Key differences: Grant Thornton and PwC reports

Grant Thornton and PwC have each been commissioned to provide evidence for different LGR business cases. Councils supporting a 5 unitary authority proposal have commissioned Grant Thornton to provide evidence for their business case; Essex County Council has commissioned PwC for the 3 unitary submission.

Grant Thornton was selected by the 5UA group for its significant experience in local government transformation and the useful comparative data it holds from working on other rounds of LGR (including post-implementation analysis). The approach taken by PwC, which builds on their previous work for the County Councils Network, was felt to be too ideologically 'top down', and from the outset, designed with a county council's idea of change in mind.

There are numerous detailed points that could be made about the differences between the two approaches taken and the variations in their respective findings. This analysis attempts to summarise those we feel are most significant, accepting that any starting point is ultimately subjective and it isn't possible for any report to be completely accurate at this early stage.

Our breakdown of 10 key differences between assumptions in the work carried out by Grant Thornton and PwC is as follows:

1. Grant Thornton **assumes that savings could be delivered across all existing authorities.**

   PWC assumes that **savings will only be deliverable on existing district services** with **none achievable on county council spend.** They also assume that the more unitaries created, the lower the level of savings achievable.

2. Grant Thornton **has spread the costs of transition.**

   PwC has **assumed that all transformation costs will be incurred in year 1**. This would mean bringing together more than 600 separate systems across 15 different authorities, all within 12 months.

3. Grant Thornton has **assumed that savings will be delivered over a longer timescale.** Initial savings from merging district authorities are achieved by the end of year 2, but transformational savings start later - for social care in year 3 and highways, year 4. For adult social care, savings are not fully achieved until 6 years post-Vesting Day**.**

   PwC has **assumed that all benefits will be delivered by the end of year 2**, including realising savings from the sale of or repurposing of all assets. No authorities that have previously been through reorganisation have managed to

deliver all savings within this timescale. Many haven't delivered their savings after several years.

4. Grant Thornton **has identified the risk of significant pay harmonisation costs, which rise with fewer unitary authorities.** Under equal pay, staff must be paid the same for jobs of equal value, and therefore the disparity in salaries between authorities will have to be removed.

   PwC **hasn't assumed any costs or savings from pay harmonisation.**

5. Grant Thornton has **assumed all models will result in ongoing disaggregation costs from splitting county services on a sliding scale.**

   PwC has **assumed that moving to a 3 unitary authority model wouldn't result in any ongoing disaggregation costs from splitting out ECC.**

6. **Grant Thornton has adopted a bottom-up approach,** using examples from existing unitary authorities across the country to determine their assumptions regarding structures.

   PwC has **assumed staffing savings in districts but has based this assumption on the percentage of staff employed by ECC**. As the county council takes a commissioning-based approach to delivering many of its services, its spend on staff could be significantly different to that spent by districts.

7. Grant Thornton used national work undertaken by Peopletoo and the Institute of Social Care Excellence, **which demonstrates that smaller unitary authorities deliver lower-cost services and larger ones experience diseconomies of scale.** In the Essex area, the benefit of removing dis-economies of scale are savings in a 5UA configuration of £79.3m for adult social care and £14.2m on children's social care. The fewer unitary authorities, the smaller the savings: for 3UA, total social care savings would be £31.45m.

   PwC's work **assumes greater economies of scale are achievable on 3rd party spend (such as social care) in larger unitary councils.**

8. Grant Thornton has **assumed a transition cost for IT of £16.3m in all scenarios.**

   PwC has **assumed that transition costs on IT increase by £10m for each new unitary**. Their report assumes this will cost £60m for 5 unitaries, and £40m for 3 unitaries.

Many digital services professionals believe that merging more authorities into larger unitaries would actually cost more, given the complexity and number of systems that need to be merged.

9. PwC has **assumed that each additional unitary authority adds an extra £12.7m to annual running costs, but only £3.3m of this relates to management costs.** Based on the data that has been shared, it is unclear how they have arrived at such a large amount for this.

10. PwC has **made an allowance for the closedown of existing authorities and assumed that the cost of this will be greater in a 5 unitary authority model.**

    We would challenge this assumption as all existing organisations are being closed down - there should be no variation in the cost of this across any of the proposed models.

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