Potential Local Government Reform in Hertfordshire

Executive Summary

Private and Confidential

May 2020

Hertfordshire

Overview

In anticipation of the forthcoming White Paper on devolution in England, Hertfordshire County Council - working with PwC - have been exploring options for local government reform. The full report produced for the Council by PwC is a high level feasibility study of two main options for structural change to one or two unitary authorities. Like most local government areas, the current model and structures that Hertfordshire councils are working within are reaching the limits of what can be achieved. Tackling the current pandemic has both increased financial pressure on public services and also placed new emphasis on the need for a integrated, single-system approach to delivering for local residents. Pre-Covid, the county council was required to deliver **approx £97 million of savings over 4 years;** and the **district councils** - already experiencing an increasing level of financial pressure in terms of the balance between investment and revenue portfolios - are now managing new levels of uncertainty about their income streams as the local economy sets out to recover from the lockdown period.

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The table below represents a **"best case scenario"** for each of the potential options for structural change. The figures take into account the financial impact of **reorganisation and stretch transformation** should Hertfordshire chose to pursue this option.

Transformation Stretch and Reorganisation (£m)		
Option	Gross Savings Per Year	One Off Costs
One Unitary Authority	142.7	43.4
Two Unitary Authorities (South West and North East)	105.6	50.9

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

Improving infrastructure, housing and the environment

Delivering on ambitions for the economy, jobs and skills

Improving health and wellbeing

Context - drivers for change

The eleven councils and other local partners in Hertfordshire have been working together over the last few years in order to set out and deliver on their collective aims and ambitions for the place.The Hertfordshire Growth Board has also set out some more ambitious outcomes, with a strategic narrative and offer to central government that structural change could accelerate. **Given these pressures and the wider context, retaining the status quo is not an option, so alternatives need to be explored.**

£37.5bn

is the significant contribution Hertfordshire makes to the UK economy each year.

In addition Hertfordshire has been successful in leveraging inward investment including £309m of Government and European funding. This, combined with the wealth of industries that are established in the county, means that there are huge opportunities to develop as part of the growth agenda and ask of central government.

£90m

per annum savings gap that the county council needs to close by 2023.

Whilst £315m in savings has already been delivered since 2010/11 there is still a significant gap that needs to be closed over the next few years. This is in the face of rising demand in particular service areas such as adult social care and learning disabilities. Like many places, Hertfordshire also has an ageing population, placing additional pressure on stretched services.

87%

of council CEXs say economic and productivity growth is their primary objective.

Hertfordshire is no different.
If 100,000 new homes and jobs are to be delivered by 2031, there is a need for all partners in Hertfordshire to work together to deliver for the place. Given the opportunities that exist in terms of established industries, garden town designation and regeneration of town centres, there is a huge amount of potential to be realised. Having a stronger county-wide voice and joined-up growth ambitions will be invaluable in delivery.

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Assessment Criteria

The full report provides a high level assessment and evidence base carried out by PwC for two local government reform options in Hertfordshire. In developing the analysis and evaluation, consideration has been given as to how each option might satisfy the 'criteria' or framework that the Ministry for Housing, Communities and Local Government have indicated any proposal or business case must meet.

The filters or lenses used throughout the research which underpins the full report include financial, political, geographical and demographic. Financial analysis included a comparison between the status quo and structural reform, taking into account transition costs for reorganisation and any transformation, savings generated, the cost of harmonising council tax within a unitary organisation, and any additional income that can be generated in a transformed council.

Deliver improved services and outcomes for local residents

Demonstrate improved value for money and and efficiency

Deliver cost savings and demonstrate how the cost of change can be recovered over a fixed period

Support stronger and more accountable leadership

Demonstrate how the new model is sustainable in the immediate to long term both in service delivery and financial terms

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Options

Using insight into the current local government and national government landscape, and early discussions with key council stakeholders, two main options were agreed as the the most appropriate to pursue. These are set out in the table below.

The analysis of these options is aligned with the current Ministry of Housing, Communities and Local Government assessment criteria and also consider further transformation opportunities, which is set out on the following page. National commentary and intelligence from central government regarding the anticipated White Paper and the desire to create further city-regions with associated devolution of powers and funding has also been taken into account.

It is important to recognise that these options will result in the creation of a completely new arrangement for Hertfordshire and will not simply be a rearranging of the existing administrative arrangements.

Option	Scope	Geography
1	Single unitary authority	As is (but without district council boundaries)
2	Two unitary authorities	a) Dacorum; Hertsmere; St Albans; Three Rivers; Watford a) Broxbourne; East Hertfordshire; North Hertfordshire; Stevenage; Welwyn Hatfield

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Evaluating each option

Set out below is a high level view of the benefits and limitations, disadvantages of both options. This analysis has been undertaken using the assessment criteria referred to on page 4 and the outputs of the financial modelling.

Option	Benefits	Limitations
Single unitary authority	A single stronger voice for the place - likely to be more effective with partners and on a regional and national level. Also supports existing benefits that come from large degrees coterminosity e.g. the LEP; functional economic area; and potentially an NHS ICS footprint in future. Creates the opportunity to realise significant savings through reduction in duplication and change / transformation. Potential to ensure stability and sustainability of service delivery into the longer term. Residents and customers may benefit from having simplified access points to services e.g. single waste and planning authority. Opportunity to review more localised / community engagement and access to services as well as the relationship with parish / town councils.	Obtaining agreement to a new vision and the change that would need to take place would be challenging. Potential risk to existing relationships and agreed outcomes (e.g. growth MoU). Some partners may find the period of change and transformation destabilising. There could also be a perception of a single or two unitary authorities being too remote from communities and the electorate. This could be mitigated through enhancing local engagement arrangements.
Two unitary authorities: a) Dacorum; Hertsmere; St Albans; Three Rivers; Watford a) Broxbourne; East Hertfordshire; North Hertfordshire; Stevenage; Welwyn Hatfield	Opportunity to realise savings and deliver change/transformation including establishing joint services where possible e.g. waste collection and disposal. Some efficiencies and economies of scale would be realised. There would be the opportunity to develop a shared service approach across the two organisations as part of a transformation programme. Residents and customers may benefit from having simplified access points to services	There would potentially still be a need to have two distinct operational management teams in place. Establishing two unitary authorities may have unintended consequences for the fire service and other county wide services – eg may require the splitting up of well regarded and high performing social care services that are coterminous with the county boundary. Dividing the natural geography may impact on the capacity to accommodate growth and maintain current plans.

Deliver improved services and outcomes for local residents

As mentioned earlier, Hertfordshire is already making significant progress in aligning key partners around a vision and set of outcomes for the place and residents. Through the work of the Growth Board - which has brought all councils together with other main partners such as the LEP - a Memorandum of Understanding has been developed which sets out both the challenges the county faces (set out below) and collectively how all partners propose to tackle them.

- Demand for residential homes of a variety of types and tenures;

- Need for infrastructure and local services serving both new and existing residents, and securing jobs and inward business investment within Hertfordshire;

- Responding to growth pressures from outside Hertfordshire in a considered and appropriate way;

- Pressure on the green belt and providing a sustainable and high-quality environment, as well as the threat climate change poses to the county and its residents.

How reorganisation could help tackle these challenges		
Improving infrastructure, housing and the environment	**Delivery on ambitions for the economy, jobs and skills**	**Improving health & wellbeing**
Reorganisation could create an environment where the local response to infrastructure, housing and environment issues is shaped by policies which reflect the ambitions of the place and build on the existing MoU ambitions/recognition of key challenges. A stronger voice for the place would also have more power and influence, enhancing capacity to secure the resources needed. Relationships with key partners would be more effective with simplified access for developers and other key partners.	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 and invest further in skills and education services, as well as build stronger and more effective partnerships to develop specialist capacity and expertise.	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 and realise greater capacity to support those who need it. Transformation and greater integration could also take place with a view to ensuring services are localised as far as possible. There may also be an opportunity to review the STP boundary to create coterminous service delivery areas.

Headline Benefits

If reorganisation and subsequent transformation into two unitary councils takes place, the estimated gross savings are as depicted below, ranging from a combined **~£24.3m** from pure reorganisation across both councils, to **~£105.5m** for a stretch case of transformation, fully embracing this opportunity to change ways of working in the councils.

Reorganisation to one 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 ~**£34.3m** through reorganisation, and **~£142.7m** through a stretch case of transforming the council.

Estimated gross savings per year	Two unitary authorities				One unitary authority
	South West (£m)	North East (£m)	Total (£m)		(£m)
Basic Reorganisation	12.5	11.8	24.3		34.3
Transformation base case and reorganisation	36.1	34.3	70.4		97.5
Transformation stretch case and reorganisation	54.0	51.5	105.6		142.7

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Headline Costs

If reorganisation and subsequent transformation into two unitary councils takes place, the estimated one-off transition costs are as depicted below, ranging from **~£22.4m** from pure reorganisation, to **~£50.9m** for a stretch case of transformation, due to the extent of the changes taking place.

Reorganisation to one unitary council would produce lower estimated one-off transition costs for both reorganisation and transformation as the processes are not repeated across two councils - with costs ranging from **~£16.5m** through reorganisation through to **~£43.4m** through a stretch case of transformation.
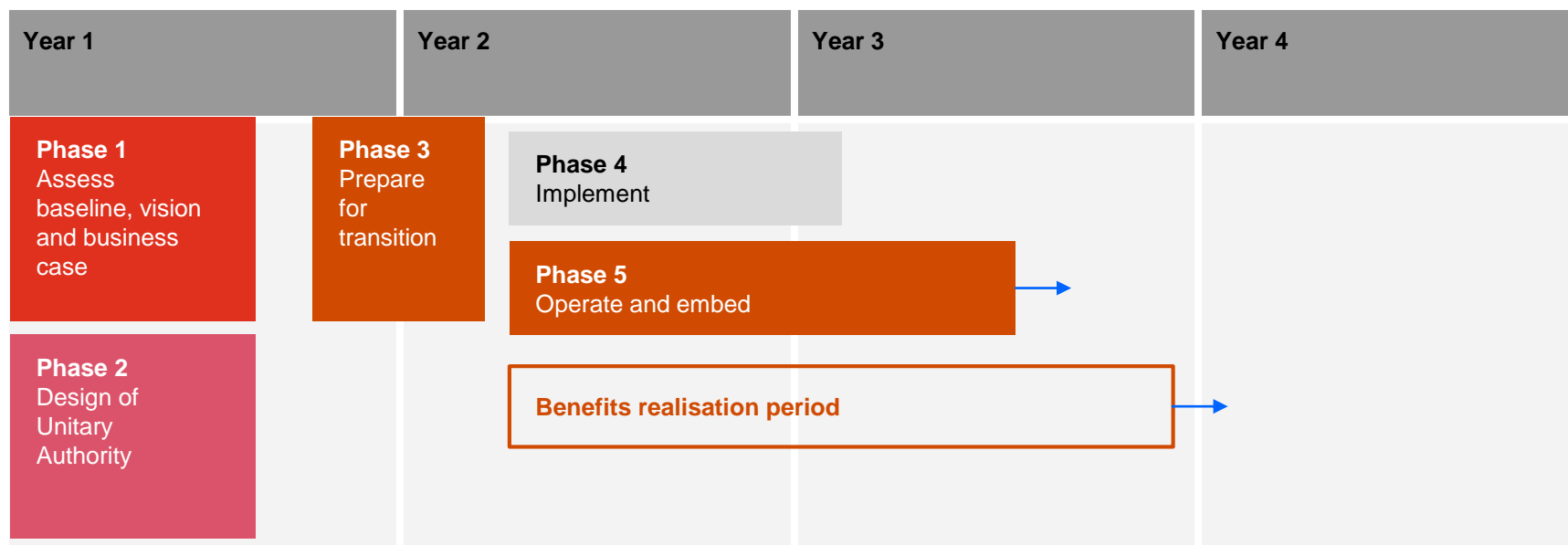
Estimated transition costs	Two unitary authorities				One unitary authority
	South West (£m)	North East (£m)	Total (£m)		(£m)
Reorganisation	11.2	11.2	22.4		16.5
Transformation base case and reorganisation	22.6	22.3	44.9		36.7
Transformation stretch case and reorganisation	25.7	25.2	50.9		43.4

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Roadmap

In the event that Hertfordshire pursue structural change, there will be a need to put in place a framework for developing and building local consensus among political leaders, partners and key stakeholders as well as the formal consultation process. For Hertfordshire, it will also be critical not to destabilise the existing partnerships, particularly in relation to the Growth Board.

Set out below is an indicative timetable for the overall process of structural reform. The following page also provides a sense of the activities that would need to be undertaken in order to ensure the overall programme of change is successful and delivers the desired outcomes and benefits.

Structural reform indicative timeline

Year 1	Year 2	Year 3	Year 4
Phase 1 Assess baseline, vision and business case	**Phase 3** Prepare for transition	**Phase 4** Implement	
		Phase 5 Operate and embed	
Phase 2 Design of Unitary Authority		**Benefits realisation period**	

Preparing for structural change

Set out below is an example of some of the activities that will be required such as an engagement strategy, developing an evidence base, and moving towards implementation.

Agreement on vision, strategic objectives and approach

- Socialisation of options and structured discussions in order to work towards internal alignment at a leadership level.
- Broader internal discussion to gain political agreement with direction of travel.
- Agreeing a framework of engagement with all partner authorities and key stakeholders.
- Developing and establishing a mandate (including agreement on vision and strategic objectives) for commissioning further analysis and design work.

Designing a new operating model

Specific operational model design activities would include:

- Mobilising a programme team.
- Developing a clear quantitative evidence base.
- Developing the conceptual new model into a more granular design.
- Identifying a clear set of benefits and timeline for realisation.

Implementation preparation and process

Once a detailed design has been completed and agreed, implementation could commence.

Specific implementation activities would include:

- Developing a detailed implementation plan.
- Establishing governance arrangements for the new model.
- Phased construction and activation of the core components of the target operating model.
- Benefit delivery tracking on an ongoing basis, as well as the identification of further opportunities for improvement.

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