

## **‘Local Government Restructuring and Oxfordshire’ - Briefing paper for Need not Greed Oxfordshire**

**By David Illingworth  
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### **Introduction**

1. This briefing note will:

- Present a lightning tour of what local authorities do and their funding, as background;
- Consider the history and recent events around local government restructuring in Oxfordshire;
- Consider the difficult questions raised by restructuring; then
- Set out some Conclusions.

Six supporting Annexes set out more details about:

- i) The 1974 reorganisation that set up the existing County and District structure;
- ii) The major review of this structure in the 1990s and subsequently;
- iii) A short summary of the recent PriceWaterhouseCoopers (PWC) report on this issue, commissioned by the Districts;
- iv) A short summary of the recent Grant Thornton (GT) report commissioned by the County;
- v) The options for change considered by PWC and GT; and
- vi) The Costs and Benefits of the various options.

This note focuses on the local government structures in shire areas, notably Oxfordshire. Annexes 3 to 6 summarise the reports by PWC and GT. These are 119 pages and 78 pages long respectively, so inevitably much is summarised or completely omitted.

## 1. What do local authorities do and who pays for it?

2. Local authorities provide services for local people. They have extensive legal powers to provide services and intervene where necessary. They are directed by locally elected councillors though they need professional advice from managers. Most authorities have a small leading group of councillors who make day to day and key decisions – this is generally known as the ‘Cabinet’. The Cabinet has responsibility for some strategic decisions, for example it recommends a budget for the full Council to consider.
3. In shire areas, functions are divided between county and district councils. Some examples are that:
  - Counties provide adult social care, children’s services, highways and transport **planning**, Education (special educational needs, school admission and school transport – the rest being increasingly controlled by the schools themselves or the government), Libraries, Waste Management, Public Health, Trading Standards and **Planning** (minerals and waste applications). Some counties are part of a separate Fire authority that covers a wider area. In Oxfordshire, though, the Fire service is part of Oxfordshire County Council.
  - Districts provide Leisure, Waste collection, **Planning** (local **plans** and dealing with most applications), Environmental Health, Collecting Council tax, Street cleaning, Benefits payments, Housing and Homelessness support and Voter Registration.
4. There are very many specific services within this broad framework though. The Wiltshire unitary authority say that they have identified 354 different services that local government provides.
5. The division between counties and districts sometimes seems arbitrary – for example, districts collect rubbish from households, but the county disposes of it.

### **Planning**

6. **Planning** has changed over the years. In the 1970s the county prepared a Structure **Plan**, and districts produced local plans under that umbrella. The county had power to call-in **planning** applications if they were not in line with the Structure **Plan**. Call-in powers were eventually take away<sup>1</sup>, so only applications with roads, minerals and waste issues were considered by the county. After 2004, there were no Structure **Plans**. Now the county only makes formal **planning** decisions about minerals and waste applications.

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<sup>1</sup> Thus undermining the idea of an overall Structure Plan for countywide issues.

7. There was regional **planning** under the Labour government, then that was removed by the Coalition government in 2010. Currently there is no comprehensive countrywide regional or national **planning**. Some **planning** applications are now considered of national importance - such as the London airport expansion. There is unprecedented central government interference in local **planning**. For example, the government recently allowed **planning** applications for fracking despite local opposition. The government also gives permission for many applications that locals consider unacceptable. This happens if local authorities don't have **plans** in place and a five-year supply of land. It is difficult to get both a local **plan** and a five-year supply of land.

### **Paying for Council spending**

8. Local government is paid for by grants from central government, council tax and fees and charges. Grants have been cut each year since 2010, in response to government funding problems arising from the international banking crisis.
9. At the same time, local tax increases have been limited in one way or another for decades. Council tax rises have been effectively frozen or held down. Council tax is a fixed cash amount for each band of houses – this means that it is undermined year on year by inflation. So, if council tax does not increase and there is a lot of inflation, the real value of income from that tax will fall over time. Central government taxes often don't have that problem. For example, if inflation pushes up incomes, then the amount of income tax collected will rise.
10. Authorities can hold a referendum if they want a larger council tax increase than the government permits (the maximum increase was 2% for some years but recently this increased for social care authorities). However, referendums are very expensive and the question on the ballot paper is determined by the government. It is difficult to publish information explaining to voters why an increase is needed - this can be ruled out as being 'political'. Few people will vote for a tax increase unless they can see a direct benefit for themselves, which is often not the case for services such as social care or education. So, although referendums may be presented as a way of increasing council tax, in practice this does not happen. Central government does not have referendums when it chooses to increase taxes of course.
11. So, in recent years, spending by local councils has reduced but central government spending has increased (central government pays for protected services such as the NHS, pensions and schools). One consequence has been the growing crisis in social care, causing bed blocking in hospitals (which is expensive for the NHS). Most other services have been affected by the funding cuts.

## 2. Local government restructuring in Oxfordshire

12. There is a long history. The existing arrangements with a county council and five district councils has been in place since 1974 – for over forty years. That reorganisation was a result of the Redcliffe Maud review (see Annex 1 for details). Following that Royal Commission, 22 existing councils in Oxfordshire were replaced by the 6 existing ones in 1974.
13. There was another comprehensive, major and long drawn out attempt to reorganise structures in shire areas in the 1990s<sup>2</sup> (see Annex 2 for details). This led to no change for Oxfordshire.
14. In 2006, David Milliband (then Secretary of State for Communities and Local Government) produced a White Paper, ‘Strong and Prosperous Communities’<sup>3</sup>. This said that ‘Councils in shire areas will be able to seek unitary status’<sup>3</sup>. This led to a bid from Oxford for unitary status, that was eventually rejected. One question that proposal raised was what would happen to the rest of Oxfordshire. A ‘donut’ of four districts and a reduced, centreless county council could have resulted. Oxfordshire County Council opposed this proposal.
15. One nearby result of the Milliband reviews was that Wiltshire became a unitary authority in 2009<sup>4</sup>. Swindon, which was part of Wiltshire, had already become a unitary authority in 1997 – due to the review in the 1990s.
16. In 2008, Eric Pickles (then Shadow Secretary of State for Communities and Local Government), perhaps tired of all the fuss, said:

*‘I’ll have a pearl-handled revolver waiting in my drawer for the first civil servant who suggests another local government reorganisation’.*
17. Nevertheless, reorganisation has recently resurfaced as the extreme pressure on funding has built up. Also, new functions, such as the health budget, may be devolved to local councils. As part of this, the government thinks that requiring authorities to have elected mayors will produce clearer accountability. Outcomes then depend crucially on the ability of the mayor of course.
18. In response, Oxfordshire’s districts launched a 4-unitary cross-border unitary proposal in February 2016. The cross-border approach avoided the difficulty of having to join up Cherwell and West Oxfordshire into one authority to create a sufficiently large unitary council. Cherwell and West Oxfordshire are very different and separate areas! The proposal was that Cherwell would link with South Northamptonshire in Northamptonshire and West Oxfordshire would link

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<sup>2</sup> See: [https://en.wikipedia.org/wiki/Local\\_Government\\_Commission\\_for\\_England\\_\(1992\)](https://en.wikipedia.org/wiki/Local_Government_Commission_for_England_(1992))

<sup>3</sup> See: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/272357/6939.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/272357/6939.pdf)

<sup>4</sup> As a result of ‘Milliband’ four other countywide authorities were created. Two unitary authorities were created in the counties of Bedfordshire and Cheshire.

with Cotswold district in Gloucestershire. Both districts are already working with these partners. However, forming the cross-county boundary unitary authorities would be very complicated, involving pulling together district services from two districts and county services from two quite different counties. There would be impacts and complications for both Gloucestershire and Northamptonshire.

19. The districts then commissioned a report by PWC. This reported in July 2016. Annex 3 gives some details. The districts ruled out their cross-county boundary option on 19 May 2016, following advice from PWC.
20. Next, Oxfordshire County Council commissioned a report by GT. This reported in August 2016. Annex 4 gives some details.
21. For some time neither report was made public and the cost and duplication of effort was criticised.
22. Currently, there is no decision about the way forward, though there does seem to be some common ground between the two reports (see the Concluding section of this note). Some sort of agreement seems necessary if there is to be a devolution of further functions to the county, in line with that planned for the Manchester metropolitan area and other parts of England.
23. GT note that more progress on forming unitary authorities is being made in Dorset, East Kent, Suffolk and Buckinghamshire (p22). So – depending on the new government's views - more unitary authorities can be expected in other parts of England at some stage.

### 3. What difficult questions does restructuring raise?

24. There are many difficult issues raised by restructuring. The following notes attempt to explain some of them:

#### A. How large should new unitary local authorities be?

25. Is a large authority 'closer to the people?'. In the 1990s the districts said they were closer to the people than the county. But Oxfordshire County Council has people providing social care in people's homes and firefighters who will put out fires in your house and rescue you from accidents.
26. Size is related to the functions that an authority must provide. There is general agreement that some services require a view that is larger than a district – for example strategic **planning**, highways and some smaller but specialised functions such as Trading Standards.
27. One way of dealing with the size issue in a large unitary authority is to have powers and funding delegated to bodies representing smaller areas. In Oxfordshire, these could be the town and parish councils. But that leaves a question about the representation and role of Oxford.
28. At one point, DCLG told Dorset, as a guide, that the population of a new unitary authority would be from 300,000 to 700,000 people (GT p19, Lillian Burns p37). All the proposed unitary authorities for Oxfordshire created by pairing up districts have populations of less than 300,000, so they would be on the small side. Oxford City itself is less than 300,000 and even if its boundaries were extended, would only be just over 200,000<sup>5</sup>. However, a single unitary Oxfordshire would be the third largest unitary authority in the country. Only Leeds and Birmingham have more residents.

#### B. Will any change cost money or save money in the long term?

29. There are various possible sources of savings from setting up unitary authorities. Setting up a new authority does lead to costs though. These set-up costs arise from – for example:
- The costs of closing the existing authorities. A residuary body, that continues for some years after the formal closedown, is needed to sort out the assets and affairs of most authorities;

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<sup>5</sup> Lillian Burns 'Devolution a discussion paper for CPRE', June 2016

<http://www.cpre.org.uk/news/item/4330-devolution-discussion-paper>

Comments on p37, in an extract from the Local Government Chronicle about the guidance about population size, as follows – 'Conspiracy theorists will note keeping the guidance under wraps offers wriggle room to approve the districts' plan, favoured by the prime minister, who has been at war with **Oxfordshire** CC after its leader had the temerity to highlight the impact of government cuts.'

- Redundancy or pension costs arising from staff leaving;
- The costs of setting up new arrangements, for example moving to new buildings, merging IT and records;
- The cost of recruiting new staff for the new authority; and
- Planning and managing all this change.

30. There may also be long-term savings, but generally, the set-up costs of new authorities will be more than the savings arising each year. So, a 'payback period' is calculated. This is the number of years that it will take to repay the set-up costs from the savings made.

31. The long-term savings can arise from:

### **1. Economies of scale**

This is the theory that by doing a lot of work you can become more efficient. For example, as you produce more widgets, the cost per widget produced might fall. This might be because there are fixed costs of setting up to produce widgets which don't increase if you make more. Or because the company buys more raw materials as it gets larger so can get a better price. Or it might be worth buying (or inventing) better machinery or technology that can produce widgets faster.

This argument is often used to justify larger local authorities as they may reduce costs. It is probably true, but you could be large and very inefficient of course.

As an example, the county council used to run the payroll for schools. However, that is now a responsibility for each individual school, or groups of them. It is unlikely that costs per person on the payroll have reduced.

### **2. Just having fewer councils**

A council will have certain fixed costs. These include the costs of holding elections, having councillors and holding meetings. Also, there are the costs of having a budget, producing a set of accounts and other statutory requirements.

So, having less than the existing six councils will save money and having only one unitary council will save most.

As an example, there are places for 282 district or county councillors in Oxfordshire<sup>6</sup>. A single unitary council might only have 63 (as Oxfordshire County Council does now) thereby making savings.

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<sup>6</sup> County 63, Cherwell 48, Oxford 48, South 36, Vale 38, West 49

### **3. Needing less top managers and staff**

Councils must have certain key staff, for example, a head of paid service. They need supporting staff to run committees and the authority generally. If county services such as social care are divided up between three authorities, for example, it is likely that three top managers will be required to manage that service instead of one. So, if there are more authorities, the cost of senior managers will increase. In Oxfordshire, there are already shared management posts between some districts, and so the benefits from consolidating to 3 or 4 unitary authorities are limited.

### **4. Rationalising the Assets of the authorities**

Councils have assets such as buildings, property and equipment that they use to provide services. When councils are merged, there can be savings by rationalising the assets used. Savings could be found by reducing the number of offices, council chambers and offices open to the public for example.

## **C. Tax equalisation**

32. The district councils charge different rates of Council tax. For example, in 2016/17 the Vale of White Horse charged £116.69 and Oxford City charged £289.04<sup>7</sup>. Of course, there are other calls on council tax, from the Police authority, from town and parish councils and from the county council.
33. Equalising the tax rates paid in each district would be a key issue for a countywide authority. Any change would need to be phased in, over a period of years. Inevitably, residents of the City would benefit from this process as they pay higher council tax rates now. It might be possible to preserve a 'City' council tax rate along the lines of the parish and town councils though.<sup>8</sup>

## **D. Oxford**

34. Oxford has a unique identity. There are notable political differences between the City and the other authorities. For example, in May 2016 (and earlier), there were no Conservative councillors on Oxford City Council. Also, Oxford has quite different policies, for example it retains a stock of council housing, whereas the other districts have sold them off to housing associations.
35. Oxford might also have funding problems as a unitary authority. Needs for services (such as social care) are high in the City. In-commuters and visitors add to costs. The council tax base is relatively low though – as is business rate

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<sup>7</sup> PWC give a figure of £278.97 for Oxford, page 116.

<sup>8</sup> See GT report, page 46.



income. The University is considered a charitable institution and only pays 20% of business rates. GT and PWC both raise this as an issue.

36. GT considers that this may mean that Oxford would have problems as a single unitary authority. Some of this might be remedied by reallocating existing government grants to Oxford from the surrounding areas. However, such changes are difficult to estimate fairly, arrange and agree.

#### **E. Where will you be based?**

37. The question 'where will you be based?' can be a key one for new unitary councils. It is a symbolic issue as in practice more and more communication is via the all-electric internet! Nevertheless, symbolic issues can take on a great significance. However, people are generally keen to have the council HQ near to where they live, or at least accessible. This can be a problem when districts merge. For example, if Cherwell and West Oxfordshire merged, where would the new council be based? Banbury, Cherwell's existing HQ is not easily accessible from Witney and vice versa.

#### **F. Which policies will the new council inherit?**

38. Policies such as **local plans** would be handed on. However, there might be key differences between policy in one district and policy in another (for example, on local authority housing, or parking charges). It would be for the new authorities to sort out these inconsistencies. The outcome is not certain.

## 4. Conclusions

### a. In some ways, having both county and district councils suits

**Oxfordshire.** Oxford dominates much of the county, but the county is broadly its surrounding 'city region'. Many people who live outside Oxford work, shop or find entertainment and leisure in Oxford, so there are many connections.

### b. Government has never been clear about what it wants authorities to be.

Should they be:

**Large?** – These can make strategic decisions, are potentially more efficient, can absorb financial shocks more easily and don't need a regional tier above them. But they could be strong enough to push the government around!

**Small?** – These would have a more local focus, be similar in size to MPs constituencies, might tailor services to local needs better. However, they would need a regional tier to make strategic decisions. They would have strength in numbers when it comes to lobbying the government.

**What about Cities?** – Should there be tight boundaries around cities (as there is for Oxford) or add a much wider belt of land to expand into (as for York)? Cities – as most geographers will tell you – have hinterlands or surrounding rural areas on which they draw – for food, commuters, expansion, transport links and space consuming activity such as airports and leisure. Should the hinterlands be managed from the city or by separate rural authorities? Natural growth of a city tends to push up to its boundaries. But then further expansion is often resisted, for example around the boundary with Reading in Oxfordshire, or around Oxford itself. Maybe setting up whole new communities would be a way around this?

**What about rural areas?** – The role of rural areas has changed, from purely agricultural uses and for transport links. Now they can be residential, recreational or holiday areas as well and they often have many thriving businesses. There are many towns and villages of various sizes, forming a network of settlements. Should they be managed with cities or separately? Are they places in their own right or just a hinterland? Much of Oxfordshire is quite sparsely populated, so the urban-rural contrast is considerable. Oxfordshire also has a generous share of particularly attractive rural areas – bordering neighbouring hills such as the Cotswolds, Chilterns and Berkshire Downs and along the various river valleys.

**Should historic boundaries be recognised and cherished?** A large chunk of Berkshire was added to Oxfordshire in 1974. This seems to have been generally accepted. However, people can be very sensitive about historic boundaries – notably in Yorkshire and its Ridings and Cornwall.

**Will new unitary authorities save money?** This has always been a contentious and difficult question. Initially it was not clear if unitaries would save anything at all, but there is now some evidence that they do. How long it takes to meet the considerable costs of closing down existing authorities and opening new ones is another question. How you accurately estimate all the costs and savings for specific authorities is yet another.

To summarise, government decisions often seem to be rather random – unitary status has been given to whole county areas (Cornwall), to individual cities (Bristol, Swindon), to individual districts within counties (Berkshire) and to very small areas (Rutland).

**c. There is some common ground<sup>9</sup>** between the work by the consultants commissioned by the districts and the county for Oxfordshire. This includes:

- Both reports conclude that the status quo is not a viable option.
- Both reports agree that key services and strategies including strategic planning, adult social care, housing, transport, infrastructure, and pooling of funding and redistribution to address current and future service demand would need to be planned and delivered on a countywide basis – all difficult issues.
- Both reports find that a single unitary authority for Oxfordshire would save over £100m net over its first five years.
- Both reports take the view that a single countywide unitary would require structures to ensure effective local engagement and devolution within Oxfordshire.

Grant Thornton also set out a proposed sixth option for reform, based around a single strategic unitary with the district administrative areas retained for local decision making - by councillors from the unitary authority for that area, supported by officers from the unitary authority. The County Council Cabinet were asked to tell officers to work with stakeholders, including the public, to develop proposals for a single Oxfordshire unitary council, and further explore

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<sup>9</sup> From the report to the County Council Cabinet on 20 September 2016. Districts might have a different view!

Grant Thornton's 'Option 6'. This broad approach was agreed by the Cabinet<sup>10</sup>.

- d. **Final thoughts.** Some final thoughts follow. They are broadly based on comments at the County Council Performance and Scrutiny Committee and reported to Cabinet on 20 September:

### **General**

- a. It is important to focus on the needs of the residents of Oxfordshire and people who use Council services, NOT the needs of institutions.
- b. Both consultants' reports agree that the status quo is not acceptable and that unitary government is the way forward. Districts and counties can disagree and make conflicting budget decisions and this irrational situation gives a poor impression.
- c. It is important for the county and district councils to work together for the benefit of residents and stakeholders to create the broad consensus required by government.

### **Multi-unitary options**

- d. How would a multi-unitary option function through the necessary Combined Authority? There is no clear precedent for delegating responsibilities for services to children, education, and families and schools. A Combined Authority would lack visibility and accountability.
- e. Is it reasonable to argue that a unitary county would be too large given that the proposed Combined Authority in a multi-unitary scenario would cover just as large an area?
- f. There is a risk that a pattern of smaller unitaries would not deliver the same scale of savings. Some areas - in particular Oxford City - could be rendered financially unviable due to its high levels of need and low levels of income. Cherwell might also become unviable, as shown in Annex 6.
- g. **As noted in Annex 6**, The GT and PWC figures for set-up costs are different. The GT figures are probably on the low side, particularly for options with more unitaries. PWC savings figures seem too high as their 'transformation savings' are not fully explained, reasonable or justified. The 'transformation savings' make options with more unitary

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<sup>10</sup> Minutes presented at the OCC Cabinet, 18 October 2016.

<http://mycouncil.oxfordshire.gov.uk/ieListDocuments.aspx?CId=115&MIId=4787&Ver=4>

authorities look like a better financial bet than they are. There is more certainty and less risk about the financial figures for a single unitary authority option than for options with more unitaries.

### **A single unitary**

- h. There is a need for joined-up **planning** of growth, land use, housing, and infrastructure for the county's functional economic area through a structure **plan** – for example, Oxfordshire's knowledge spine currently encompasses part of four separate district areas and therefore four local **plans**.
- i. The benefits and risks of the options and how GT Option 6 (district area committees) could address the need for the single unitary option to demonstrate local working and empowerment. More work is needed on the details of Option 6.
- j. Parishes and town councils are an important part of the local devolution offer.
- k. How would the number of councillors in a new unitary be determined?
- l. What financial decisions would any new authority have to make? Council tax levels, staffing, systems and reserves and assets are all key areas.

### **The government**

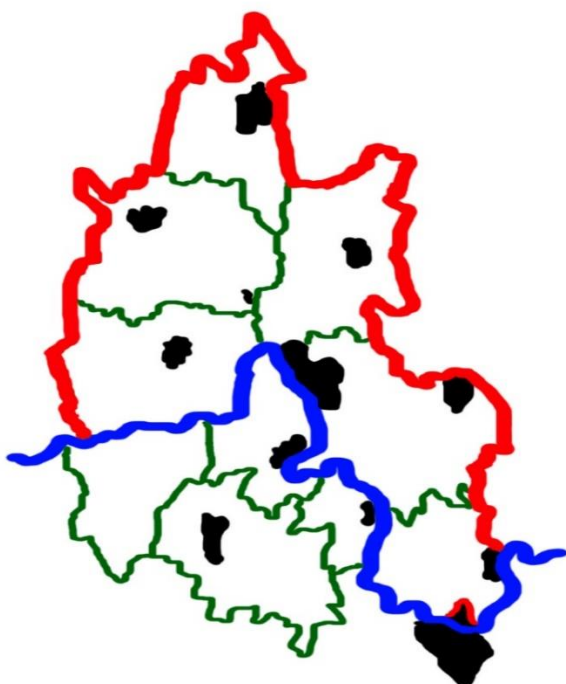
- m. There is a need to have an open public debate around the best option to reach a position to put to government.
- n. What change has the new Prime Minister and Cabinet brought to this agenda?
- o. What evidence of local agreement is required by the government to give any proposal the 'green light'?
- p. Will the government require an elected Mayor?

## ANNEX 1

### The Redcliffe Maud reorganisation, ending 1974

#### 1. Local Government Structure before 1974

The structure of local government before 1974 was very complicated. Redcliffe Maud was asked to suggest changes. There were 22 local authorities in Oxfordshire (excluding parish and town councils). The following map gives the overall picture before reorganisation:



Urban areas are shown in black, the Thames in blue and the previous County boundary in red. Rural district boundaries are in green.

Anything South or West of the Thames was not in Oxfordshire County Council area at all. So, what was to become the Vale of White Horse, was not in Oxfordshire, it was part of Berkshire.

There were 22 different councils covering Oxfordshire:

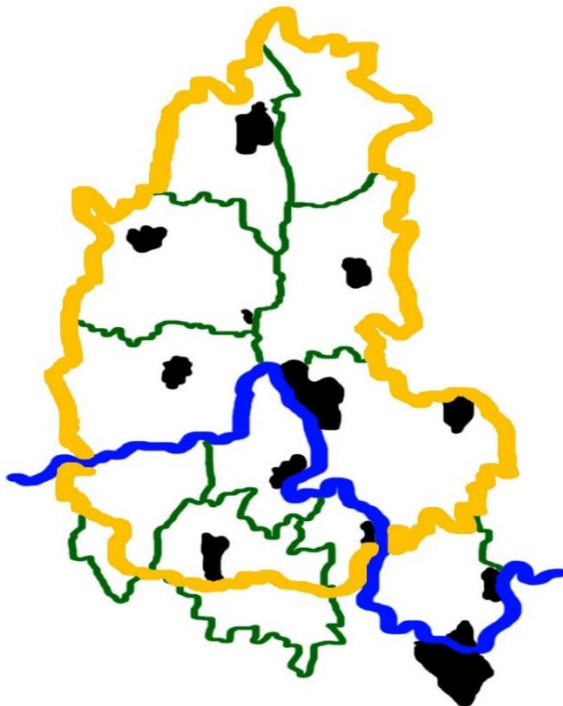
- 1 - The County Council (CC);
- 1 - Oxford which was a County Borough (CB, with different functions, so it provided a library service for example);
- 6 - Major towns were Municipal Boroughs (MBs, Chipping Norton, Woodstock, Banbury, Abingdon, Henley and Wallingford);

- 4 - Smaller towns were Urban Districts (UDs, Witney, Bicester, Wantage, Thame); and
- 10 - Rural District Councils (RD). These often had the same name as a major town, for example there was a Chipping Norton RD council surrounding Chipping Norton. The ten councils were Chipping Norton, Witney, Banbury, Ploughley, Abingdon, Faringdon, Wantage, Bullingdon, Henley and Wallingford)
  - Exceptional RDs that were not named after a town were Ploughley RD which contained Bicester UD and Bullingdon RD (hence the club!?) which contained Thame UD
  - Faringdon RD was another exception; it did not contain any MB or UD.

So the total number of authorities was 22 = CC + CB + 6 MBs + 4 UDs + 10 RDs.

## 2. Redcliffe Maud

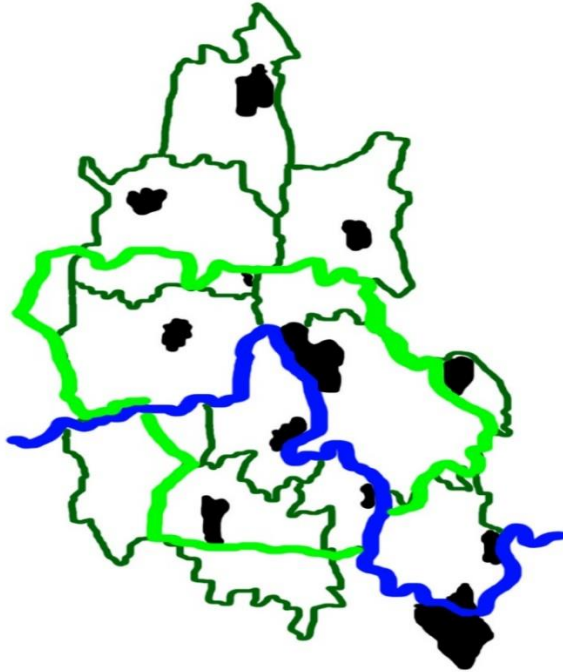
The Redcliffe Maud report recommended a single authority for Oxfordshire as follows (gold boundary):



It included parts of Berkshire (South of the Thames) but **excluded** Henley on Thames. It also included parts of Northamptonshire in the North-East corner.

### 3. The minority report from Senior

There was a minority report, which differed from Redcliffe Maud, by Senior. This also recommended a single authority for Oxfordshire as follows (green boundary):

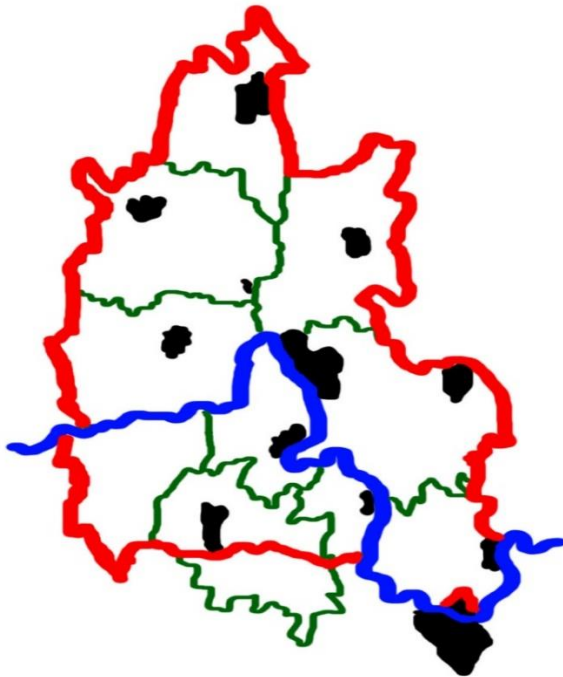


It includes parts of Berkshire, but not as much as Redcliffe Maud. It also excludes Henley on Thames. Finally, large parts of North Oxfordshire are removed.



## 4. The outcome

The outcome, following a change of government, was the two-tier structure with five districts and one county council. This was perhaps understandable, a jump from 22 to 1 authority being a massive change!



The list of the authorities in each district in the new Oxfordshire was issued as follows (no district names were decided upon at that stage):

New District (i)	Comprising (ii)	1971 census population (iii)	Area (Acres) (iv)	Rateable value at 1 April 1971 (to nearest £1,000) (v)
1	Chipping Norton MB Woodstock MB Witney UD Chipping Norton RD Witney RD	4,763 1,940 12,535 18,890 36,775	2,380 157 1,356 87,848 84,913	176,000 80,000 562,000 544,000 1,252,000
		74,903	176,654	2,614,000
2	Banbury MB Bicester UD Banbury RD Ploughley RD	29,216 12,340 19,137 33,397	5,150 1,677 59,002 79,917	1,656,000 417,000 560,000 1,416,000
		94,090	145,746	4,049,000
3	Oxford CB	108,564	8,785	7,361,000
4	Abingdon MB Wantage UD Abingdon RD Faringdon RD Wantage RD (part)*	18,596 8,007 35,847 14,570 16,079	1,754 2,797 41,184 55,726 42,094	838,000 302,000 1,514,000 481,000 808,000
		93,099	143,555	3,943,000
5	Henley on Thames MB Wallingford MB Thame UD Bullingshield RD Henley RD Wallingford RD	11,402 6,184 5,940 34,171 31,744 24,293	1,382 760 3,140 90,169 53,308 21,791	588,000 343,000 252,000 2,029,000 1,215,000 756,000
		133,734	170,550	5,183,000

Other comments are:

- Abingdon was once the county town of Berkshire and the rest of Vale used to be in Berkshire. So, there was opposition to the wholesale move to Oxfordshire. Now not many people remember this change – but some still do. To make points about the growth of Oxford and the change to the Berkshire boundary, on the Abingdon Road out of Oxford, not far past Folly Bridge, there is a public house known as 'The Berkshire'. It is called that because it used to be in Berkshire.
- No Banbury town council was allowed, as it was considered to have too large a share of the district's population. This changed in 2000, following the review in the 1990s.

Other more contestable comments are:

- Legend has it that when functions were being allocated between districts and counties, that **planning** was all to be allocated to the county. However, civil servants thought that did not leave enough for the districts to do, so part of that function was moved to them.
- There are several districts in each county and individually they spend a lot less than the county. So individually they are a lot smaller than the county. Also, the county has functions such as providing care for the elderly, care for people with learning disabilities and care for abused children. These are very expensive groups to look after and there are more and more of them (as the population ages, as people with learning difficulties live longer and as more abuse is uncovered). They are minorities. So, there is a lot more pressure on the County Council budget than on the district budgets.
- One consequence of the structure is that in any argument with the government about funding, districts will tend to win over counties. This is because there are more of them (so they win if the number of votes are just counted) and as they are smaller, they are more badly affected by a specific loss of income (so appeals for protection are more likely to be strident).
- Also at the national level there is an issue about the low level of rural funding. The Metropolitan areas and London argue again and again that they are deprived and have many problems. This is listened to by central governments of all colours and funding is repeatedly shifted their way. One example is funding for public transport – which focused on urban areas where it was being provided, rather than rural ones where there was more need for it. Another example is the 'pupil premium', which was added on top of funding for schools that already provided more for deprived areas. This further increased the differential between school funding for urban areas and the less well funded rural areas.

## ANNEX 2

### The Local Government Commission for England, 1992-2002

A Commission<sup>11</sup> – initially headed by John Banham - was set up to review the local government structure and this ran from 1992 to 2002. The review dragged on for years, was very complicated and did not introduce unitary councils everywhere.

However, it did remedy obvious difficulties such as the Isle of Wight. This used to have two district councils and a County Council, all of which were based in the same town. The review replaced them with one 'unitary authority' (an authority with the functions of both a county and a district council). Also, many large urban areas became unitary authorities. This was more likely if the authority was on the edge of the County - for example Portsmouth or Southampton - rather than surrounded by it as in the case of Oxford. One very small unitary was created for Rutland (population around 37,000 now) – it is too small really.

In Oxfordshire, the districts initially thought they could automatically become unitary authorities, and just abolish the County. However, the Commission that was running the review did not agree. I recall that a minimum population of around 150,000 was needed to become a unitary – no Oxfordshire district was that large at the time. So, the review sent a message to district councils that they were rather small and this encouraged working together such as Vale and South.

There were some bitter arguments about various issues before and during the review. One option that was considered was joining up Cherwell with West Oxfordshire, but the areas are so very different. West plus Vale was another option, but the road links between these two areas are tenuous. Eventually, the 1990s review of Oxfordshire led to a recommendation that there should be 'No change'.

Results for areas near Oxfordshire were as follows:

- Milton Keynes became a unitary authority - it was separated from the rest of Buckinghamshire – a very different area;
- Swindon (sometimes called Thamesdown) became a unitary authority - it was separated from the rest of Wiltshire – a very different area; and
- The Commission recommended that Berkshire County Council should be abolished and replaced with five unitary authorities. There was one for each district except for Bracknell Forest and 'Windsor and Maidenhead' which were to be combined as Royal East Berkshire. However, the government decided that there should be six unitary authorities.<sup>12</sup>

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<sup>11</sup> See: [https://en.wikipedia.org/wiki/Local\\_Government\\_Commission\\_for\\_England\\_\(1992\)](https://en.wikipedia.org/wiki/Local_Government_Commission_for_England_(1992))

<sup>12</sup> This was challenged, unsuccessfully, in court, I recall

## ANNEX 3

### The PWC<sup>13</sup> report for the districts July 2016

Main points are:

#### General

- Rising demand and declining budgets mean that traditional approaches are not sustainable;
- A sustainable solution requires integration across the whole system and a wholesale commitment by all parties to integrated outcomes. Activity needs to be moved 'upstream' to reduce demand in the longer run;
- Long standing frustrations with planning, transport and housing delivery are now having a material impact on operational performance. They will increasingly hold back the potential of the region; and
- Against that backdrop the five District Councils in Oxfordshire have commissioned this study into a unitary and combined authority local government structure.

#### Options considered

The five options considered by PWC are set out in Annex 5.

#### Evaluation criteria

- Viability and sustainability of the options, taking account of transition costs and savings;
- Service transformation and redesign; and
- Operation of a combined authority (which would be responsible for functions that continued to operate on an Oxfordshire wide basis).

#### Findings

- General comments on the likely populations of the new unitaries:
  - **Single unitary** for the whole of Oxfordshire. This would be the third largest unitary in England. With a population around 884,000 in 2031 if the SHMA is right.

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<sup>13</sup> PriceWaterhouseCoopers

- **Four unitary option.** This creates three authorities that would be the smallest UAs in England. The 'South and Vale' authority would be notably larger.
- **Three unitary option.** The Northern and Southern authorities are broadly similar in size. Oxford City would have noticeably fewer people.
- **Two unitary option.** This creates the ninth largest UA in England and the 18<sup>th</sup> smallest (Oxford). This mismatch and imbalance could be addressed by expanding the boundary of Oxford.
- Just disaggregating the County Council's spending and income leaves a shortage of funding (a deficit) in some of the new unitary authorities. Oxford city would have a deficit if the options for 2, 3 or 4 unitaries were chosen. If there were 3 or 4 unitaries, only the large 'South plus Vale' authority would NOT have a deficit. There is never a deficit for the single unitary option;
- Five years after being set up and after transformation and efficiency savings all new unitaries would not have deficits, except for Oxford City. The difference is due to the high cost of funding children's services in Oxford (see Annex 6 for more comments on the figures);
- Oxford city generates a lot of business rates and its position would improve if it could keep a larger share of the business rates, as promised by the government<sup>14</sup>;
- If there is rapid growth as promised by the SHMA, this will increase council tax income, but also council's running costs to provide more services. Reward systems such as New Homes Bonus can also provide some temporary additional funding (for 6 years);
- A **single** unitary authority for the whole of Oxfordshire would provide the most financial benefits due to economies of scale. Area committees could give more representation but might reduce the economies of scale;
- The **two**-unitary option provides reasonable savings but there is a mismatch and imbalance between the population sizes. If Oxford was expanded, its scale would '*dilute democratic accountability in the rural geography*';<sup>15</sup>

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<sup>14</sup> Note that university property (of which there is a lot in Oxford) is considered charitable so only pays 20% of the full rates bill. More university development does not help a lot. Also, note that if the government gives local authorities a larger share of the business rates, this is likely to have very unequal effects from area to area. If so, the government it might reduce other funding to maintain a balance.

<sup>15</sup> I am not sure what this means!

- The **three**-unitary option leaves Oxford with a deficit as noted above. It can address local needs, and recognises and reflects different urban and rural priorities.
- The **four**-unitary option provides the least financial benefit with limited economies of scale, but the maximum democratic accountability and connection to local communities<sup>16</sup>;
- All councils need to further transform service delivery as part of the move to a self-financing model for local government;
- If Adult and Children's social care are not provided by a 'combined' or countywide manner, Oxford city would run into a deficit in 2020/21 (p34-36). If Oxford city was extended, it would not need a countywide Adult and Children's service to be in surplus by 2020/21 (p36);
- A combined authority would provide a collaborative vehicle for Oxfordshire wide funds, decision making and accountability. It would deal with issues that are restraining economic growth - strategic planning, housing, transport and infrastructure. It would be a platform for ongoing dialogue with the government to secure further investment and devolution. It would also 'give business, health, police and other key partners a seat at the table and a voice in collective decision making, providing overall leadership and coordination of the public sector in a single decision making body'<sup>17</sup>. That might not be seen to be very democratic;
- Children's services in Oxfordshire are generally good but face rising demand and falling budgets. Earlier identification of problems may help. The NHS and Police are key partners;
- Adult social care is under strain. Better coordination with the NHS is needed. A Combined authority with Clinical Commissioning Group membership and full participation would give a joined-up approach.
- Oxfordshire should now make a choice. Maintaining the status quo will not fulfil local government's wider duty – to retain and leverage Oxfordshire's competitive advantage for the benefit of the people, places and organisations it serves. **A new local government structure with a Unitary and Combined Authority solution that delivers resilience, growth and a devolution deal is possible. Now is the time for a decision.**

<sup>16</sup> Though arguably less in the 'Vale and South' authority than in the other three areas...

<sup>17</sup> Note that decisions would not just be taken by elected representatives, but also people from business, health, police and 'other partners'.

## ANNEX 4

### The Grant Thornton report for the County Council 12 August 2016

Main points are:

#### General

- Grant Thornton worked with PriceWaterhouseCoopers who had been commissioned by the districts to do similar work;
- Any proposals are for the authorities to put forward to the Government;
- The future of local government in Oxfordshire is for the Secretary of State for Communities and Local Government (currently The Rt Hon Sajid Javid MP) to decide, in discussion with local leaders;
- Ministers have made clear that no restructuring or devolution will be allowed unless there is a high degree of consensus across the organisations affected (though this may have softened recently<sup>18</sup>);
- Grant Thornton (page 7) considered that *'there was relatively little substance'* behind the proposals by the City and districts;

#### Options considered

- The six options considered by Grant Thornton are set out in Annex 5.
- The sixth option was added in response to a message from DCLG<sup>19</sup> that consensus was needed. This option has one unitary but would delegate powers and budgets to district area boards.
- Grant Thornton originally considered the 4-unitary cross-border proposal put forward by the districts as well, but this was ruled out

#### Evaluation criteria

The criteria used for evaluating the options were as follows. Will:

- Local service delivery and outcomes be improved, especially for the most vulnerable?
- There be significant cost savings, improved value for money and long-term financial stability?
- There be stronger and more accountable strategic and local leadership?
- Engagement with communities and empowerment of local areas be improved?
- And will this drive economic growth and meet the infrastructure challenge?

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<sup>18</sup> County Council report to Cabinet, 20 September 2016

<sup>19</sup> Department for Communities and Local Government

## Assumptions

Assumptions used in their costings are extensive and include:

1. That county council front line services will continue to be delivered on a countywide basis. There seems to be consensus that breaking down all county services between whatever unitary authorities are formed is not desirable - in particular, adult social care.
2. That existing savings planned (to cope with reductions in government funding and pressure such as an aging population) will be delivered.
3. It is not certain that there will be savings from consolidating district services into larger unitary authorities.
4. Savings from transforming services that are already planned under the existing structure, are not included.

## Findings

Key findings were:

- That the advisory panel said that quality of services and outcomes, especially for the most vulnerable, must be the primary driver of any change;
- That the unitary model of local government has clear benefits compared to the status quo. This is mainly because closer connections between services can contribute to and reinforce outcomes for residents. For example, leisure and public health are linked by similar outcomes, as are social care and housing;
- The economic and infrastructure needs of different parts of Oxfordshire are linked and some services need to be delivered over as wide an area as possible to reflect that. Examples are **planning**, economic development and housing;
- *'The **Oxfordshire Growth Board** has been widely characterised as ineffective as a vehicle for joint decision making. This is best exemplified by serious underperformance in the delivery of new and affordable housing' (p12);*
- *'**OXLEP** is well regarded by the majority of stakeholders but is unable to achieve sustainable growth without an effective and responsive partnership with local authorities' (p13)<sup>20</sup>;*
- Other services might reduce costs by linking up, for example leisure and libraries or the range of environmental services;

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<sup>20</sup> My spelling and grammar checker reminds me to 'Consider using concise language' yet again here, but this is a quotation!



## Options with more than one unitary authority

- Based on experience of smaller unitary authorities elsewhere, dividing county services into two or three separate sets of services in Oxfordshire would not be financially viable, would add unacceptable complexity for partners and providers and would lead to data sharing problems;
- There are no precedents for delivering safeguarding services in the overall combined authority that has been suggested by the districts. It would add costs and complexity compared to the status quo;
- A combined authority, with a suitably empowered mayor, could deliver spatial **planning**, economic development and housing services. However, with no firm governance proposals, it is not clear that it would improve on existing arrangements;

## A single unitary authority

- In contrast to the combined authority proposal, a single unitary does offer the benefits of closer connections between services as mentioned above, and the benefits of a large scale. It would protect and allow enhancement of existing high-performing safeguarding services;
- However, a county wide unitary could be seen to be too large to maintain connections with communities. *'A county-wide authority for Oxfordshire would be the largest such organisation in the country<sup>21</sup>, and would therefore require strong arrangements for working with in localities alongside town and parish councils in order to avoid the risk of becoming too remote and disconnected from communities'* (p14);
- **Grant Thornton conclude by saying that a county-wide unitary authority for Oxfordshire would be most likely to offer improved service outcomes for residents, communities and businesses, whilst protecting services to the most vulnerable.**

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<sup>21</sup> It would be the third largest unitary authority, behind the large cities of Leeds and Birmingham.

## ANNEX 5

### Options considered by PWC of Grant Thornton

Option	County	Oxford City	Vale of White Horse	South Oxon	Cherwell	West Oxon.	Combined authority	No. of UAs
PWC1	UA	X	X	X	X	X	No	1
PWC2	X	UA	UA for Rural Oxfordshire				No	2
PWC3	X	UA with extended boundary	UA for rest of Rural Oxfordshire				No	2
PWC4	X	UA	UA		UA		No	3
PWC5	X	UA	UA		UA	UA	No	4
GT1	X	UA	UA		UA	UA	Yes	4 + CA
GT2	X	UA	UA		UA		Yes	3 + CA
GT3	X	UA with extended boundary	UA for rest of Rural Oxfordshire				Yes	2 + CA
GT4	UA	X	X	X	X	X	No	1
GT5 Status quo	CC	DC	DC	DC	DC	DC	No	0
GT6 A late extra option	UA+	Area boards for each district, exercising delegated powers and budgets, PLUS a commitment to explore a further enhanced role for Town and Parish councils					No	1 + District area boards

GT1 has a Combined Authority, but is otherwise the same as PWC5

GT2 has a Combined Authority, but is otherwise the same as PWC4

GT3 has a Combined Authority, but is otherwise like PWC3

GT4 is the same as PWC1

GT6 was added in response to a message from DCLG that consensus was needed. This option has one unitary but delegates powers & budgets to district area boards.

Note that forming a unitary authority for any area means that any existing authorities for that area must be closed.

### Key

CA	Combined authority (for the whole County, run by smaller UAs)
CC	County Council
DC	District Council
GT1	Grant Thornton Option 1 etc.
PWC1	PriceWaterhouseCoopers Option 1 etc.
UA	Unitary authority
X	Abolished

## ANNEX 6

### Costs and Benefits of the various Options

Both Grant Thornton (GT) and PriceWaterhouseCoopers (PWC) have predicted the costs and savings arising from various unitary authority options. The costs and savings need to be seen against the background of the individual councils funding positions and the current plans to further cut central government funding.

Any structural changes would come at a difficult time for local government, as further significant reductions in funding from central government are planned. There are plans in place to deal with this, but the public may not be aware of the effects until services are affected. As an example, the County has in place a plan now to save £114m over the next four years (GT report, p38). These savings are front loaded - £53m will be taken out of the 2016/17 budget.

All five districts have reserves (in effect cash in hand to cover emergencies) that are more than 100% of their net revenue expenditures (GT report, p37). The county has 22% (GT report, p38 – most other counties have less reserves than the districts).

Comments on the GT and PWC cost and savings figure follow:

- PWC has a very different approach to GT. PWC show set up costs spread over **five years** – concentrating them in the first three years. They also spread savings over **five years** and these build up to a peak in years four and five.
- GT in contrast, just gives a range of savings figure and then says how many years it would take to pay back the set-up costs.
- Estimates of **set-up costs** by PWC tend to be much more than those produced by GT. For example, for one unitary PWC says £35.0m but GT has a maximum figure of £22.6m. That is not too different, but for four unitary authorities, PWC says £69.3m, but GT says only £14.8m. So, GT says about a fifth of the PWC figure! Probably, the GT set up costs are too low, especially for the options with more unitaries but the PWC figures may be too high...
- Estimates of **total savings** are also very different. For one unitary, PWC says £45.5m (in years 4 and 5) but GT gives a range from £18.5m to £22.6m – half as much. Again, the difference for four unitary authorities is much larger, with PWC saying £38.1m after four years, but GT says only £3.0m to £3.7m – less than 10% of the PWC figures. The PWC savings figures seem too high, particularly for the options with more unitaries. The explanation is that PWC assume that there will be very large **‘transformation savings’** more or less whatever option is chosen.

- The large **‘Transformation savings’** need to be questioned. PWC assume that up to £37.6m pa could be saved by ‘Transformation savings’. These are described on page 38 of their report. This explains that they are achievable by:

*‘applying levers that would be typical in a modern transformation programme’*

and

*‘consolidation, rationalisation and improvement of necessary activity, elimination and automation of transactional activity and service redesign around the customer to reduce hand offs between public authorities and to manage demand’.*

More detail is given in the PWC report on page 42. A wide range of ‘transformation savings’ are proposed – from £22.6m to £52.5m pa. The mid-point of these two figures is then taken - £37.6m pa. So, ‘transformation savings’ are expected broadly as follows:

- £8.4m - Reducing contact and assessment costs by 18.75%– enabling more self service using better automated systems;
- £9.2m - Reducing service delivery costs by 7.5% – making employees more self sufficient and reducing management to increase productivity; and
- £19.9m – Enabling 27.5% savings in support costs by reducing activity and improving decision making

The figures are apparently just a proportion of expenditure so broad rules of thumb are applied. PWC also say (page 117) that potential ‘transformation savings’ reduce by between 2% and 6% as the number of unitaries increases.

One result is that PWC’s estimates of the ‘transformation savings’ are proportionately larger when there are more unitary authorities. For the single unitary 80% of savings over five years are ‘Transformation savings’ (£119.2m of £148.3m). Whereas for the four unitary case it is 89% (£112.0m of £125.7m).

Also, the difference in ‘Transformation savings’ between one unitary and four is only £7.2m (119.2 – 112.0). So, it is claimed that four unitary authorities could find 94% of the savings that a single unitary could. For example, by having *‘a common digital platform across all authorities reducing the design, development and integration costs’*. However, getting different local authorities to adopt and stick to the same digital systems is not straightforward or easy.

So, it is difficult to accept that the considerable ‘transformation savings’ suggested by PWC are achievable. It is not clear what these savings actually are, so it is difficult to decide if they could be found in Oxfordshire. They do not seem to be savings that are only unitary authorities could find. So, authorities in

Oxfordshire which are already under extreme pressure to find savings may already have found them. It may be that unitary authorities considered by PWC have made these savings because they too are under extreme financial pressure imposed by the government and not just because they are unitary authorities. If it is possible to find the savings without having to set up unitary authorities, then they should be removed from the calculations;

Other criticisms are that:

- PWC give a very wide range of possible 'transformation savings' – from £22.6m to £52.5m pa. The huge range is a concern and the chosen mid-point of £37.6m looks arbitrary;
- The very large total of £37.6m pa of 'transformation savings' for one unitary authority seems only to be based on rules of thumb percentages – but the rules may not be appropriate for authorities in Oxfordshire. The percentage of savings is very high – 27.5% in one case; and
- PWC claim that 94% of the savings made by one unitary could be made by four – but this assumes many things, for example that there is a high degree of cooperation and agreement between different authorities to use common digital systems. It is easy to identify these savings, very hard to get them!

Calculations using PWC figures show that the single unitary authority could break even after five years **even if 95% of the 'transformation savings' were not found**. So, the one unitary option does not really need the 'transformation savings'. In contrast, the four-unitary option must have half - **51%** of the 'transformation savings' to break even in year 5.

**Thus, adding in these savings makes options with more unitary authorities look more favourable than they are.**

Saying that these considerable savings can be made - more or less whatever option is chosen - gives the impression that existing services in Oxfordshire are inefficient. This is despite years and years of severe financial pressure, continuing changes imposed by the government, detailed local scrutiny of every budget and being subjected to a virtual tsunami of management jargon.

- **Payback** periods suggested by PWC and GT are broadly similar. So, for example for the single unitary PWC says 2 years whereas GT says 1 year. However, examination of the PWC figures shows that they tend to underestimate the point at which the set-up costs are covered by the savings made. PWC just identify the first year in which savings are more than the set-up costs. But full payback would only occur when **ALL** previous costs and savings are included. For example, in the single unitary example, PWC says that payback occurs in the second year, when costs are £11.5m for that year and these are exceeded by the

savings which are £13.9m for that year. However, cumulative costs and savings figures should be considered. In the second year, cumulative costs have amounted to £23.0m over the first 2 years, whereas savings are only £19.1m. So, we must wait until year 3 to get to a point where the cumulative set up costs - (£34.5m) are less than the savings £57.4m.

**Therefore, it may be that GT set-up costs are too low, as PWC suggests higher figures. Accepting that set-up costs will be higher pushes the point at which payback occurs further into the future.**

**Also, PWC savings figures do seem to be too high. The PWC 'transformation savings' are not fully justified. They make options with more unitary authorities look like a better financial bet than they are. PWC also tends to calculate payback too early.**

**Overall, there is a risk that set-up costs are higher than expected. If so, it will take longer for the savings to pay them back. There is a higher risk that the authorities with more unitary authorities will take even longer and may not repay the set-up costs.**

Figures for each option considered by the two consultants are set out below. Note that both PWC and GT consider that in some cases the new unitary authorities may be short of funding (so they would be unable to continue existing levels of service).

Note that the options have been rearranged so similar options are in adjacent rows. Some options are not comparable – they are highlighted in grey.

Option	No. UAs	UA Description	Set up costs	Savings	Payback period	Issues for the new unitary authorities
PWC1	1	Unitary County	£35.0m	£45.5m	2 years	-
GT4	1	Unitary County	£22.6m Max	£18.5-22.6m	1 year	No financial imbalance
PWC2	2	Oxford + Rural rest	£45.5m	£42.8m	3 years	Oxford in deficit
PWC3	2	Extended Oxford + Rural rest	N/A	N/A	N/A	Oxford still in deficit but less so
GT3	2+CA	Extended Oxford + Rural rest	£23.2m Max	£9.5-11.6m	1-2 years	Oxford short of funding
PWC4	3	Oxford, Vale+S, Cherwell+W	£56.3m	£40.0m	3 years	Oxford & N Oxon UA in deficit
GT2	3+CA	Oxford, Vale+S, Cherwell+W	£16.5m Max	£4.5-5.5m	2-3 years	Oxford short of funding
PWC5	4	Only Vale and South combine	£69.3m	£38.1m	3 years	Cherwell & Oxford in deficit
GT1	4+CA	Only Vale and South combine	£14.8m Max	£3.0-3.7m	3-4 years	Oxford and Cherwell short of funding
GT5	0	County + 5 districts	-	0	0	May not get delegated powers from central Government
GT6	1	Strategic UA + District level decisions	-	N/A	N/A	Probably more running costs than GT4?

## NOTES

### 1. PWC - Information is from the report, pages, pages 32-48

Set up cost figures are spread over **FIVE** years

Savings figures are those achieved in the **fourth** year after implementation

### 2. GT - Information is from the report, page 35 and 49 onwards

Apparently, they do not publish a single set up cost, so for this table a maximum figure is calculated:

Highest savings figure X Longest payback period = Maximum set up cost

For example, for 4 unitary option

£3.7m x 4 years = £14.8m Max