	1.6
South Oxfordshire	3.5	5.7	6.1	6.5
Cherwell District	7.9	8.2	7.6	7.1
West Oxfordshire District	2.1	0.6	0.4	0.3
Vale of White Horse District	0.0	0.0	2.7	6.3
Total	38.5	39.0	43.5	46.9

*No figure given for 24/25 so assumed same figure as 23/24

Value for money and efficiency (ii)

How can local government reform drive value for money and increase efficiency?

The diagram below sets out the logic behind the identification of costs and benefits for each option. Further descriptions of what makes up each set of costs and benefits can be found on pages 35 and 36 of this options appraisal.



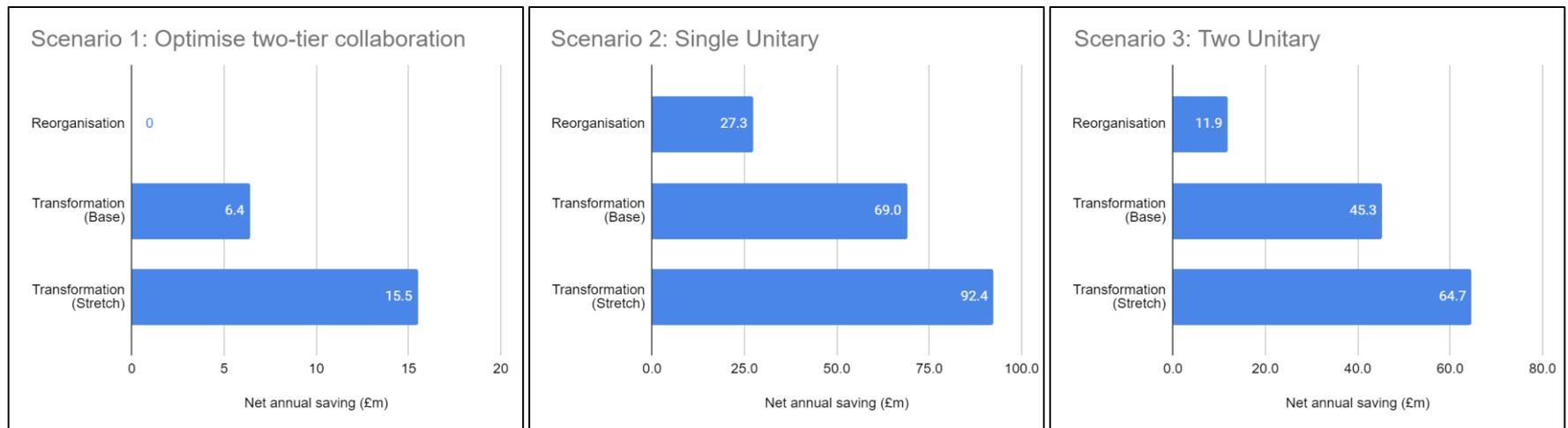
Value for money and efficiency (iii)

Evaluating the options (i)

This report contains a high level financial model* that clearly identifies that structural change in particular would deliver significant savings. However, it also identifies that structural change alone would not enable Oxfordshire to realise the full range of saving opportunities on offer.

Creating new organisations presents an opportunity to make major changes to the way outcomes are achieved and services are delivered.

Reorganisation combined with a transformation programme can be seen as an opportunity to strengthen the council's system leadership role as well as redesign interactions with customers and partners, enabling services and other activities. The diagram below gives an example of the savings available from each of the options assessed by this report.



* Based on publicly available information

MHCLG Test 3 - Cost savings and recovering costs of change*

Cost savings and recovering costs of change (i)

Overview

In order to provide further evidence to support the assessment of suitable local government reform options in Oxfordshire as well as to support decision-making and provide clarity on future implementation activities, we have developed an approach and initial set of financial models* that we have used when testing the impact and sustainability of the three options against the third MHCLG “criteria / test” - Deliver cost savings and demonstrate how the cost of change can be recovered over a fixed period.

Approach



* Based on publicly available information

Cost savings and recovering costs of change (ii)

Where do savings come from?

Each of the options under consideration present an opportunity to realise significant savings. This report identifies a range of different types of saving opportunities through reorganisation and further transformation of the council.

Listed below are the key areas of savings identified through this report:

Savings opportunities through reorganisation

- FTE savings from consolidation of six councils in to one or two.
- Property and IT rationalisation savings.
- Lower levels of third party spend.
- Election savings.
- Demographic representation based on a notional unitary authority committee structure.

Savings opportunities through transformation

- Further FTE savings through consolidation of customer contract, service delivery and enabling functions.
- Further reductions in third party spend.
- Higher levels of income generation through fees and charges.

Cost savings and recovering costs of change (iii)

What are the typical costs?

There are one off transition costs associated with the delivery of the reorganisation and transformation savings in each of the options and these are listed below.

Transition costs through reorganisation

- Redundancy costs.
- Costs for shadowing.
- Closing down the existing councils and creating new ones.
- Internal and external programme management costs.
- Costs to migrate IT systems.
- Public consultation costs.
- Costs to rebrand the new council(s).
- Contingency planning.

Transition costs through transformation

- Redundancy costs.
- Costs to migrate IT systems.
- Internal and external programme management costs.

Cost savings and recovering costs of change (iv)

Reorganisation and transformation savings assumptions

Listed below are the key assumptions underpinning the reorganisation and transformation savings identified in each financial model:

Savings through Reorganisation	Assumptions	Savings through Transformation	Assumptions	
FTE savings	FTE numbers will be reduced at 4.2% for one unitary authority and 2.8% for reorganising two unitary authorities as a benchmark rate in accordance with calculations.	Further FTE savings through consolidation of customer contact, service delivery and enabling functions	FTE figures following reorganisation will be grouped into three activity areas, according to proportions which reflect previous local authority activity analyses: Customer Contact: 38% Service Delivery: 35% Enabling Services: 27%	
Third party spend	We have used the total spending cost of the past four quarters and total IT costs and reduced it by 2.5% for one unitary authority and 1.5% for two unitary authorities.		The assumed benefits for the 1UA base case (stretch in brackets) are as follows: Customer Contact: 17.5% (25.0%) Service Delivery: 16.0% (23.5%) Enabling Services: 16.5% (24.0%)	
Property savings	A 15% blanket decrease has been applied to annual property costs provided by the County for 1UA, 12.5% for 2UA.		For 2UA; Customer Contact: 14.5% (22.0%) Service Delivery: 7.5% (9.5%) Enabling Services: 21.0% (32.0%)	
Election savings	The cost per vote has been estimated at £2.32, in accordance with government estimates for the 2015 General Election.		Further third party spend reductions	Further reductions in third party spend will be applied to the total figure. The assumed benefits for the base case (stretch in brackets) are as follows: 1UA Third party spend: 6.0% (7.5%) 2UA Third party spend: 3.0% (4.5%)
Democratic representation based on a notional unitary authority committee structure	One member per electoral division. Basic level of remuneration paid. There will be an SRA structure which will consist of allowances for a Leader, Deputy Leader, six Cabinet Members and 15 Committee Chairs per unitary authority, using existing SRAs as a starting point.			

Cost savings and recovering costs of change (v)

Reorganisation and transformation costs assumptions

Listed below are the key assumptions underpinning the reorganisation and transformation costs identified in each financial model:

Costs of Reorganisation	Assumptions	Costs of Transformation	Assumptions
Redundancy	Estimated costs of £14,000 per head for 100% of redundancies (accounting for retirement / pension costs)	Rebranding	Costs to develop and implement new signs and logos.
Shadow Chief Exec/Member costs	Costs for a year of shadowing from Chief Execs in both unitaries (assumed £150k salary). We have assumed 6 Cabinet members per unitary.	Redundancy	Further redundancy costs due to the increase in FTE reductions.
IT	Costs for changed reporting requirements, contract rationalisation, storage capacity, and data cleansing / migration.	IT	Significant investment in IT systems in order to enable more digital ways of working (as well as working as an enabler for further efficiency savings through FTE reductions.
Public consultation	Costs for adverts in local media and surveys to consult public on proposed changes.	Internal project management	Costs for internal project management to guide councils through transformation. The midpoint 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.
Creating the new council	Costs for appointing new exec teams and filling new posts, setting budgets, and carrying out BAU in existing councils.	External support	Costs for external support to ensure effective transformation: change management, benefits realisation, business and technology design authority, process redesign and consolidation, and a review of shared services. Estimated external consultancy costs to design the reorganised council for each unitary authority.
Closedown	Average of other councils - to financially close down councils and create sound budgetary control systems.		
Contingency	Provision for extra expenses potentially incurred through reorganisation.		
Internal programme management	Estimated at ~£1m per council for internal programme management and support, and costs for backfilling of these roles in councils.		

Cost savings and recovering costs of change (vi)

Evaluating the options - Option 1: Optimise existing two-tier collaboration

Optimising existing two-tier collaborative arrangements in Oxfordshire through transformation could produce an estimated saving of **~£6.4m** in the base scenario rising to **~£15.5m** in the stretch scenario.

Optimise existing two-tier collaboration	Costs/Benefits (£)
Base transformation one off transition costs (£)	-11,500,000
Base transformation net annual benefit after implementation (£)	6,400,000
Stretch transformation one off transition costs (£)	-21,600,000
Stretch transformation net annual benefit after implementation (£)	15,500,000

Cost savings and recovering costs of change (vii)

Evaluating the options - Option 2: Single unitary authority

Reorganisation to a single unitary council would produce a higher estimated level of savings as a result of reorganisation to a larger scale council, reaching an estimated combined total of **~£27.3m** through reorganisation, and **~£92.4m** through a stretch case of transforming the council.

Single Unitary Model	Costs/Benefits (£)
Reorganisation one off transition costs (£)	-17,356,181
Reorganisation net annual benefit after implementation (£)	27,328,838
Reorganisation + Base transformation one off transition costs (£)	-28,030,085
Reorganisation + Base transformation net annual benefit after implementation (£)	68,979,920
Reorganisation + Stretch transformation one off transition costs (£)	-34,713,901
Reorganisation + Stretch transformation net annual benefit after implementation (£)	92,365,576

Cost savings and recovering costs of change (viii)

Evaluating the options - Option 3: Two unitary authorities

If reorganisation and subsequent transformation into two unitary councils takes place, the estimated transition costs are as depicted below, ranging from ~£11.9m from reorganisation, to ~£64.7m for a stretch case of transformation, due to the extent of the changes taking place.

Two Unitary Model	Costs/Benefits (£)
Reorganisation one off transition costs (£)	-21,563,069
Reorganisation recurring disaggregation costs (£)	-8,849,442
Reorganisation net annual benefit after implementation (£)	11,912,939
Reorganisation + Base transformation one off transition costs (£)	-31,014,979
Reorganisation + Base transformation recurring disaggregation costs (£)	-8,849,442
Reorganisation + Base transformation net annual benefit after implementation (£)	45,332,932
Reorganisation + Stretch transformation one off transition costs (£)	-35,983,282
Reorganisation + Stretch transformation recurring disaggregation costs (£)	-8,849,442
Reorganisation + Stretch transformation net annual benefit after implementation (£)	64,674,880

MHCLG Test 4 - Stronger and more accountable leadership

Stronger and more accountable leadership (i)

Overview

In assessing whether or not local government reform would strengthen leadership and improve accountability in Oxfordshire, the following areas have been considered:

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

Potential impact on place and system leadership

Place

Strong leadership is required to realise the ambitions of Oxfordshire. Reorganisation would provide senior leaders with a stronger voice and greater influence at a regional and national level as well as enable stronger leadership and faster decision making.

There would also be greatly improved clarity of ownership, improving transparency to residents. Reorganisation could also bring other benefits given there would be a wider geographical remit than the existing authorities, allowing a more holistic view across the whole county. Secondly, the new authority would be bigger, with more resources and more influence at a national level, enhancing its ability to provide strong place leadership.

System

One of the challenges of the two-tier model is that lines of accountability can be unclear and confusing. Local residents, businesses and other public sector partners may be unsure as to which local authority is accountable for which services. Information sharing is difficult, and the existence of multiple, sometimes competing local authority voices, can undermine the provision of clear leadership.

The complexity and cost associated with this arrangement poses challenges for the Oxfordshire councils in making the most of the opportunities presented and the challenges that they must tackle.

Stronger and more accountable leadership (ii)

Evaluating the options

Option	Advantages	Disadvantages
<p>Optimise existing two-tier collaboration, further developing partnership with Cherwell District Council</p>	<p>Administrative boundaries would remain the same therefore little change / disruption to existing leadership arrangements.</p> <p>Building on existing relationships, leaders could have the ability to take a county-wide approach to tackling the most urgent and complex place-based issues.</p>	<p>There would be a need to continue to negotiate change / joint working in a complex environment given the existing six authorities and their substantive partnership arrangements.</p>
<p>Single unitary authority</p>	<p>A single stronger leadership voice for Oxfordshire as a place - likely to be more effective with partners and on a regional and national level.</p> <p>Opportunity to review more localised leadership arrangements through parish / town councils.</p>	<p>Building consensus around proposed the changes that would need to take place with existing leadership will be challenging. A clear stakeholder engagement strategy would be essential to the success of this option.</p>
<p>Two unitary authorities</p>	<p>Economies of scale in terms of political and officer leadership as a result of moving from six councils to two councils.</p>	<p>There would potentially still be a need to have two distinct operational management teams in place, especially in relation to social care potentially resulting in unintended fragmentation and disruption to governance and service quality.</p>

MHCLG Test 5 - Immediate and longer- term sustainability

Immediate and longer term sustainability (i)

Overview

This section of the report is intended to set out how change might be sustainable in both service delivery and financial terms and what transformation would need to take place in order to achieve that.

How can reform help address the financial challenges facing Oxfordshire in the immediate and longer term?

The sustainability of Oxfordshire's local government system depends significantly on the extent of savings that can be produced through structural or non-structural reform.

These figures must, however, be put into the context of the wider financial situation in Oxfordshire.

Based on our modelling assumption detailed more fully in the appendix, the county and city / districts will be facing a collective **£46.9m deficit by 2024/25** before the use of reserves..

This number is before any significant adjustments to assumptions are made due to the ongoing impact of the COVID-19 pandemic and it is anticipated that the collective deficit will increase significantly as a result of this, the anticipated economic downturn, end of the Job Retention Scheme and other likely changes to funding arrangements driven by the spending review.

Reorganisation and transformation are therefore vital in ensuring long-term sustainability across the county.

The figures overleaf illustrate how the proposed reform options and associated savings would affect this potential deficit.

Immediate and longer term sustainability (ii)

Evaluating the options

The table below sets out the impact that the savings identified through the high level financial analysis of each each proposed reform option would have on the cumulative net deficit of £46.9m.

It should be noted that the the cumulative net deficit shown here is before any adjustments required as a result of COVID-19.

	2021/22	2022/23	2023/24	2024/25
Net cumulative deficit (£m)	-38.5	-39	-43.5	-46.9
Optimise two-tier collaboration (Reorg + Stretch Transformation) (£m)	-53.7	-47.3	-40.9	-34.5
Single unitary (Reorg + Stretch Transformation) (£m)	-38.5	2.5	71.5	140.4
Two unitary (Reorg + Stretch Transformation) (£m)	-38.5	-24.2	21.2	66.5

6. Summary

Summary (i)

Does local government reform present an opportunity for Oxfordshire to address the challenges it faces?

This paper has highlighted that the current model and structures the Oxfordshire councils are working within are reaching the limits of what can be achieved for their residents and that Oxfordshire faces a number of key challenges, including:

- A cumulative net deficit of £46.9m by 2023/24 (pre adjustments for the impact of COVID-19).
- The ongoing response and subsequent recovery from the COVID-19 pandemic - both in terms of ongoing service and support delivery as well as managing the pressure of additional costs and loss of income.
- Further financial uncertainty as a result of the upcoming spending review, economic recession and the end of the Job Retention Scheme.
- The need to drive more inclusive growth and to continue to promote Oxfordshire as an attractive place for people to live.

The high level analysis undertaken as part of the development of this options appraisal, alongside the insight and experience gathered from work undertaken by other councils, clearly demonstrates that local government reform presents an opportunity for Oxfordshire to address the issues set out above as well as to deliver improved outcomes for its residents.

There is, however, a challenge facing Oxfordshire as it seeks to preserve those elements of the existing system that work well whilst also addressing the challenge of making the geography of the county, and its population, work against the stated MHCLG population criteria for the establishment of new authorities.

Oxfordshire's existing geographic and administrative boundaries do not easily facilitate the establishment of two new authorities and it is likely that any two unitary model would require significant changes to these boundaries with potential consequences for long held historical boundaries such as that of Oxford City.

There is also an additional challenge faced by Oxfordshire in terms of managing the potentially disruptive consequences, and costs, of disaggregating key county functions (Fire and Rescue, Adult Social Care and Children's Social Care and Education) and rebuilding the associated delivery models and governance arrangements in a two unitary model.

Summary (ii)

Option 1 - Optimise two-tier collaboration

This option focuses on optimising the existing two-tier local government arrangement within Oxfordshire through the establishment of mutually advantageous collaborations.

Oxfordshire is currently administered by the County Council and five city / district councils. There are also 250 town and parish councils in the county.

There are already several examples of two-tier and multi-agency collaboration in Oxfordshire, including:

- The partnership between Oxfordshire County Council and Cherwell District Council.
- Stronger Communities bringing together the county, city, districts and the voluntary and community sector (VCS).
- Safer Oxfordshire which includes the county, city and districts and partners from the police, probation service, health and the VCS.
- Oxfordshire Growth Board which brings together the county, city, districts and key strategic partners.

Going further with two-tier collaboration could deliver further improvements to outcomes and services, particularly at a localised level, as well as having the potential to deliver up to approximately £15.5m of net annual savings which would make a significant contribution to the existing forecast cumulative deficit but would not address it fully.

However, further two-tier collaboration would also require extensive commitment, negotiation and strong governance to effectively navigate the complexities of partnership working, differences in existing partnership arrangements and the delivery of transformational change, within a multi authority environment.

In this environment there is a risk that where existing administrative boundaries remain the same, the quality of governance could vary across councils and gaps in provision could remain or even be amplified through fragmented collaborative arrangements.

The same administrative boundaries and governance arrangements could also result in residents experiencing a variable quality of service depending on the locality within which they live.

Summary (iii)

Option 2 - Creation of a single unitary authority

This option focuses on the establishment of a single unitary authority for Oxfordshire.

Creating a single unitary authority, based on historic Oxfordshire geographic boundaries, would represent an opportunity, to realise a greater quantum of benefits both in terms of savings but also in reducing the level of duplication and fragmentation in the current system.

A single authority would require fewer councillors and senior managers, support functions, offices and IT systems than each of the other two options and would also be a larger organisation than any of the existing councils positioning it to take advantage of further economies of scale and single system benefits.

The process of reorganising local government in Oxfordshire from operating across six organisations to one would also represent an opportunity for significant transformation, building on the activity that has already taken place across the system and making the most of opportunities arising from changes in working practices that have been accelerated by the COVID-19 pandemic.

The high level financial analysis undertaken as part of this paper indicates that a single, transformed, unitary authority in Oxfordshire could deliver up to approximately £92m of net annual savings.

This level of saving would go significantly beyond the forecast cumulative deficit facing the Oxfordshire councils to 2023/24 and would put Oxfordshire in the strongest possible financial position as it moves forward with the long term economic recovery from COVID-19.

A clear stakeholder engagement strategy would be essential to the success of this option.

Alongside this, there could be a perception that a single unitary authority would be too remote from the various communities across Oxfordshire and therefore slow to respond to the needs of the different demographics it would serve. A deeper localities based engagement model would need to be developed in order to demonstrate this option can meet the government's criteria for change.

In addition to this some stakeholders may find the period of change and transformation destabilising and as a consequence there may be a particular risk to existing relationships and agreed outcomes.

Summary (iv)

Option 3 - Creation of a two unitary authorities

This option focuses on the establishment of two unitary authorities for Oxfordshire based on a 50 / 50 split of population in order to meet the MHCLG minimum stated population requirements for new authorities.

Establishing two unitary authorities in Oxfordshire would represent an opportunity to reduce the level of duplication and fragmentation in the current system. However, this reduction would not be as extensive as that which could potentially be achieved through the single unitary option. There would also be an opportunity to undertake significant transformation activity as part of the reorganisation. The savings achieved through this would need to be offset against the cost of disaggregating existing countywide strategic services, for example Strategic Transport and Highways, Fire and Rescue and Adult Social Care. The high level financial analysis undertaken as part of this paper indicates that the establishment of two unitary authorities could deliver up to approximately £65m of net annual savings.

Creating two unitary authorities in Oxfordshire would, in order to meet the MHCLG minimum stated population requirements, require the establishment of new geographic and administrative boundaries which would not mirror the existing city / district arrangements. In addition it is likely that these boundaries would require changes to historic geographic boundaries, in particular those relating to Oxford City.

In addition there would also be a risk that the disaggregation of the many county functions would result in the unintended fragmentation of key strategic services and wider partnerships, this could include:

- The Fire and Rescue Service - which could be pressed into entering into larger regional arrangements.
- The Social Care Market - competition between the two new authorities would disrupt established market dynamics, artificially increases prices and disrupt delivery of care services.
- Closer integration with Health through the BOB STP - the creation of additional organisations within the BOB STP geographic area could challenge progress towards closer integration. More generally it may reduce the benefit that partners might see if one unitary council is created in terms of having fewer interactions to manage and resource.
- Children's Social Care and Education - the establishment of two unitary authorities could see a push towards the development of a Children's Trust moving these services outside of council control (as demonstrated in Northants).

A note on the Financial Methodology*

* Based on publicly available information

How will the financial benefits will be calculated?

1. The financial calculations will consider the costs and benefits of the following scenarios:

- A. No change from two-tier model
- B. Transition from a two-tier model to a single unitary
- C. Transition from a two-tier model to a two unitary model

2. The following costs and benefits will be considered:

- A. **Benefits of aggregation:** Weightings applied to three types of spend, with percentage reductions then applied. Democracy benefits use the number of districts multiplied by an average cost.
- B. **Transition costs:** One off fixed costs and proportional redundancy costs incurred.
- C. **Cost of disaggregation:** Recurring costs of splitting county-wide services into multiple unitaries.
- D. **Transformation benefits and costs:** The potential benefits associated with base and stretch transformation

Benefits

Transition
Costs

Costs of
Disaggregation

Transformation

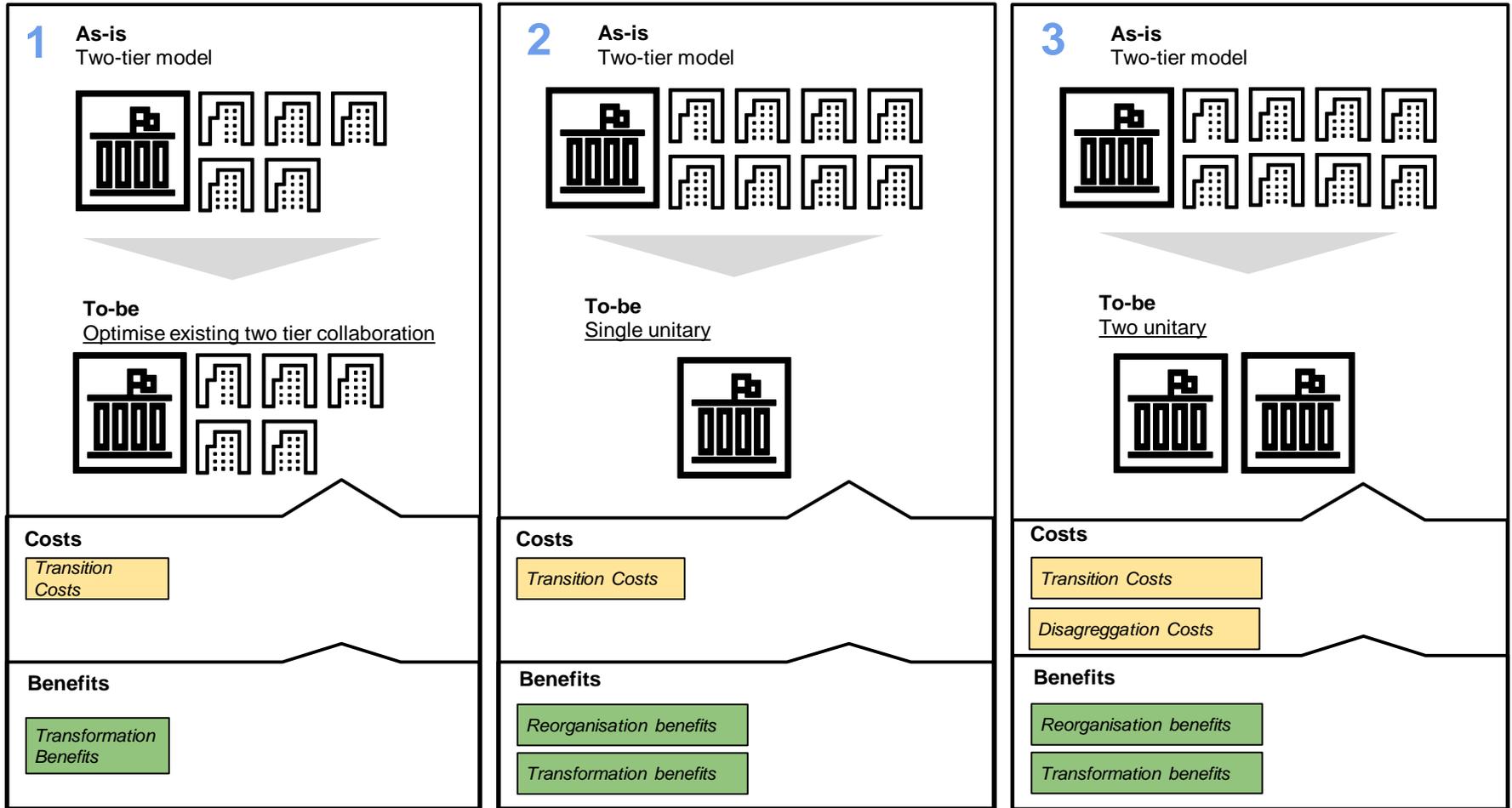
3. Data sources and assumptions applied

The data sources and assumptions applied as set out in this document are a starting point based on a combination of publicly available data, some benchmarking and experience of completing similar work on local government reform business cases in other areas.

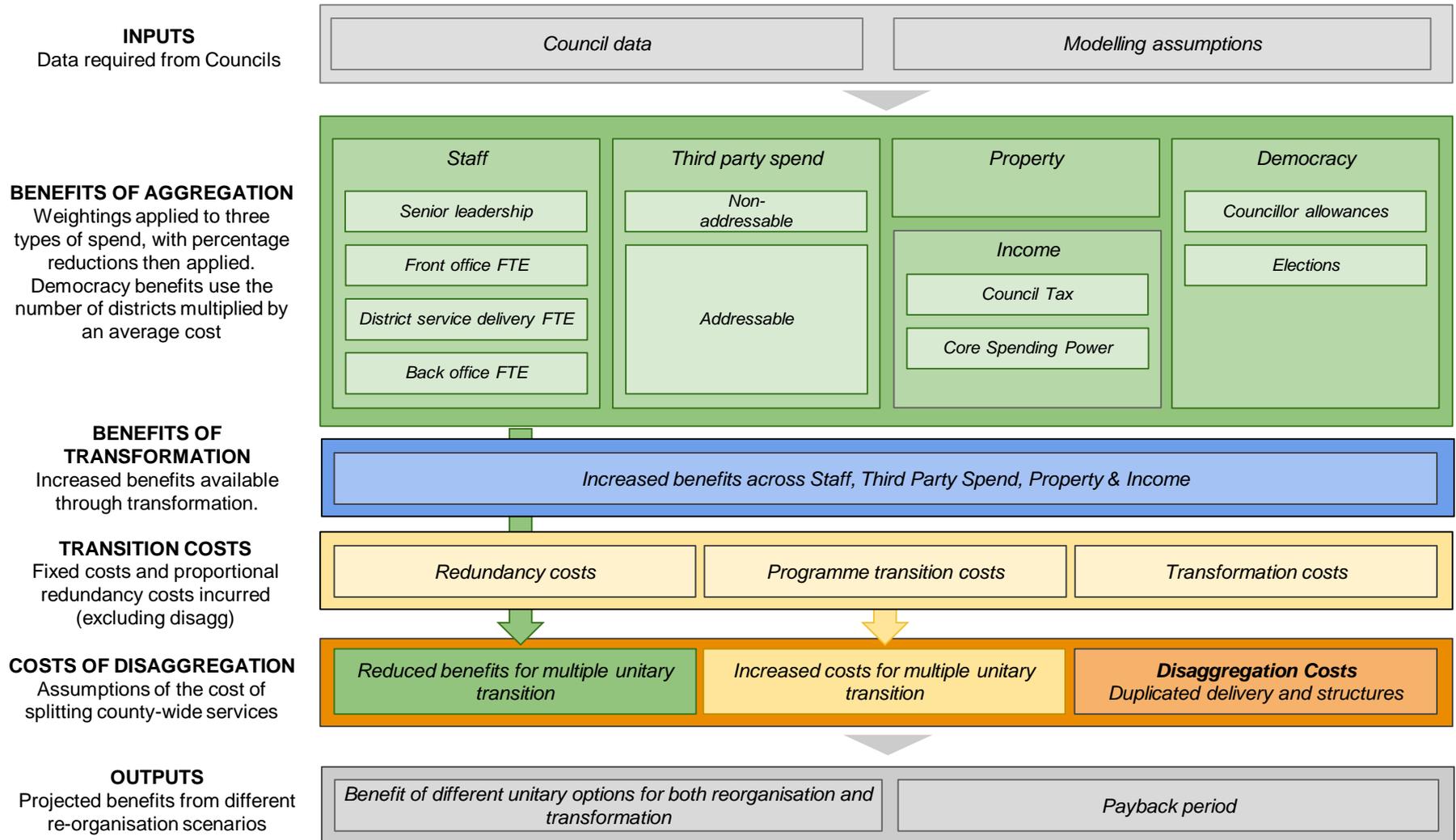
These will be refined in discussion with yourselves as well as taking into consideration any other issues that are particular to your area.

How will the financial benefits will be calculated?

The diagram below outlines the overarching logic model behind the costs and benefits of reorganisation:



What are the inputs and outputs to the calculation of the financial benefits?



Two-tier Collaboration Assumptions

All figures are from the following national study into the benefits of non-structural reform in English two tier areas, based on the findings for authorities serving a population of 600,000. The source is *Non-structural reform in English two tier local government - A model for change*, PwC, (2019).

Saving cost type	Base (£m)	Stretch (£m)
Annual recurring savings	6.4	15.5
Total one off cost	11.5	21.6