Appendix 11

Comparison of Business Case Assumptions

There is an MHCLG requirement for transparency of the differences in assumptions applied to each LGR proposal being submitted across Greater Essex. A high-level summary of the most significant differences between the three proposals that we currently have visibility of is set out below.

Assumption	3UA Model	4UA Model (Rochford)	4UA Model (Thurrock)	5UA Model
Transition Costs	Increasing costs as the number of unitary authorities increase, from £60m to £106m - the 3UA proposal is £74m.	Increasing costs as the number of unitary authorities increase, from £62m to £70m – the 4UA (Rochford) proposal is £66m.	Similar total costs for each unitary authority option, between £81m to £94m – the 4UA (Thurrock) proposal is £81m.	Similar total costs for each unitary authority option, between £74m to £76m – the 5UA proposal is £74m.
ICT Costs (included in Transition Costs above)	£40m (average of £13m per unitary authority) & scaling of costs for additional unitaries (similar to other LGR proposals).	£30m (average of £7.5m per unitary authority) - no scaling applied for different numbers of unitaries.	7% (c.£5.6m – average of £1.4m per unitary authority) of implementation costs are estimated to be in relation to systems consolidation	£16m (average of £3.2m per unitary authority) - no scaling applied for different numbers of unitaries.
Redundancy Costs (included in Transition Costs above)	£8.6m - reducing as the number of unitaries increase (similar to other LGR proposals).	£7.8m – assumed to reduce as the number of unitaries increase	46% (c. £37m) of implementation costs are estimated to be in relation to workforce exit (including redundancy)	£19.1m – increasing as the number of unitaries reduce (3UA = £26.3m).
Social Care Benefits	No specific Social Care savings applied. Key risk identified that current performance levels could be negatively impacted by reorganisation - risk of £114m additional cost by 2040 if performance reduces to statistical neighbour performance levels.	No specific initial Social Care cost savings applied – the focus should be on maintaining and improving practice and performance.	No savings are assumed from Social Care budgets. Key risk identified that if the current growth in working-age adult social care support continues, this will lead to a total increased cost to local authorities of at least 50% – or £6bn more per year.	£93.5m annual Social Care transformation savings are assumed could be realised based on national rather than local insight. Includes £14.2m reduction in Looked After Children accommodation costs and £79.3m saving for adult social care based on a reduction in commissioning costs, with no significant one-off implementation costs.

			Highlights the risk to social care performance of merging existing unitaries through LGR.	
Pay Harmonisation	Assumes that the impact of pay harmonisation is an unquantified risk at this stage and that the number of unitaries makes no material difference to the overall impact.	No specific pay harmonisation assumption applied but identified as a critical and complex enabler to a successful reorganisation. Some impact is expected as the number of unitary authorities is reduced.	Identifies risk of harmonising terms and conditions leading to risk of recruitment and retention challenges driving potential additional costs.	Assumes a key risk of £28m for 3UA model compared to an opportunity of £500,000 for 5UA model.
Management of Thurrock Debt	Assumes that following Government support, residual debt of £400m will be managed through the South Essex unitary (proposed to include Thurrock).	Assumes that following Government support, residual debt of £400m will need to be managed – options to address to be subject to Government confirming future measures for managing the Thurrock debt.	Assumes that following Government support, residual debt of £400m will be managed through the West Essex unitary (proposed to include Thurrock).	No explicit modelling assumption in the business case that the current Thurrock debt is reduced by vesting day.
Pay Back Period	Forecast to payback in 2.7 years before additional opportunities from transformation and public service reform are taken into account. In other options modelled, the 4 unitary options have a payback of 6.1 years, and the 5 option pays back in over 50 years. The 2 unitary option has the lowest payback of 1.8 years.	Forecast to payback in 4.5 years; Additional opportunities subject to confirmation in business case. In other options modelled, the 3 unitary option has the fastest payback of 2.4 years, and the 5 option does not pay back within the timescales of the modelling.	Forecast to payback within 4 years. In other options modelled, the 3 unitary option has a payback of within 4 years and the 5 unitary option has a payback of over 10 years.	No options are expected to payback without the delivery of additional transformation savings; 5UA is forecast to incur the highest cost unless the assumed pay harmonisation risk for the 3UA option is realised. With the inclusion of transformation savings, the 5UA case is forecast to payback in 4.5 years, marginally faster than the other 2 options modelled in this case, but all options with a payback of under 5 years, unless the assumed pay harmonisation risk for the 3UA option is realised.

Base Template

Comparison model

This sheet can be copied (between the two 'Sum>>' sheets) to enable you to build up a scenario from a number of working sheets.

Source	Units	Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
			Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
			1 April 26 to 31 March 27	1 April 27 to 31 March 28	1 April 28 to 31 March 29	1 April 29 to 31 March 30	1 April 30 to 31 March 31	1 April 31 to 31 March 32	1 April 32 to 31 March 33	1 April 33 to 31 March 34	1 April 34 to 31 March 35	1 April 35 to 31 March 36	1 April 36 to 31 March 37	Total Year 0 to Year 10

Option/Component/Scenario

Header inputs

County	Essex
Council names and type of councils	Essex County Council; Southend and Thurrock Unitary Councils; 12 District Councils
Component	Local Government Reorganisation
Scenario	3UA
Author	
Version	
Date	
Short description/comment	

Impact of Local Government Reorganisation prior to consideration of further Transformation and Public Service Reform benefits

Financial information

Enter the incremental transitional and ongoing costs and benefits in the relevant section below - column M to W

Set up Transitional Costs (without inflation) £000s

Sign convention - additional costs or loss of income are +ve. Record figures in £ 000's.

Details of source files or reference to meeting or document can be recorded herefor each cost line

Cost line	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Year 0 to Year 10	Key Assumptions/Notes
Employee costs	Includes the following PwC data lines: Shadow Chief Exec / Member Costs Internal Programme Management Organisation Closedown Redundancy and Pension Strain		900	13,257									14,157	Includes: Costs of establishing and running a shadow leadership team ahead of a new unitary authority taking control Costs for long-term programme management requirements Costs involved with legally and financially closing down councils and create sound budgetary control systems Costs assumed for redundancy and pension strain for reduction in senior management roles required in new Unitary Authorities
Premises													-	
Transport													-	
Supplies and Services	Includes the following PwC data lines: Public consultation External Support			11,662									11,662	Includes: Costs for external communications, branding, external implementation support for creation of the new council Costs assumed for adverts in local media and surveys to consult public on proposed changes
ICT	Includes the following PwC data Lines: ICT Costs (includes all third party, consultancy, supplier support and resources required to transition to new systems and processes and the costs to disaggregate and transfer data and close down legacy systems)			40,000									40,000	Costs reflect phased system migration and scaling complexity, factoring in reporting changes, security, licences, data migration, and cloud transition costs
Third Party Payments													-	
Income													-	
Contingency	Includes the following PwC data lines: Contingency			7,800									7,800	Provision for extra expenses potentially incurred through reorganisation
Other (please specify in commentary)													-	
Total		-	900	72,719	-	-	-	-	-	-	-	-	73,619	

Annual On-going Incremental costs (without inflation) £000s

Sign convention - additional costs or loss of income are +ve.

Cost line	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Year 0 to Year 10	Key Assumptions/Notes
Employee costs	Senior Leadership			3,312	3,312	3,312	3,312	3,312	3,312	3,312	3,312	3,312	29,807	Additional FTE will be required in new unitary authorities when disaggregating services currently delivered by the County council. Proportion of effort spent on management and supervision has been used as a proxy to estimate this cost. This percentage has been taken as the average effort recorded against front line management and supervision across unitary authority activity analyses conducted by PwC. Note: this has been calculated based on the net increase to the number of UTLA's across the north and mid unitaries. Note, for the three model, these are assumed to be offset by the savings derived from the amalgamation of two existing unitaries into one in the South of the County.
Premises													-	
Transport													-	
Supplies and Services	Service Delivery			8,950	8,950	8,950	8,950	8,950	8,950	8,950	8,950	8,950	80,549	Assumed duplication of operational delivery requirements in a new unitary. Disaggregating services currently provided at county level will require additional FTE to effectively lead and support high quality outcomes. The amount of effort used in service delivery management & supervision has been used as a proxy to estimate the size of the increase required under the new unitary authorities. This is calculated by identifying the difference between current and future unitary local authorities which is multiplied by the structure cost per unitary. Note, for the three model, these are assumed to be offset by the savings derived from the amalgamation of two existing unitaries into one in the South of the County.
ICT													-	
Third Party Payments													-	
Income													-	
Contingency													-	
Other (please specify in commentary)	Democratic Structure			445	445	445	445	445	445	445	445	445	4,008	The cost of a representative democratic structure has been estimated as an additional requirement in the new unitary authorities. This assumption has been made based on previous work around local government reform, which has indicated that the number of members across new unitaries would be similar to the number of current county divisions. Note, for the three model, these are assumed to be offset by the savings derived from the amalgamation of two existing unitaries into one in the South of the County.
Total		-	-	12,707	12,707	12,707	12,707	12,707	12,707	12,707	12,707	12,707	114,364	

Annual On-going Incremental benefits/savings (without inflation) £000s

Sign convention - Savings - lower costs or gains of income are -ve in brackets.

Cost line	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Year 0 to Year 10	Key Assumptions/Notes
Employee costs	Senior Leadership			(16,683)	(23,368)	(30,053)	(30,053)	(30,053)	(30,053)	(30,053)	(30,053)	(30,053)	(250,423)	Reduction in FTE arising from the reduction to the number of UTLA's in the South unitary in Essex due to combining Southend and Thurrock unitary authorities. Included within this saving is the contra value to the disaggregation costs set out above.
Premises				(1,031)	(1,546)	(2,061)	(2,061)	(2,061)	(2,061)	(2,061)	(2,061)	(2,061)	(17,007)	A percentage reduction has been applied to the property baseline to provide the estimated benefit of a consolidated property portfolio through shared occupation, reduced duplication of office locations and more efficient use of space.
Transport													-	
Supplies and Services	Service Delivery			(13,345)	(15,543)	(17,740)	(17,740)	(17,740)	(17,740)	(17,740)	(17,740)	(17,740)	(153,071)	This is an assumed reduction in contract spend through procurement or commissioning opportunities arising from consolidation and procuring at scale. Included within this saving is the contra value to the disaggregation costs set out above.
ICT													-	
Third Party Payments													-	
Income													-	
Contingency													-	
Other (please specify in commentary)	Democratic Structure			(445)	(445)	(445)	(445)	(445)	(445)	(445)	(445)	(445)	(4,008)	This saving is the contra value to the disaggregation costs set out above for democratic structure
Total		-	-	(31,504)	(40,902)	(50,300)	(50,300)	(50,300)	(50,300)	(50,300)	(50,300)	(50,300)	(424,509)	
Grand Total	-ve is a net savings +ve is a net cost.	-	900	53,922	(28,195)	(37,593)	(37,593)	(37,593)	(37,593)	(37,593)	(37,593)	(37,593)	(236,526)	

Base Template

This sheet can be copied (between the two 'Sum>>' sheets) to enable you to build up a scenario from a number of working sheets.

Comparison model	Source	Units	Year	Year 0 Forecast 1 April 26 to 31 March 27	Year 1 Forecast 1 April 27 to 31 March 28	Year 2 Forecast 1 April 28 to 31 March 29	Year 3 Forecast 1 April 29 to 31 March 30	Year 4 Forecast 1 April 30 to 31 March 31	Year 5 Forecast 1 April 31 to 31 March 32	Year 6 Forecast 1 April 32 to 31 March 33	Year 7 Forecast 1 April 33 to 31 March 34	Year 8 Forecast 1 April 34 to 31 March 35	Year 9 Forecast 1 April 35 to 31 March 36	Year 10 Forecast 1 April 36 to 31 March 37	Total Year 0 to Year 10

Option/Component/Scenario

Header inputs

County	Essex
Council names and type of councils	Essex County Council; Southend and Thurrock Unitary Councils; 12 District Councils
Component	Transformation Net Benefits
Scenario	3UA
Author	
Version	
Date	
Short description/comment	

Delivery of Transformation Savings opportunities following the establishment of the new unitary organisations; all on-going savings are assumed to be net of on-going costs.

Assumptions have not been made to breakdown the assumed transitional costs and potential benefits across the respective headings, however are expected to be realised through: redesigning how support services are delivered; productivity is improved through leaner processes; automation is accelerated; and further rationalisation of systems and AI is pursued. This will happen alongside renegotiating and refining contract requirements to enable more efficiencies across the back office and spend with third parties.

Financial information

Enter the incremental transitional and ongoing costs and benefits in the relevant section below - column M to W

Set up Transitional Costs (without inflation)

£000s

Sign convention - additional costs or loss of income are +ve. Record figures in £ 000's.

Details of source files or reference to meeting or document can be recorded herefor each cost line

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Employee costs													-
Premises													-
Transport													-
Supplies and Services													-
ICT													-
Third Party Payments													-
Income													-
Contingency													-
Other (please specify in commentary)					30,920								30,920
Total		-	-	-	30,920	-	-	-	-	-	-	-	30,920

Key Assumptions/Notes

Breakdown of costs not available, but are expected to be a combination of additional resources, technology investment, supplies and services and redundancy / pension strain requirements; the estimated value of implementation costs to deliver the expected transformation opportunities is based on existing experience and insight from delivery of large scale reform programmes. Costs are assumed to be incurred in full in year 3 as a worst case, but may be profiled beyond this depending on the pace of delivery.

Annual On-going Incremental costs (without inflation)

£000s

Sign convention - additional costs or loss of income are +ve.

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Employee costs													-
Premises													-
Transport													-
Supplies and Services													-
ICT													-
Third Party Payments													-
Income													-
Contingency													-
Other (please specify in commentary)													-
Total		-	-	-	-	-	-	-	-	-	-	-	-

Key Assumptions/Notes

On-going costs are shown netted off the benefits below

Annual On-going Incremental benefits/savings (without inflation)

£000s

Sign convention - Savings - lower costs or gains of income are -ve in brackets.

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Employee costs													-
Premises													-
Transport													-
Supplies and Services													-
ICT													-
Third Party Payments													-
Income													-
Contingency													-
Other (please specify in commentary)					(13,914)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(208,711)
Total		-	-	-	(13,914)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(208,711)
Grand Total		-	-	-	17,006	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(27,828)	(177,791)

-ve is a net savings +ve is a net cost.

Key Assumptions/Notes

The value included here is the estimated net saving assumed to be deliverable through tranformation opportunities. It is assumed that transformation delivery will not be progressed until year 3 post LGR, but there may be opportunities to bring forward some initiatives as part of the transition process to support realisation of earlier savings, but this has not been assumed as part of the business case assumptions due to the scale of required learning of system and process alignment opportunities across the current Greater Essex Councils, on which to base a more optimistic assumption.

A breakdown of net savings is not available, but transformation opportunities are expected to derive from redesigning how support services are delivered; improvements in productivity through leaner processes; automation is accelerated; and further rationalisation of systems and AI is anticipated. This is expected to happen alongside renegotiating and refining contract requirements to enable more efficiencies across the back office and spend with third parties. The estimated value of transformation savings is based on existing experience and insight from delivery of large scale reform programmes. The benefit realisation profile is phased, with the assumption of full on-going net benefit to be delivered by year 4.

Base Template

This sheet can be copied (between the two 'Sum>>' sheets) to enable you to build up a scenario from a number of working sheets.

Comparison model	Source	Units	Year	Year 0 Forecast 1 April 26 to 31 March 27	Year 1 Forecast 1 April 27 to 31 March 28	Year 2 Forecast 1 April 28 to 31 March 29	Year 3 Forecast 1 April 29 to 31 March 30	Year 4 Forecast 1 April 30 to 31 March 31	Year 5 Forecast 1 April 31 to 31 March 32	Year 6 Forecast 1 April 32 to 31 March 33	Year 7 Forecast 1 April 33 to 31 March 34	Year 8 Forecast 1 April 34 to 31 March 35	Year 9 Forecast 1 April 35 to 31 March 36	Year 10 Forecast 1 April 36 to 31 March 37	Total Year 0 to Year 10

Option/Component/Scenario

Header inputs

County	Essex
Council names and type of councils	Essex County Council; Southend and Thurrock Unitary Councils; 12 District Councils
Component	Public Service Reform Benefits
Scenario	3UA
Author	
Version	
Date	
Short description/comment	

Delivery of Public Service Reform Savings opportunities following the establishment of the new unitary organisations and delivery of transformation benefits; all on-going savings are assumed to be net of on-going costs.

Assumptions have not been made to breakdown the assumed transitional costs and potential benefits across the respective headings. this area of activity is based on opportunities for much wider whole system reform, not only across local government, but also across the NHS and other public services, centred on the 2035 ambition attached to our seven thematic areas. Savings of this type will likely be focused much more on the medium to long term focussed, and we have used the IMPOWER assessment to guide the potential scale of savings that could be delivered.

Financial information

Enter the incremental transitional and ongoing costs and benefits in the relevant section below - column M to W

Set up Transitional Costs (without inflation) £000s

Sign convention - additional costs or loss of income are +ve. Record figures in £ 000's.

Details of source files or reference to meeting or document can be recorded herefor each cost line

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	Key Assumptions/Notes
Employee costs													-	
Premises													-	
Transport													-	
Supplies and Services													-	
ICT													-	
Third Party Payments													-	
Income													-	
Contingency													-	
Other (please specify in commentary)							83,776						83,776	Breakdown of costs not available; the estimated value of public service reform implementation costs is based on existing experience and insight from delivery of large scale reform programmes. Costs are assumed to be incurred in full in year 5 as a worst case, but may be profiled beyond this depending on the pace of delivery
Total		-	-	-	-	-	83,776	-	-	-	-	-	83,776	

Annual On-going Incremental costs (without inflation) £000s

Sign convention - additional costs or loss of income are +ve.

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	Key Assumptions/Notes
Employee costs													-	
Premises													-	
Transport													-	
Supplies and Services													-	
ICT													-	
Third Party Payments													-	
Income													-	
Contingency													-	
Other (please specify in commentary)													-	On-going costs are shown netted off the benefits below
Total		-	-	-	-	-	-	-	-	-	-	-	-	

Annual On-going Incremental benefits/savings (without inflation) £000s

Sign convention - Savings - lower costs or gains of income are -ve in brackets.

	Source	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	Key Assumptions/Notes
Employee costs													-	
Premises													-	
Transport													-	
Supplies and Services													-	
ICT													-	
Third Party Payments													-	
Income													-	
Contingency													-	
Other (please specify in commentary)							(7,616)	(15,232)	(22,848)	(30,464)	(30,464)	(30,464)	(137,087)	The value included here is the estimated net saving assumed to be deliverable through public service reform. It is assumed that public service reform will not be delivered until year 5, following local government reform and delivery of transformation opportunities. Breakdown of net savings is not available; the estimated value of public service reform net savings is based on existing experience and insight from delivery of large scale reform programmes. The benefit realisation profile is phased, with the assumption of full on-going net benefit to be delivered by year 8.
Total		-	-	-	-	-	(7,616)	(15,232)	(22,848)	(30,464)	(30,464)	(30,464)	(137,087)	
Grand Total	**-ve is a net savings +ve is a net cost.**	-	-	-	-	-	76,160	(15,232)	(22,848)	(30,464)	(30,464)	(30,464)	(53,312)	