



**Warwickshire**

Options for the future of local government structures: Phase One

September 2020

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Deloitte LLP  
Birmingham  
September 2020

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# Executive Summary

## The need for local public service reorganisation in Warwickshire

There is a growing trend towards local government reorganisation in England, and in particular the abolition of the two tier county and borough/district council structure, with areas instead moving towards unitary authorities (UAs), creating one tier of government responsible for all services. In addition, local government in Warwickshire is facing a number of significant financial, economic and service delivery challenges. In particular the COVID-19 pandemic has led to huge economic and financial instability. In this unprecedented context, Warwickshire local authorities have committed to a review of the potential options for local government reorganisation. Accordingly Deloitte were commissioned to prepare this report.

## The Options

Three options for local government reorganisation have been examined as outlined below.

**Option 1 – Status quo:** This is the baseline option where no changes are made to local government boundaries and no reorganisation takes place.

**Option 2 – Single unitary model:** A single unitary council based on the existing geography of the five Borough and District Councils and the County Council.

**Option 3 – Two unitary model:** A two unitary council model as follows:

- (1) Based on the existing boundaries of North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, and Rugby Borough Council merging with part of Warwickshire County Council
- (2) Based on the existing boundaries of Stratford-on-Avon District Council and Warwick District Council merging with part of Warwickshire County Council

## The Criteria

The three options have been assessed against the following criteria:

1. **Community and place identity and effective local leadership:** the extent to which the option supports the principle that local government reflects and represents real places and real communities, enabling effective local leadership that engages citizens and communities and enables local decision making.
2. **The potential for improved service delivery:** the extent to which the option has the potential to improve service delivery for the people of Warwickshire.
3. **Creating the conditions for economic growth:** the extent to which the option has the potential to drive economic growth both in reducing the variation between the North and South of the county, 'levelling up' the North in line with the key aim of the Government, but also drives overall economic growth in Warwickshire so that everyone benefits.
4. **Deliverability:** the extent to which the option can easily be delivered and is likely to create high performing organisation(s).

5. **Cost savings:** the extent to which the option reduces costs for the future organisation(s).

These criteria are closely aligned to the Government's five key tests and as such represent the most important criteria that any local government reorganisation needs to meet.

### Ranking of options against criteria

The two unitary model (option 3) has received the highest ranking and is the recommended option.

The single county unitary model (option 2) has received the second overall ranking.

The status quo option (option 1) has received the lowest overall ranking.

Detailed explanation of the rationale for the rankings is provided below in the body of this report, but in summary the two unitary model has been recommended because:

- **The two unitary model better maintains a sense of real place and community.** Any proposed model of local government should be reflective of the way people live their lives, including where they live and where they work. The current county council area of Warwickshire (of course excluding Coventry) is not a coherent single place, but represents an administrative set of boundaries. By contrast, there is so much variation between the North and South of the county that they should be considered separate places with their own unique challenges and priorities. Residents have very different needs and concerns in both places, and there are relatively consistent needs and concerns within both North and South. A two unitary model, therefore, ensures that local government in Warwickshire will reflect real places, rather than an artificial one.
- **The two unitary model better maintains effective local leadership.** There is a significant danger that a county unitary could become too remote from citizens and communities, reduce local decision making, and even perhaps damage the interests of the individual places. Bigger local authorities may be more inclined to give more focus to factors such as value for money at the expense of local need, and have to trade off the different needs of different places, simply due to their size. This can mean that local places lose out. By contrast, a two unitary model could create a very different culture, building on the strengths of the Boroughs and Districts in working with local people, and creating, in the words of Dorset Council, two 'district councils with county council powers'.
- **The two unitary model has more chance of improving services due to its focus on local need.** While the single county unitary can create more economies of scale and potentially deliver greater performance consistency across the county, diseconomies of scale are also possible when organisations get bigger. Organisational structures and processes can become too complicated and cumbersome. A bigger organisation may find, for example, it more difficult to bring about transformational change by building new sets of relationships with residents and the community and voluntary sector. Furthermore, there is significant variation between the North and South of the country in areas including the economy, housing market, transport links and health and wellbeing. Residents have very different needs in both places. A two unitary model can take into account these different local needs, and deliver services that are responsive to them, more easily moving resources to where they are needed most. For services where scale is important, and local need less so, the two unitaries can collaborate.

- **The two unitary model has more chance of creating economic growth due to its focus on place.** The North and South of the county have extremely different economies and challenges. This means that local plans are required to meet local needs. Considerable efforts will be made by Government to deliver the 'levelling up' agenda and given the North / South divide, a two unitary model is more suitable to drive this agenda for North and South Warwickshire.
- **The two unitary model can achieve the potential economic benefits of operating strategically at scale if the two unitaries become full members of West Midlands Combined Authority (WMCA).** A single county unitary approach does not create a big enough strategic unit to create advantage for the economy. Put simply, there is not a Warwickshire economy. The county needed to join with Coventry to create a Local Enterprise Partnership (LEP) that made economic sense. Moreover, while size is important to create strategic focus, this could be better achieved through the Combined Authority approach. All of the Districts and Boroughs are agreed that future economic growth would be best achieved through seeking full constituent membership of the WMCA, given the crucial economic, social and cultural influences from across the West Midlands. Accordingly, it is easy to envisage an approach that combines two North and South unitaries in Warwickshire with full constituent membership of WMCA, therefore providing an ideal combination of strategic thinking on issues such as planning and transport, and local focus on the specific challenges that need to be faced in the North and South of the county. This approach also has the benefit of maintaining balance within both the LEP and WMCA in not creating another large council.
- **The two unitary model is more likely to succeed.** It builds on the Boroughs and Districts' track record of collaborative working. Although there is a risk that service performance could suffer through disaggregation, some County Council service performance is not strong, and therefore nothing should be off the table. The two unitary model is a better cultural fit. It clearly creates two new entities, removing any sense of 'takeover' by the County of the Boroughs and Districts which may cause problems. These two councils would cover a significant population size, and compare favourably to other unitary councils that currently exist in England. Both proposed unitaries will have populations of 300,000+ within the next ten years.
- **Although the two unitary model produces fewer cost savings than the single county unitary, the difference is potentially not significant.** The financial assessment undertaken as part of this review indicates that both the single county unitary and the two unitary options deliver savings when compared to the status quo, and the gap between the two options is not major when total spend is considered. Moreover, there are different ways of looking at value for money. Due to the impact of council tax harmonisation, residents of the Districts in the South could see themselves paying higher council tax rates for services that are run more remotely and are less responsive. Alternatively, if rates are not raised, income foregone by council tax harmonisation could wipe out many of the potential savings from a single county unitary approach.

## Conclusion

Ultimately there is a lack of empirical evidence to support whether a bigger county unitary or smaller unitaries will be more effective in delivering services in any given place. Therefore, an assessment of the preferred option must be based on the specific local context in each place. In Warwickshire there is clear evidence that the North and the South of the county are fundamentally different places, and as such, require their own local government structures. This is why this report recommends the two unitary model.

# Introduction

## Purpose of our report

Stratford-on-Avon District Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council and Warwick District Council have commissioned Deloitte to produce a report that considers the potential options for local government reorganisation in Warwickshire, assesses the options against a set of criteria, and produces a recommended option.

To produce this report the following activities have been undertaken:

- Agreement with senior Council officers the options for revised local public service delivery and the criteria against which these options will be appraised.
- Delivery of a workshop with senior Council officers to consider the appraisal of the options, including the arguments for and against each option.
- Collection of evidence from both publically available sources and the Councils themselves to support the appraisal.
- Performance of a financial assessment of the options.

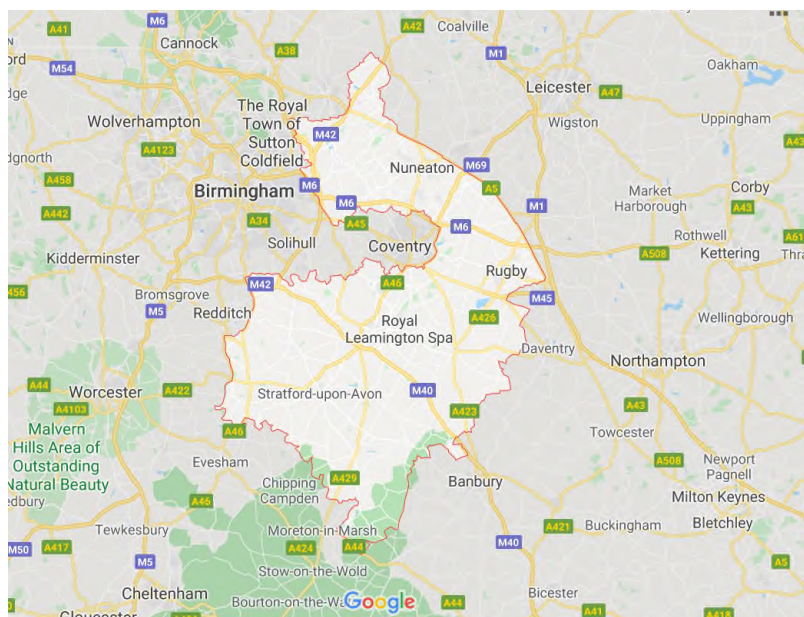
There will be a second phase of work, which will undertake risk analysis for the options and consider how they would be implemented.

## Context for local government reorganisation in Warwickshire

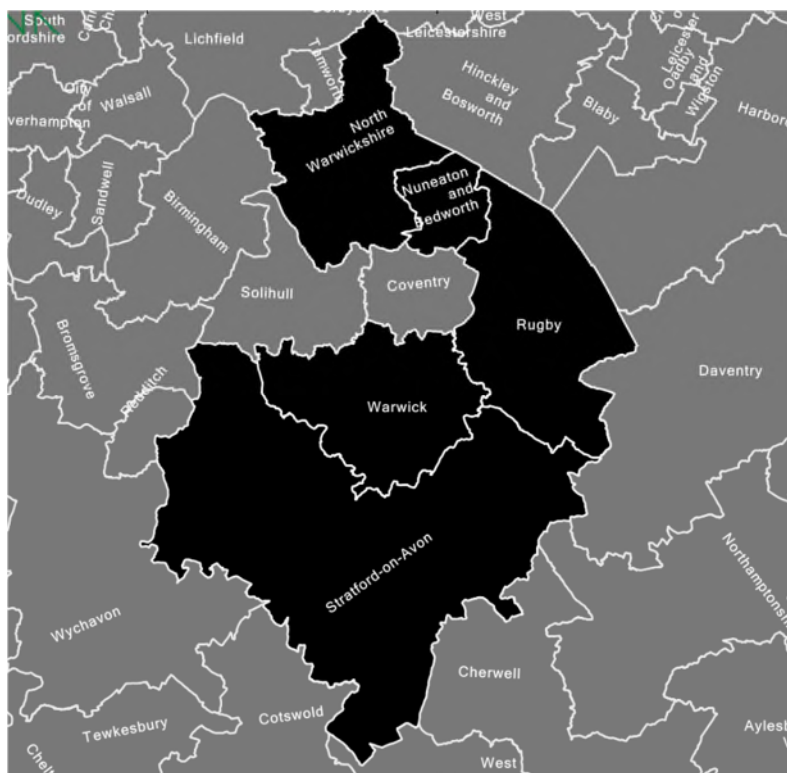
### Key boundaries

The following maps demonstrate the area covered by the County Council and the District/Borough councils:

## Warwickshire County Council



## District and Borough Councils



## Coventry and Warwickshire Local Enterprise Partnership

All the Boroughs, Districts and the County Council in Warwickshire, as well as Coventry City Council, have come together to form the Coventry and Warwickshire Local Enterprise Partnership (CWLEP). The CWLEP describes itself as 'an alliance of private and public sector



organisations working towards a common, shared purpose: to grow the local economy, attract new jobs and investment, and increase prosperity’.

### **Coventry and Warwickshire STP**

Across Warwickshire (and including Coventry), health and social care partners are also coming together through the Sustainability and Transformation Plan (STP), which is a place-based, strategic plan demonstrating how key partners across the health and social care system will work together to drive transformation to meet future demand and close the health and wellbeing gap. The footprint of the STP covers a population of 1 million and three CCGs. STP partners include the three CCGs (NHS Coventry and Rugby CCG, NHS South Warwickshire CCG and NHS Warwickshire North CCG), Coventry and Warwickshire NHS Partnership Trust, Coventry City Council, George Eliot Hospital NHS Trust, South Warwickshire NHS Foundation Trust, University Hospitals Coventry and Warwick NHS Trust, and Warwickshire County Council. The CCGs within the sub-region are currently working on proposals to merge.

### **Context**

Warwickshire is bordered by Leicestershire to the northeast, Staffordshire to the northwest, Worcestershire and the West Midlands to the west, Northamptonshire to the east and southeast, Gloucestershire to the southwest and Oxfordshire to the south. The northern tip of the county is only 3 miles (5 km) from the Derbyshire border. Warwickshire is an average-sized English county covering an area of almost 2,000 km<sup>2</sup> (770 square miles). It runs some 60 miles (97 km) north to south, extending as far north as Tamworth in Staffordshire and as far south as Banbury in north Oxfordshire.

The majority of Warwickshire's population live within the north and centre of the county. The market towns of northern and eastern Warwickshire which were industrialised in the 19th Century, include Atherstone, Bedworth, Coleshill, Nuneaton, and Rugby. Of these, Atherstone has retained most of its original character. Past major industries included coal mining, textiles, engineering and cement production but heavy industry is in decline and is being gradually replaced by distribution centres and other light-to-medium industry and services.

Of the northern and eastern towns, only Nuneaton and Rugby, the fastest-growing town in the West Midlands and in the top ten nationwide, are well-known outside Warwickshire. The prosperous towns of central and western Warwickshire include Royal Leamington Spa, Warwick, Stratford-upon-Avon, Kenilworth, Alcester, Southam and Wellesbourne which harbour light-to-medium industries, services and tourism as major employment sectors.

The far south of the County is largely rural and sparsely populated and includes a very small area of the Cotswolds at its border with northeast Gloucestershire.

There are no cities within the County of Warwickshire, as both Coventry and Birmingham were incorporated into the County of the West Midlands in 1974 and are now both independent Metropolitan authorities. The largest towns (+20,000 population) in Warwickshire in 2011 were as follows:

- Nuneaton (81,900)
- Rugby (70,600)
- Leamington Spa (49,500)
- Bedworth (32,500)
- Warwick (30,100)
- Stratford (25,500)
- Kenilworth (22,400)

In a two tier model, county councils cover the whole of the county area and are responsible for managing services such as highways, libraries, household waste sites, public health, social care, education and trading standards. Counties are divided into districts and district councils, which may also be called borough councils or city councils if the district has borough or city status, cover a smaller area and provide more local services. District councils are responsible for managing services such as planning applications, environmental health, housing, refuse collection, leisure and council tax collection.

Warwickshire has six councils: Warwickshire County Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council and Warwick District Council.

Warwickshire also has 220 parish and town councils. The incidence of town and parish councils is not consistent across the county area. Under a two unitary model, there would be only 74 in the North, compared with 146 in the South. There is also the issue of Nuneaton and Bedworth Borough, where currently there are no town or parish councils at all, and Rugby Town which is also unparished.

Residents are represented by 6 Members of Parliament, 57 County Councillors and 191 District Council Members.

Adjacent unitary authorities include Coventry and Solihull.

The following table provides information about the authorities within Warwickshire. The table outlines staff full-time equivalents (FTEs) at each Council for the period January to March 2020<sup>1</sup>.

<b>Council</b>	<b>Staff FTEs</b>	<b>Net current expenditure 2019/20 (£m)</b>	<b>Population in 2020</b>	<b>Projected growth by 2040</b>	<b>Members</b>
Warwickshire County Council	7,794	619.3	581,624	672,247	57
North Warwickshire Borough Council	305	9.3	66,440	77,724	35
Nuneaton and Bedworth Borough Council	507	14.5	130,406	145,817	34
Rugby Borough Council	456	14.8	109,181	124,302	42
Stratford-on-Avon District Council	279	16.2	131,536	161,324	36
Warwick District Council	472	19.0	144,062	163,080	44
<b>Total</b>	<b>9,813</b>	<b>693.1</b>			<b>248</b>

<sup>1</sup> <https://lginform.local.gov.uk/>

The net current expenditure 2019/20 figures have been taken from the individual council financial reports.

The population and projection population figures are taken from the Office for National Statistics<sup>2</sup>.

### The national context

There is a growing trend towards local government reorganisation in England, and in particular the abolition of the two tier county and district council structure, with areas instead moving towards unitary authorities (UAs).

UAs remove the two tier system of local government that exists in England and have only one tier of government responsible for all services.

Over the years numerous UAs have been created. For example:

- In 2009 two UAs were created in Bedfordshire and a similar reorganisation was implemented in Cheshire;
- Also in 2009, five UAs were created in Northumberland, Shropshire, Wiltshire, Cornwall and Durham;
- In 2020, Northamptonshire County Council was abolished and two new UAs created, coming into force in 2021.
- Also in 2020, Buckinghamshire Council was formed as a new UA.

2016 witnessed a change in government policy with regard to local government reorganisation. Through amendments to the Cities and Local Government Devolution Bill the Government enshrined in law an open invitation for unitary proposals that did not require the consent of all partners.<sup>3</sup>

The Government has said little publically since 2016 on the direction of travel for local government reorganisation, however certain recent comments have suggested a potential change in attitude.

In October 2019, Chancellor of the Exchequer Sajid Javid announced that the government was reigniting its drive for devolution, with the intention of giving more local areas the power to drive investments as they wished through unitary models, stating a new White Paper on this subject was planned.

Furthermore, Local Government Secretary Robert Jenrick indicated a possible intention to move towards reorganising local government into bigger structures. He recognised the positives of small scale structures bringing a sense of identity and strong community engagement, but commented that this was not the long-term future of local government:

*I appreciate the upheaval but I do think we need to move towards a model that provides a better value for money for taxpayers, and you're able to look much more*

<sup>2</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>

<sup>3</sup> County Councils Network response to independent studies on structural reform

*strategically at these challenges like housing and transport...I will certainly be encouraging local councils to move in that direction'<sup>4</sup>.*

These comments from senior government leaders illustrate some potential sentiments on local government reorganisation.

An English Devolution White Paper is planned for Autumn 2020 with recommendations on greater devolution across England, including growth funding, more mayors and more devolution deals.

Within this context the Warwickshire local authorities are committed to a review of the existing arrangement across the County to ensure that there is a clear and shared understanding of the most appropriate structures to meet this challenge, along with the challenges that have been raised through the recent COVID-19 outbreak.

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<sup>4</sup> <https://www.room151.co.uk/funding/devolution-white-paper-announcement-accompanied-by-hint-on-unitary-push/>

# The need for local public service reorganisation in Warwickshire

All councils in Warwickshire – the County Council and the five Districts and Boroughs – acknowledge that there is a need to consider options for the future of local public services and specifically local government structures in the county.

This section of the report highlights the key challenges that threaten the long-term financial and operational sustainability of local government organisations in Warwickshire, and outlines the drivers for a reconfiguration of local government to tackle some of these challenges.

## Financial Challenges

Public services in Warwickshire across all sectors are facing considerable financial challenges. The financial context for local government was already challenging with reductions in government grants. The Local Government Association states that by 2020, local authorities will have faced a reduction to Government funding of nearly £16 billion from the preceding decade<sup>5</sup>.

This has been combined with a dramatic change in demography over the last decade in terms of an ageing population, growth in people with disabilities, and in a greatly increased school age population, all of which have had an impact on public service provision in terms of increasing costs.

The 2018 LGA report 'Local government funding: Moving the conversation on', noted that

*Despite the sustained pressure on council finances and the fact that local government is close to exhausting all efficiencies, residents' trust in local government decision making remains much higher than that of central government. Councils have innovated, reimaged and changed the ways they work to deliver significant savings and efficiencies. But there is only so much that they can do in the face of large reductions in Government funding, increasing demand for their services and without the local discretion to do things differently<sup>6</sup>.*

The twin challenges of reduced funding and rising demand driven by demographic change requires a fundamental rethink to the way services are designed and delivered.

The government's Comprehensive Spending Review (CSR) due for publication in Autumn 2020 will set out the UK Government's resource budgets for the years 2021/22 to 2023/24 and capital budgets for the four years up to 2024/25. In light of the huge impact that the COVID-19 pandemic has had on the country, also leading to the delay in this spending review, it is expected that priorities will include measures to strengthen the UK economy through investments in jobs and skills.

<sup>5</sup> [https://www.local.gov.uk/sites/default/files/documents/5.40\\_01\\_Finance%20publication\\_WEB\\_0.pdf](https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf)

<sup>6</sup> file:///C:/Users/sblewitt/Desktop/Warwick%20Report/LGA%202018%20Report.pdf p5

Cllr James Jamieson, Chairman of the LGA responded to the launch of the 2020 Comprehensive Spending Review:

*'Securing the long-term sustainability of local services must be the top priority. It also needs to place emphasis on communities and place by properly enshrining long term, locally-led investment in the economy and infrastructure. With the right funding and freedoms, councils can provide local services which communities rely on and grasp the opportunity to address the stark inequalities the COVID-19 pandemic has exposed, develop a green recovery, address skills gaps and rebuild the economy so that it benefits everyone'<sup>7</sup>.*

Preliminary Local Government Association (LGA) analysis ahead of the 2020 Budget and Spending Review identified that Council services face an additional funding requirement for their annual day-to-day spending of '*£13.2 billion by 2024/25, growing at a pace of over £2.6 billion each year on average. When compared to the assumed changes to council funding levels, this leads to a funding gap of £6.4 billion forming in the day-to-day council budgets in 2024/25 in comparison to 2019/20 budgets*'<sup>8</sup>.

This predicted funding gap represents a huge challenge for local authorities in the next few years, to maintain council services under normal circumstances.

## COVID-19

The unprecedented COVID-19 pandemic has already had significant impacts on local government finances, and the potential threat of a second wave of COVID-19 could lead to further financial difficulty.

The Ministry of Housing, Communities & Local Government released local authority COVID-19 financial management information reporting data in June 2020, which outlines additional expenditure specifically used to respond to COVID-19 pressures. This shows that for the period March to May 2020, £1.24 billion was spent. This is split down by service line as below:

<b>Service Line</b>	<b>March to May 2020 £millions</b>
Adult Social Care – total	530.712
Children's social care - total (excluding SEND)	75.496
Housing - total (including homelessness services) excluding HRA	63.251
Environmental and regulatory services - total	102.292
Finance/corporate services - total	85.795
All other service areas not listed in rows above	391.131
<b>Total</b>	<b>1,248.678</b>

Furthermore, a total of £1.98 billion was recorded as income loss due to COVID-19, from the period March to May 2020. This is split down by source of income as below:

<sup>7</sup> <https://www.local.gov.uk/spending-review-launched-lga-statement>

<sup>8</sup> <https://www.local.gov.uk/sites/default/files/documents/Technical%20Document%202020.pdf>

<b>Source of Income</b>	<b>March to May 2020 £millions</b>
Business rates	470.550
Council tax	507.225
Sales fees and charges	731.305
Commercial income	198.709
Other	79.407
<b>Total</b>	<b>1,987.196</b>

In order to tackle the financial challenges faced by the country, the government has implemented a number of measures to help support the economy and UK residents. These include the Coronavirus Job Retention Scheme, the Self-employed Income Support Scheme, a £50 million boost to support the recovery of high streets, and £20 million in grants to boost recovery of small businesses from the effects of the pandemic.

Across March and April 2020, it was announced that £3.2 billion emergency un-ringfenced funding had been allocated to Local Authorities to help address the range of COVID-19 pressures faced. Just over 40% of this has been awarded to support Adult Social Care. A further £500 million of un-ringfenced funding to alleviate spending pressures was announced in July 2020<sup>9</sup> as well as a new scheme to reimburse councils for lost income from sales, fees, and charges and changes have been implemented so that local authorities are able spread their tax deficits over three years rather than one.

Legislation has also been developed to support institutions to run effectively in such an unprecedented climate. The Coronavirus Act 2020 awards additional powers to the government to slow the spread of the virus and assists in the effective delivery of public services by outlining new, modified or suspended local government powers and duties to England and Wales. Although these initiatives have provided some relief to residents and councils alike, it is worth noting that the impact of the pandemic will vary across different parts of the country, but also within smaller regions across counties themselves. For example, housing challenges when eviction bans come to an end will have much more of an effect on communities suffering deprivation than those living in more affluent areas. So whilst the country will need to work in a more cohesive manner going forwards, the importance of local challenges and local impact should not be forgotten.

### **Current financial position**

It should be noted that the Councils in Warwickshire have weathered these financial storms effectively to date. The Medium Term Financial Strategies for the six councils show balanced budgets, predicated on achieving savings plans.

However, some of the five Boroughs and Districts are drawing on reserves to fund their balanced budgets. The net contribution of reserves to annual revenue expenditure across the five councils by the end of FY 22/23 is £4.9 million, with variable impact across councils.

The financial position of each council in Warwickshire is summarised in the boxes below.

<sup>9</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/901492/200716\\_Technical\\_details\\_on\\_LGF\\_package\\_for\\_Treasurers\\_and\\_FDs\\_FINAL\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901492/200716_Technical_details_on_LGF_package_for_Treasurers_and_FDs_FINAL_.pdf)

### Warwickshire County Council

The Authority's Medium Term Financial Strategy (MTFS) was approved in February 2020 as part of setting the 2020/21 budget. This is currently being refreshed as part of the 2020/21 roll forward. This shows a balanced budget for all of the financial years to 2024/25, predicated on achieving the savings plan which had a planned value of £6.2m in 2020/21 (1.4% of expenditure) rising to £33.3m in 2024/25 (6.5% of expenditure). It has been noted that this is an unusual and unprecedented time nationally, due to the effects of Brexit and political turbulence; funding for the years after 2020/21 is highly uncertain. In addition, the emergence of the Coronavirus pandemic following the approval of the MTFS in February 2020 has created further unforeseen complex economic challenges. As such, the MTFS should be viewed through a lens of further unpredictability and a knowledge that it does not account for the costs, income and long term effects of instability relating to the pandemic. As at February 2020, £21.2m of reserves are planned to be used over the period 2021-25, leaving a remaining reserves balance of £152.7m in 2025. It was noted that prudent use of reserves would be a "useful"<sup>10</sup> option for balancing the budget in the short term but was not a long term solution. The savings plan was concentrated on allowing services to residents to be broadly maintained, and where possible even improved, through better procurement, improvements in efficiency, increased income and reductions in demand. Proposals totalling a cumulative value of £21.3m have been identified as being deliverable over the next five years, a difference of £12.0m from the required savings plan of £33.3m.

### North Warwickshire Borough Council

In September 2019 the MTFS for North Warwickshire Borough Council was approved, for the period 2019-2024. For 2020/21 the level of savings required was £0.8m, with further savings of £0.6m in 2021/22 and £0.3m in 2022/23. A savings target was not included for 2023/24 at that time. The actual savings plans calculated for the period 2019-2024 totalled £0.8m, with over half of this planned saving attributable to the Community and Environment Board. External funding shows a 1.63% increase in 2020/21 from 2019/20, with an increase of 2% per year assumed from 2021/22 onwards. The Revised Budget Strategy<sup>11</sup> shows a balanced budget (with planned use of reserves) in 2019/20 and 2020/21. Savings are planned to be required from 2021/22 onwards, rising from £0.7m in 2021/22 to £1.7m in 2023/24. It was stated that "limited unavoidable growth" was included in the MTFS. The total expected use of reserves by the end of FY 22/23 is £3.1m.

### Nuneaton and Bedworth Borough Council

The MTFS for Nuneaton and Bedworth Borough Council was updated in October 2019, for the period 2019-2023. This shows a small surplus forecasted for 2019/20, but a growing deficit for subsequent financial years, rising from £0.2m in 2020/21 (1.0% of total expenditure), to £0.8m in 2022/23 (5.3% of total expenditure). This was mainly driven by decreases in funding relating to retained business rates and the New Homes Bonus, and only partially offset by Council Tax increases. The MTFS includes the fact that there are no available capital receipts to fund the capital programme after the 2019/20 financial year. The General Capital Reserve is also forecast to reduce significantly because of the ongoing predicted reduction in New Homes Bonus, from £430,000 in 2019/20 to £72,000 in 2022/23.

<sup>10</sup> 2020/21 Budget and 2020-25 Medium Term Financial Strategy  
<https://democracy.warwickshire.gov.uk/documents/s3084/02%20Combined%20MTFS%20Cab%2019.12.16.pdf>

<sup>11</sup> Budget Summary 2020/21  
[https://www.northwarks.gov.uk/downloads/file/8399/financial\\_budget\\_summary\\_202021](https://www.northwarks.gov.uk/downloads/file/8399/financial_budget_summary_202021)



The Council noted that the MTFs from 2021 was very uncertain and based on wide ranging assumptions. The 2020/21 financial year financial settlement was a roll forward of the 2019/20 settlement due to Central Government priorities; therefore the financial pressures expected were effectively deferred by a year.

The financial position for 2019/20 outturned at £0.3m more than forecasted – a small surplus had been forecasted but the financial position was £0.3m deficit (0.2%), which was drawn from reserves in order to maintain a balanced position.

It was also stated that the MTFs would be updated to take into account the ongoing financial impact of Covid-19. The MTFs assumes the use of £0.6m of reserves by the end of FY 22/23.

### Rugby Borough Council

As at December 2019, the MTFs shows a balanced budget for the financial years 2020/21 – 2023/24, predicated on savings to be found in each year. The deficit / savings requirement in 2020/21 was £0.3m (1.9% of total expenditure), rising to £1.4m in 2021/22 (10.5% of total expenditure), where £3.1m of reserves are also expected to be used. In 2022/23 and 2023/24, the deficit / savings requirement is planned to be c£0.5m in each year (c.3.7%). The overall reserves balance as at 31/03/2024 is forecasted to be £17.5m, an increase of £5.7m from the 2019/20 year end balance. The total expected contribution from reserves by the end of FY 22/23 is £0.3m.

### Stratford-on-Avon District Council

Stratford-on-Avon Council's most recent MTFP covering a five year period was approved in February 2020. This shows a planned surplus for the years 2020/21 and 2021/22, with a deficit forecasted from 2022/23 onwards. By 2024/25, the deficit was forecast at £2.5m (15.1% of total expenditure); this is mainly a result of the reduction in income from the New Homes Bonus from 2022/23. The reserves balance has decreased from £9.4m in 2020/21 to a planned figure of £3.0m in 2024/25, although this is higher than the "working balance" required to cover any risks and emergencies, which is set at £2.5m. The expected contribution from reserves by the end of FY 22/23 is £2.7m.

### Warwick District Council

Warwick Council's most recent Medium Term Financial Plan was approved in March 2020. It highlighted that the budget would be balanced until FY 2021/22. From 2022/23, £0.5m (3.5% of total expenditure) would need to be saved to ensure a balanced budget, rising to £1.8m in 2024/25 (10.5% of total expenditure). This is mainly a result of a reduction in government funding, being driven by reductions in the Revenue Support Grant and New Homes Bonus. It was noted that, within the general fund reserve, a core balance of £1.8m would be maintained as a contingency. The MTFs assumes reserves will increase by £1.8m by the end of FY 22/23, rather than reduce to contribute to annual expenditure.

## Does unitary local government offer one potential mitigation to these financial pressures?

In this unprecedented financial context, all options must be explored. The removal of the two tier system and the introduction of unitary local government may be able to reduce costs through reduction of duplication and creating economies of scale.

There has been some debate regarding whether UAs can reduce costs and maintain effective service delivery. This was analysed by Deloitte in May 2011, in our report, "Sizing-Up: Local Government Mergers and Service Integration". The report compared the reduction in service costs for the 2009 UAs (looking at pre-and post-merger points) with those remaining as two-tier areas. The analysis used published CLG data and asserted that the incremental value for money benefits of UAs can be clearly demonstrated. Using published data from DCLG and covering a 24 month period, there was an overall savings total of 13.4% on services (within the scope of the analysis) for the new UAs compared to an increase of 2.1% for those remaining as two-tier:

- Housing benefit administration costs reduced by £8.2m (27.4%) for the new UAs, but increased by £33.6m (6.2%) for the non-unitary;
- Corporate and Democratic costs reduced by £51m (30%) in UAs, while non-unitary authorities saw an increase of £92m (5.5%); and
- Waste Collection and Disposal costs reduced by £6.0m (2.4%) in UAs, but increased by £14.4m (0.5%) on average for the others.

Therefore the incremental value for money benefits of UAs can be demonstrated.

### Service Delivery Challenges

In its existing structure, Warwickshire local government is facing a number of challenges in order to efficiently deliver services. These problems are not isolated to one area of service delivery, and can be identified across services as shown below:

#### Health and social care

Nationally the demand for health and social care is increasing year on year and this is placing increased pressure on public finances. The Sustainability and Transformation Plan for Coventry and Warwickshire in 2016 forecasted a financial challenge of £267 million by 2020/2021 unless action was taken<sup>12</sup>.

The STP identified a need to improve integration of services across the health and social care system to improve efficiency and reduce duplication and outlined a number of transformation and enabling workstreams to assist in creating a financially sustainable health and care system.

Warwickshire County Council works with partners to produce a Joint Strategic Needs Assessment (JSNA) to support the commissioning of health and social care services across the county, and has done some JSNA work at place level.

Warwickshire is ranked in the 20% least deprived local authorities in the country, but some health outcomes do not reflect this relative affluence. The county continues to face a number of public health challenges:

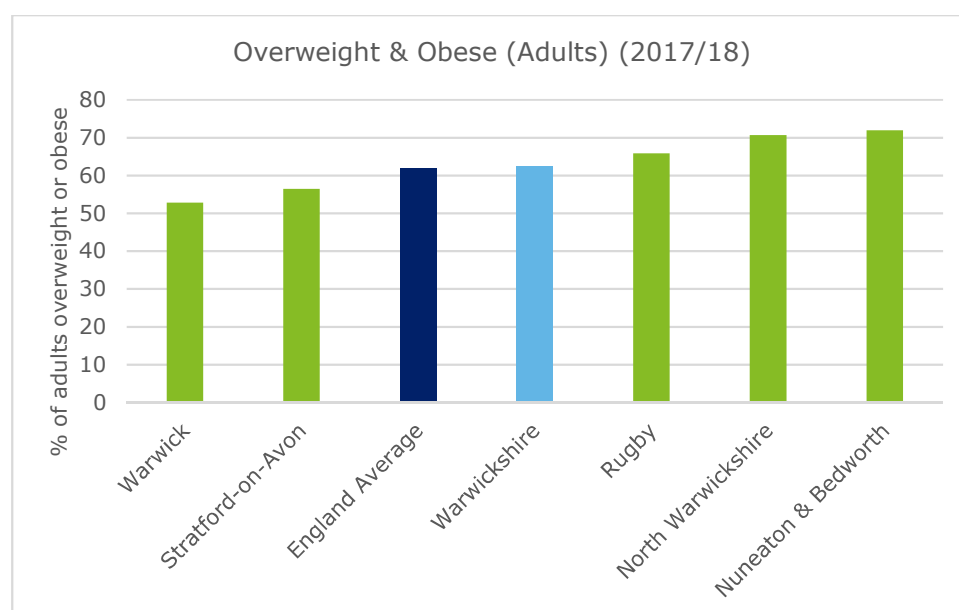
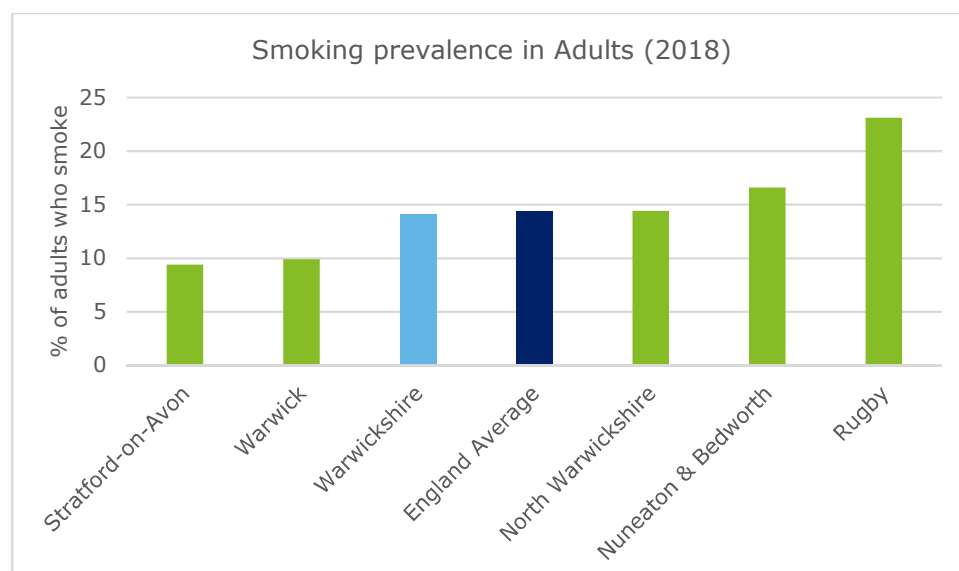
- The mortality rate from suicide is higher than the national average (11.3/100,000, compared to 9.6/100,000 in England).
- 62.4% of adults are classed as overweight or obese (62.0% England), and 118.3 per 10,000 children aged 0-14 are admitted to hospital for unintentional/deliberate injuries (96.4/10,000 England).

<sup>12</sup><https://www.uhcw.nhs.uk/clientfiles/files/STP/STP.PDF>

- Additionally, 14.1% of adults smoke, and 10.1% of women smoke in pregnancy, although both of these are lower than England averages (14.4% and 10.8% respectively)<sup>13</sup>.

However, it is noted that the data needs to be examined at a more granular level, as there is significant variance in health needs across the county. This is illustrated by the two following charts showing smoking and obesity rates across the county.<sup>14</sup>

In both cases, there is a clear difference between North and South.



Furthermore, prevalence of diabetes varies from 5.7% in the remit of South Warwickshire CCG, to 7.6% in Warwickshire North CCG.

<sup>13</sup> Working for Wellbeing in Warwickshire: Director of Public Health Annual Report 2019

<sup>14</sup> <https://api.warwickshire.gov.uk/documents/WCCC-630-1949>

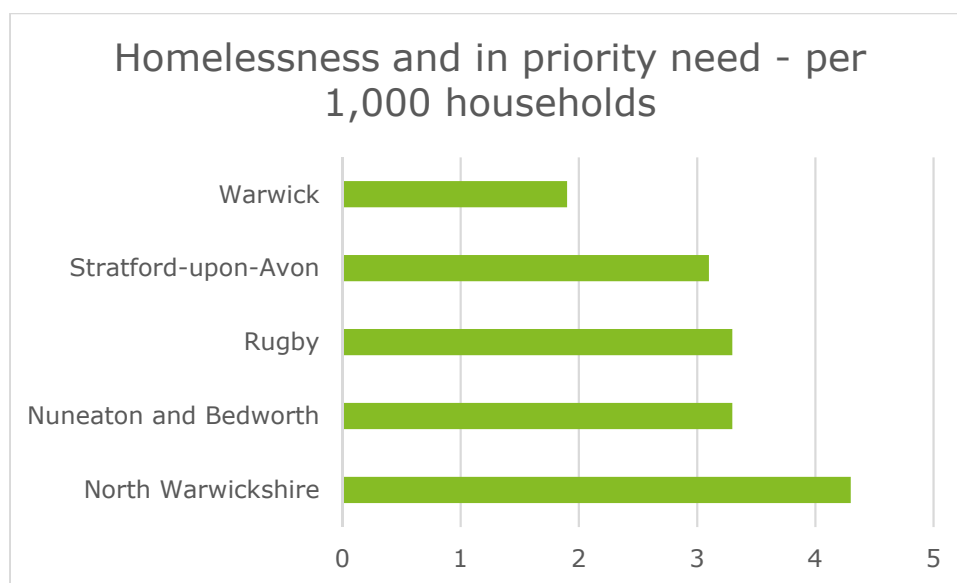
Childhood obesity in 10-11 year olds varies from 21.8% in Cubbington, Lillington and Warwick District East, to 37.1% in Bedworth Central and Bulkington.

Average male life expectancy at birth is 77.9 years in Nuneaton and Bedworth, versus 81.1 years in Warwick<sup>15</sup>.

It is therefore clear that any future plan for Warwickshire should not only tackle the underlying health concerns, but should also take account of the differing needs of the population, and may require different approaches to have meaningful outcomes.

Many of the health inequalities are in line with differences in deprivation levels across the county:

- In North Warwickshire, 14.8% of people are living in a social rent tenure property compared to 12.5% in the south.
- In North Warwickshire, 15% of children are living in low income families, compared to 9% in South Warwickshire.<sup>16</sup>
- Data from the Ministry of Housing, Communities and Local Government reveals stark differences in the numbers of homeless and in priority need as the chart below demonstrates. Warwick has just 1.9 homeless and in priority need households per 1,000 households, compared to 4.3 households in North Warwickshire.



Furthermore, there is evidence to suggest increasing demand for adult social care services. Over the period 2020 to 2040, the population in Warwickshire is expected to increase by 90,623 (15.6%); Stratford-on-Avon District is expected to have the greatest population growth (22.6%) and Nuneaton and Bedworth District the least (11.8%). It is projected that the population of those aged 85 years and over in Warwickshire will increase by 77% by 2040<sup>17</sup>. This has an impact on the working age population, as by 2041, 3 in 4 adults will have dependents (those aged 0-15 years old and/or 65+)<sup>18</sup>.

In the future, especially in the short-to-medium term, recovery from COVID is a priority for health services. Increased demand, compounded by reduced capacity and winter

<sup>15</sup> Working for Wellbeing in Warwickshire: Director of Public Health Annual Report 2019

<sup>16</sup> Data.warwickshire.gov.uk

<sup>17</sup> Office for National Statistics

<sup>18</sup> Working for Wellbeing in Warwickshire: Director of Public Health Annual Report 2019

pressures are all challenges for the health and social care sector in Warwickshire. The South Warwickshire Transitional Board are focusing on plans for the south of Warwickshire for recovery, and to implement the lessons from COVID, especially around staff wellbeing, remote working, online appointments, and feedback from Healthwatch.

### **Children and young people**

20% of the population of Warwickshire are aged 0-17 (2019, ONS).

The most recent Ofsted inspection into Children's services (2017) found that Warwickshire County Council's services 'requires improvement', scoring 'requires improvement' for all categories apart from adoption performance which received a 'good' rating. The previous inspection of safeguarding arrangements was in October 2011 and the local authority was judged to be good.

It was commented in the 2017 report that 'Since the last full inspection of services for children in need of safeguarding and those in the care of Warwickshire, some areas of provision have not been sustained or made further progress'<sup>19</sup> A further children's services focused visit in 2018 revealed that although some progress had been made, particularly through a recognised model of working with families which had led to good-quality targeted direct work, there were still capacity constraints experienced; 'Pressure to manage overly high caseloads remains evident. Inappropriately allocating work to managers constrains capacity for effective managerial oversight and increases the risk of drift and delay in meeting children's needs'<sup>20</sup>.

It has been recognised that this is a key priority for Warwickshire to tackle, and Warwickshire County Council's Plan 2020-2025 highlights that support to vulnerable children and adults is one of its top three priorities; the other two being good transport networks and responding to climate change. These three priorities were selected by residents, and 76% of the budget is allocated to these areas in the future.<sup>21</sup>

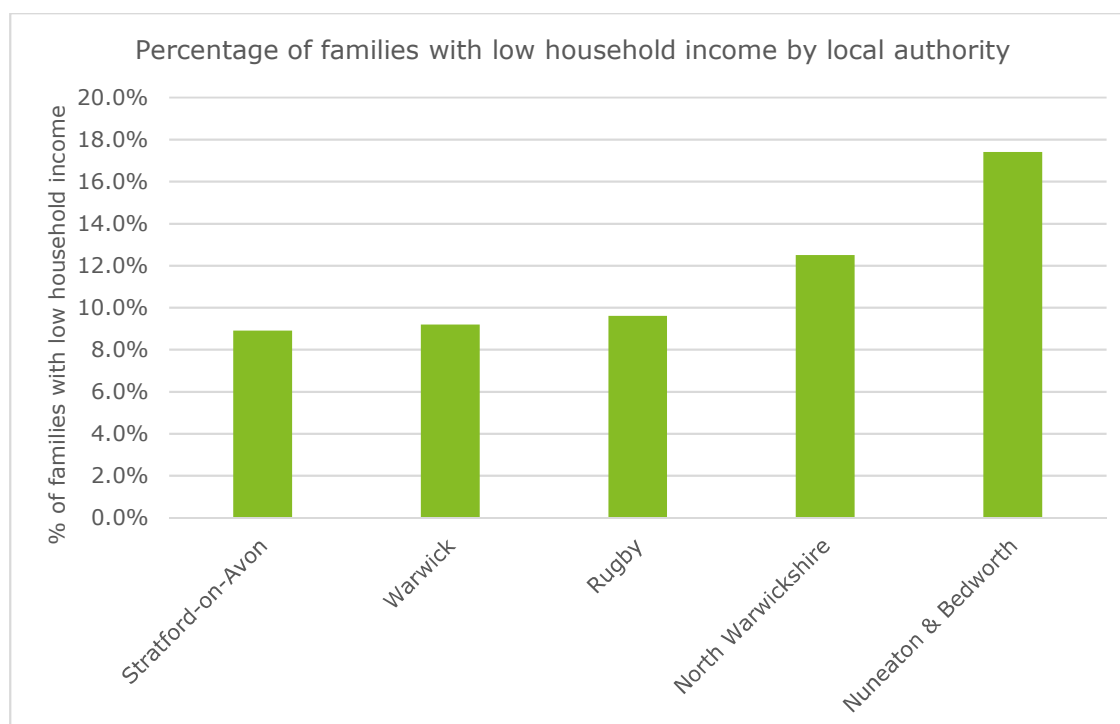
As of March 2019, 722 children were looked after by the Authority. This is an increase from 689 in 2015.

The number of children in low income families varies across the county, as shown by the chart below.

<sup>19</sup> <https://files.ofsted.gov.uk/v1/file/2752758>

<sup>20</sup> <https://files.ofsted.gov.uk/v1/file/50011146>

<sup>21</sup> [https://apps.warwickshire.gov.uk/api/documents/WCCC-708-483\\_p11](https://apps.warwickshire.gov.uk/api/documents/WCCC-708-483_p11)



## Skills

Skills and education levels vary across the county. The ONS 2011 census revealed that in North Warwickshire and Nuneaton and Bedworth districts, 27.9% and 28.0% of respondents respectively had no qualifications, compared to 21.6% across Warwickshire as a whole, and 16.4% in Warwick itself<sup>22</sup>.

In Stratford-on-Avon for example, it has been recognised that although the district as a whole has a low unemployment rate and a higher than national average median full-time hourly wage, 'there is an imbalance in the economy between skills of the employees and the jobs on offer. For example businesses in rural areas are also less likely to provide vocational training, including NVQs and apprenticeships, than businesses in urban areas'<sup>23</sup>.

As at July 2020, there is significant difference in universal credit claims across the county, as shown in the chart below.<sup>24</sup> It is expected that these figures will rise with the winding up of the furlough scheme, and many businesses suffering as a result of the pandemic.

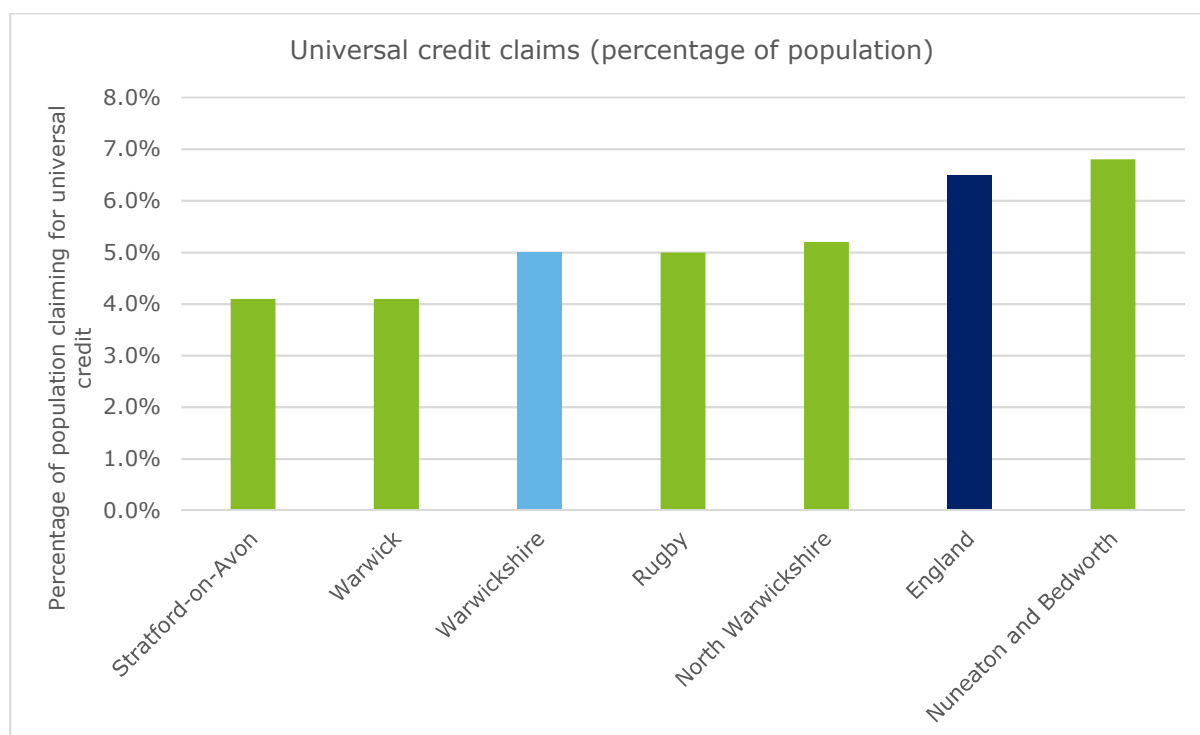
<sup>22</sup> <https://www.ons.gov.uk/census/2011census/2011censusdata>

<sup>23</sup>

<https://www.stratford.gov.uk/doc/207735/name/DECEMBER%20Stratford%20Industry%20and%20Economic%20Strategy%20FINAL.pdf> p56

<sup>24</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/january2020>



With this in mind, the challenges in the future regarding employment and education vary significantly between the north and the south of Warwickshire. With rising unemployment expected, it will be more important than ever to equip the relevant parts of the population with appropriate skills required for the changing work landscape.

## Transport

Transport in rural areas is an emerging issue. The Warwickshire Local Transport Plan 2011-2026 comments that:

*Access to and from the rural areas has suffered as a result from the recent centralisation of services such as health care. This has had a profound effect on the ability of certain journeys to be made by any mode other than the private car. Although having a mix of distinct urban and rural characteristics, Warwickshire's location in the centre of the country astride some of the most important strategic transport routes means that it cannot be considered as having the typical characteristics of a Shire authority that may be found elsewhere within the UK<sup>25</sup>.*

As outlined in the plan, five key transport goals<sup>26</sup> have been developed to tackle the key issues and challenges that Warwickshire currently face. These include:

### Using transport to support the economy

Through measures such as:

- improving the reliability of journey times through maintaining and managing the existing transport system to minimise congestion and delays whilst enhancing resilience of local transport networks;
- improving connectivity through provision of new routes and services to enable business journeys to take place and to maximise accessibility of labour markets to jobs;

<sup>25</sup>

<https://www.stratford.gov.uk/doc/205916/name/ED479%20Warwickshire%20Local%20Transport%20Plan%202011%202026%20Warwickshire%20County%20Council%20April%202011%20.pdf> p5

<sup>26</sup> <https://www.warwickshire.gov.uk/ltp3> p31

- supporting the delivery of housing and growth through the provision of new transport infrastructure and services as well as providing wider support to the economy through the efficient movement of freight; and
- influencing the reputation of the county as an outstanding place for business to locate through the provision of a modern transport system.

High priority delivery options include improvements to buses (including new buses and increased service frequency, improved passenger information before and during travel, rail development / new rail stations, co-ordinate works and manage incidents on the highway to minimise disruption, minor junction / signal improvements at congestion hotspots, and improved signage and information for road users.

### **Adopting strategies to assist Warwickshire's climate change agenda**

Using interventions such as:

- Reducing transport related carbon emissions by promoting and enabling a shift to more sustainable forms of transport and to more efficient fuel usage through changes in speed and driver behaviour;
- Adopting more sustainable options for street lighting and signs; and
- Using of recycled materials in maintenance activities.

High priority delivery options include Safer Routes to School, better integration of transport and land use planning to reduce the need to travel, improved passenger information before and during travel, develop cycle routes in and around our main towns, and improvements to buses (including new buses and increased service frequency).

### **Improved Safety, Security and Health in Warwickshire**

Through measures such as:

- Promoting physical activity and healthier lifestyles by making active travel more easy and attractive;
- Improving air quality by improving congestion / reducing traffic and encouraging people to use more sustainable modes of transport; and
- Reducing crime through improving the security of road and public transport users, pedestrians and cyclists.

High priority delivery options include engineering measures at collision hotspots, speed reduction measures, including enforcement, education and engineering measures, and education & promotional campaigns for road safety.

### **Achieving Equality of Opportunity in Warwickshire**

Through measures including:

- Improving accessibility to basic services such as education and training, healthcare, employment, for certain groups in society to ensure they are not disadvantaged;
- Improving affordability of transport to ensure certain groups are not disadvantaged; and
- Helping to narrow the gaps between economic growth rates for different areas by ensuring that transport does not act as a barrier to opportunity.

High priority delivery options include improvements to buses (including new buses and increased service frequency, better integration of transport and land use planning to reduce the need to travel, and pedestrian crossing facilities.

### **Improving Quality of Life for Residents**

Through measures such as:



- Reducing the noise effects of the transport system and improving the journey experience of transport users; and
- Minimising the impacts of transport on the built, natural and historic environment.

High priority delivery options include maintaining the highway to a good standard, including quieter road surfaces where appropriate, improved signage and information for road users, and maintain footways and cycleways to a good standard.

It is worth noting that although these five key areas are the basis for improving transport in Warwickshire as a whole, the Local Transport Plan includes individual tailored strategies for each of the following: Northern Warwickshire Area, Nuneaton and Bedworth Urban Area, Eastern Warwickshire Area, Southern and Western Warwickshire Area, Warwick Leamington Spa Kenilworth and Whitnash Area, as well as for the North-South Corridor which links the key urban areas surrounding Coventry showing that there are very specific challenges and therefore tailored strategies for each part of the region.

For example, the Northern Warwickshire Area has minimal congestion on its major roads, yet high reliance on private cars for transport and commuting. Conversely, Rugby has many locations that suffer from daily congestion, with ongoing work to deliver transport improvements to deliver economic growth. The majority of households in Stratford-on-Avon have two or more cars, as it is difficult to service the rural district by public transport, and so new developments have to bear road access in mind.

Overall, the quality of the wider transport network across the West Midlands is critical, and investment will be required to maintain this. The West Midlands Combined Authority is best placed strategically to secure this investment, as neither a single unitary or dual unitary model would have the scale to secure the investment required.

## Housing

There is a wide spectrum in house affordability in Warwickshire County, with many house prices increasing at a rate far above salary increases and inflation. For example:

*'The average house in Stratford-on-Avon District is now £65,000 more expensive than the national average. The district has the worst affordability ratio in the county and is in the top 25% least affordable places outside of London. Since 2012, house prices in the area have increased 20%; only 5% less than the four years prior to the housing market crash in 2009, raising fears of housing bubble<sup>27</sup>.*

There is also a stark contrast in affordability between the north and the south of Warwickshire. The average house price in North Warwickshire is £205,430, whereas the average house price in Stratford-on-Avon District is £323,734.

Poor housing affordability is a major issue in Stratford-on-Avon District, with people on middle and low incomes struggling to afford any market housing, whether through ownership or private rented. Unfortunately the COVID-19 pandemic has made this worse. There will be an even greater need for affordable housing going forward – and the right tenures and types of affordable housing – across both the north and south of Warwickshire, which both have challenges regarding limited affordable or social accommodation.

Across Warwickshire, there is a growing demand for affordable housing (for example, an increase in 46% in Rugby in the last 6 months), compounded by a lack of suitable housing supply. There has been a 110% increase in new Housing Benefit claims, a 130% increase in new Council Tax Reduction claims, and rent arrears are also rising. When the

<sup>27</sup>

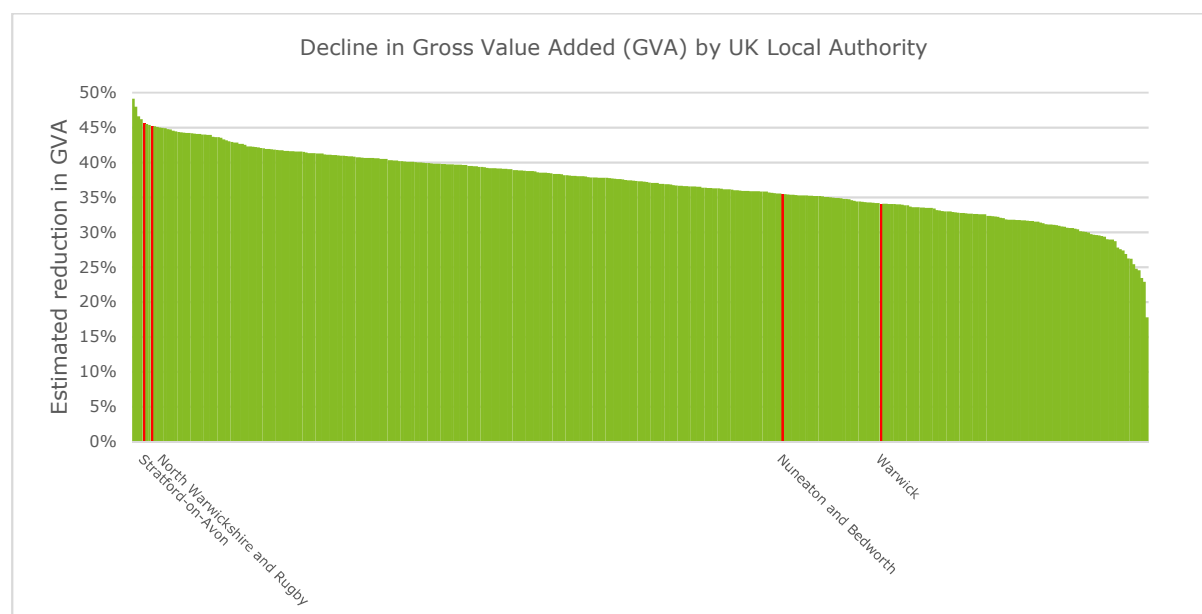
<https://www.stratford.gov.uk/doc/207735/name/DECEMBER%20Stratford%20Industry%20and%20Economic%20Strategy%20FINAL.pdf> p35

government COVID-19 furlough scheme and eviction moratorium end, demand will further rise.

### Economic challenges

The unexpected and unprecedented COVID-19 pandemic has led to further instability of the economy. As a result of required lockdown measures to prevent increased spread of the coronavirus, thousands of businesses have temporarily or permanently closed across many sectors, meaning unemployment rates have increased dramatically. Millions of workers have been assisted by government-supported job retention schemes, particularly for individuals working in tourism or hospitality, however this furlough scheme is expected to end in October 2020. Figures released by ONS in August 2020 highlight the impact of COVID-19 on the economy, showing that from the period April to June 2020, 220,000 fewer people aged 16 years and over are in employment compared to the previous quarter and that the economy shrank 20.4% compared with the first three months of the year<sup>28</sup>. With two consecutive quarters of economic decline, the UK has therefore entered a period of recession for the first time in 11 years.

There is likely to be variable impact of the economic instability caused by COVID-19 across Warwickshire. The Centre for Progressive Policy has produced a report called 'Which local authorities face the biggest immediate economic hit?' The graph below, taken from the report, illustrates the estimated reduction in Gross Value Added (GVA), as at April 2020, by local authority for 382 local authorities in the UK<sup>29</sup>.



As the graph illustrates, there is considerable variation in the reduction in GVA across Warwickshire local authorities, with Stratford-on-Avon suffering the 4th biggest reduction in GVA (46%), North Warwickshire and Rugby are joint 10th biggest (45%). It is a possibility that the economic challenges particularly impact on Stratford-on-Avon due to the exposure to areas such as tourism, which have been decimated by the pandemic.

Conversely, Nuneaton & Bedworth and Warwick District are in the lower quartile, with a reduction of only 36% and 34% respectively. This suggests the economic impact of

<sup>28</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2020>

<sup>29</sup> <https://www.progressive-policy.net/publications/which-local-authorities-face-biggest-immediate-economic-hit> based on the using the Office for Budget Responsibility (OBR) "Commentary on the OBR Coronavirus reference scenario, 14 April 2020" report ([https://cdn.obr.uk/Coronavirus\\_reference\\_scenario\\_commentary.pdf](https://cdn.obr.uk/Coronavirus_reference_scenario_commentary.pdf))

coronavirus on the local economies of Warwickshire local authorities is likely to have varied considerably, producing unequal impacts on businesses and employees across the county.

In this context, promoting economic growth and tackling these significant new challenges has to be a priority for local government, and it is clear that local responses will be required.

Warwickshire had a strong and growing economy pre-COVID-19 pandemic. Indeed, since the recession of 2008/2009, the County has experienced some of the strongest economic growth as measured by Gross Value Added (GVA) of any upper-tier local authority area in the country. The growth in the economy has led to a very strong labour market with an employment rate (the proportion of working age residents in employment) rising strongly to the highest level seen this century.

However, there is significant diversity across the County and highly variable levels of economic performance. The north of the County has a higher-than-average proportion of the workforce in low-paid sectors, accounting for more than 1 in 3 employees. There are also significant variations in Quality of Life indicators, particularly around health, skills and educational attainment. Nuneaton and Bedworth has 20% of its "Lower Super Output Areas" in the top 20% of the nationally most deprived areas, compared to 0% in Stratford-on-Avon.

Furthermore, while Warwickshire has seen strong rates of growth, it still lags behind better performing areas in the southeast. Warwickshire's GVA per head has grown by 43.96% since 2009 compared to growth of 16.57% and 28.03% in Berkshire and Oxfordshire respectively.

The southern areas of Warwickshire of Warwick District and Stratford-on-Avon are generally affluent, however, there are pockets of deprivation within them. North Warwickshire, and Nuneaton and Bedworth contain areas of significant deprivation in particular. Consequently, there are a number of social and economic issues facing some communities which require regeneration and intervention in order to 'level up'.

There is significant diversity across the county and highly variable levels of economic performance. The *Local Industrial and Economic Development Strategy for Stratford-on-Avon District 2018-2031* comments that the 'local economy of Stratford-on-Avon District is strong and, against a number of key indicators, out performs the county of Warwickshire as a whole.' Areas of comparison against Warwickshire County cited in the publication include the number of total businesses per 1,000 population of 65.8 compared to 48.0 (+17.8% increase) the GVA per head in 2015 of £29,000 compared to £27,300 (6.2% increase) and GVA per worker in 2015 of £52,480 compared to £49,735 (5.5% increase)<sup>30</sup>. In Nuneaton and Bedworth, GVA per head of population is just one third that of Warwick District, and average median annual wages are much lower in Nuneaton and Bedworth (£28,061 in 2018) than the best performing area of Warwick (£32,952)<sup>31</sup>.

The graph below illustrates the GVA per head of population for each council area (as at 2016).<sup>32</sup>

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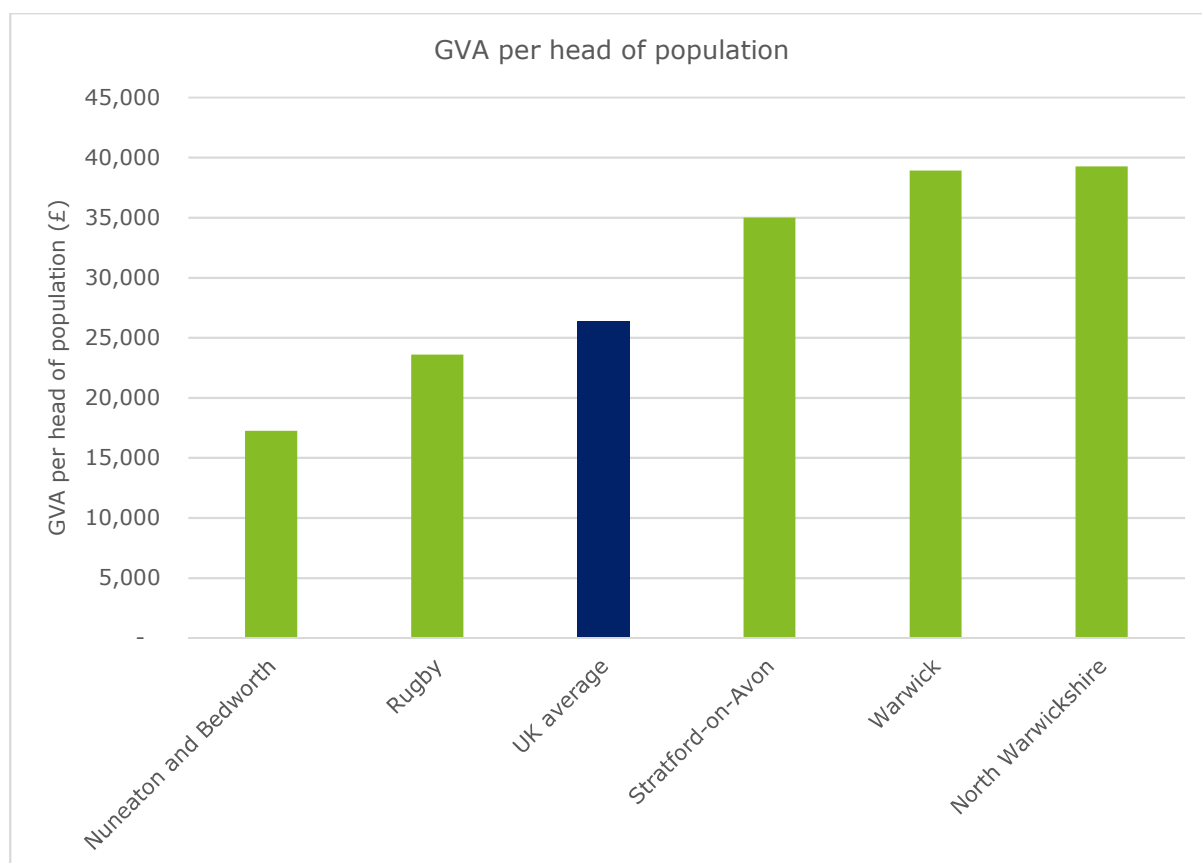
<sup>30</sup>

<https://www.stratford.gov.uk/doc/207735/name/DECEMBER%20Stratford%20Industry%20and%20Economic%20Strategy%20FINAL.pdf> p17

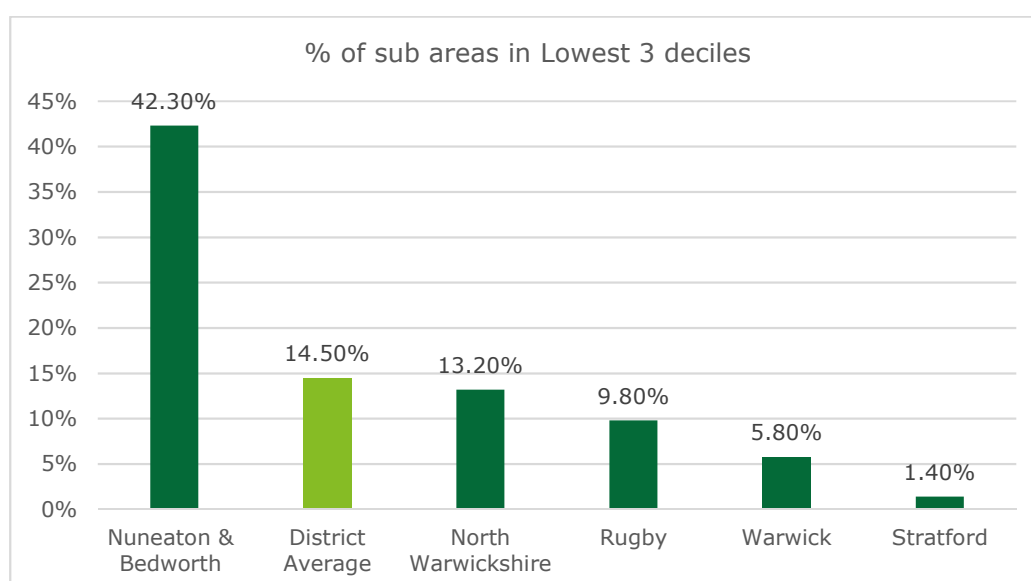
<sup>31</sup> <https://democracy.warwickshire.gov.uk/mgConvert2PDF.aspx?ID=4451>

<sup>32</sup>

<https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedbalancedbylocalauthorityinthek>



The graph below shows the percentage of sub-areas within each council area that are in the lowest three deciles of deprivation nationally. The two stand out things of this graph are how low the Stratford figure is, and how much higher the Nuneaton and Bedworth figure is, being nearly three times the county average; 5.8x that of Warwick, and 30x higher than Stratford<sup>33</sup>.



<sup>33</sup> Data.warwickshire.gov.uk

Parts of Warwickshire attract a large number of tourists, primarily in the South of the county, due to Stratford-upon-Avon's links with Shakespeare, as well as the historic castles found in Warwick and Kenilworth. Stratford-on-Avon attracted seven million day visitors a year before the COVID-19 pandemic. To recognise this, a Destination Management Organisation is in operation for south Warwickshire, recognising it as an entity. However, tourism is not a significant part of the economy in the north of the County.

Clearly the biggest economic challenge of all pertains to the impacts of the COVID-19 pandemic.

In this context, promoting economic growth and tackling these significant new challenges has to be a priority for local government.

### **The importance of community, place and local leadership**

Any revised model of local government will need to take place in the context of wider public sector reform and optimise the conditions for inclusive and sustainable growth alongside long-term service transformation. Creating a financially sustainable system of health and social care which is capable of delivering better outcomes for local people is a priority for future public services in Warwickshire. To ensure the long-term success and sustainability of local government in Warwickshire, a holistic approach is required which takes into account health and social care, housing growth, infrastructure, investment and skills. The starting point for this journey, therefore, needs to be about building a broad consensus, across public sector partners in Warwickshire, on an ambitious vision for the future of public services, encompassing community, place and local leadership. This vision needs to be set in the context of rapidly rising demand as a result of demographic change and continued resource constraints across the public sector.

Any local government reorganisation will need to consider the fact that Warwickshire is not a homogenous place but a diverse county. Successful local government in the future will therefore need to ensure it is reflective of the needs of discrete communities whilst ensuring Warwickshire's voice is heard at a national strategic level. The ability to build a new set of relationships with individual communities at a local level, underpinned by visible and accountable leadership, will be key to any reformed model of local government. Even on the issues which benefit from greater scale, such as economic planning, it is the action on the ground in communities that will prove to be truly transformational in securing improved outcomes.

# Options analysis

This section of the report describes the three options for local government reorganisation that have been assessed. It also outlines the information and approach used to undertake the analysis of the options.

## Options under assessment

Three options have been developed as outlined below.

### Option 1 – Status quo

This is the baseline option where no changes are made to local government boundaries and no reorganisation takes place.

### Option 2 – Single unitary model

A single unitary council based on the existing geography of the five District Councils and the County Council.

### Option 3 – Two unitary model

A two unitary council model as follows:

- (1) Based on the existing boundaries of North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, and Rugby Borough Council merging with part of Warwickshire County Council
- (2) Based on the existing boundaries of Stratford-on-Avon District Council and Warwick District Council merging with part of Warwickshire County Council.

These three options are considered the most realistic for the future of local government structures in Warwickshire.

Given the population size of Warwickshire, any option involving more than two unitary councils would appear unrealistic.

There may be options for collaboration and merger across county lines with Boroughs and Districts in areas such as Leicestershire or Worcestershire. There may also be opportunities to merge with other unitary councils such as Coventry and Solihull.

However, the Government has previously indicated that proposals should focus on existing county boundaries, and therefore these have not been formally considered at the current time. This could be revisited if the context and views from Government change.

## Criteria

The three options have been assessed against the following criteria:

1. **Community and place identity and effective local leadership:** the extent to which the option supports the principle that local government reflects and represents real places and real communities, enabling effective local leadership that engages citizens and communities and enables local decision making.
2. **The potential for improved service delivery:** the extent to which the option has the potential to improve service delivery for the people of Warwickshire
3. **Creating the conditions for economic growth:** the extent to which the option has the potential to drive economic growth both in reducing the variation between the North and South of the county, 'levelling up' the North in line with the key aim of the Government, but also drives overall economic growth in Warwickshire so that everyone in the county benefits
4. **Deliverability:** the extent to which the option can easily be delivered and is likely to create high performing organisation(s)
5. **Cost savings:** the extent to which the option reduces costs for the future organisation(s)

The government's overarching drivers for any decision on future local government structures are understood to be to reach a sound and sustainable proposal based on a strong evidence base whilst meeting the four 'tests': improved service delivery, value for money, strengthened local relationships, and reduced net costs.

The criteria selected are closely aligned to the Government's four key tests and as such represent the most important criteria that any local government reorganisation needs to meet.

The table below identifies how the four tests which have been established by central government for the assessment of Local Government Review match to the five criteria which have been used within this report to compare the options available.

Criteria	Improved service delivery	Value for money	Strengthened local leadership	Reduced net costs
1. Community identity and effective local leadership	✓		✓	
2. The potential for improved service delivery	✓	✓		
3. Creating the conditions for economic growth		✓	✓	
4. Deliverability	✓	✓		✓
5. Cost savings		✓		✓

The criteria selected therefore offer strong insight into which of the three options best meets the Government's tests.

## Option Appraisal

The following table provides a ranking for each option against each of the criteria from 1 to 3 (1 being the highest ranking for each criterion and 3 being the lowest).

Please note that this assessment does not represent an outline business case for any option, but is an initial analysis of the options based on a set of assumptions and concerns regarding the relative merits of the options.

Any formal proposal would require a business case to be developed based on agreed proposals in areas such as staffing structures and democratic arrangements, detailed estates and space planning and agreed proposals for Council Tax.

Criteria	Status quo (Option 1)	Single unitary model (Option 2)	Two unitary model (Option 3)
1. <b>Community and place identity and effective local leadership</b>	2	3	1
2. <b>The potential for improved service delivery</b>	3	2	1
3. <b>Creating the conditions for economic growth</b>	3	2	1
4. <b>Deliverability</b>	3	2	1
5. <b>Cost savings</b>	3	1	2
<b>Overall Ranking</b>	<b>3</b>	<b>2</b>	<b>1</b>

The table demonstrates that the two unitary model (option 3) has been allocated the highest ranking.

The single county unitary model (option 2) has received the second overall ranking.

The status quo option (option 1) has been allocated the third overall ranking.

Therefore, the recommended option is option 3: the two unitary model.



## Rationale for ranking

### 1. Community identity and effective local leadership

Any proposed model of local government should be reflective of the way people live their lives, including where they live and where they work. The current county council area of Warwickshire (of course excluding Coventry) is not a coherent single place, but represents an administrative set of boundaries. There is no clear urban focal point of the county (unlike Herefordshire around Hereford or Shropshire around Shrewsbury). Instead, there are multiple towns, each representing an individual community. By contrast, the county divides neatly into two coherent places along the A45, with the North focused on the key transport routes of the M6, A5, and the West Coast Main Line, and the South focused on the M40 and the Chiltern rail line.

Furthermore, there is so much variation between the North and South of the county that they should be considered separate places with their own unique challenges and priorities. This is shown in numerous ways: economy, deprivation, housing market, transport links, health and wellbeing (as has already been demonstrated above). Residents have very different needs and concerns in both places, and there are relatively consistent needs and concerns within North and South. A two unitary model therefore recognises this and ensures that local government in Warwickshire will reflect real places, rather than an artificial one.

There is a significant danger that a county unitary would diminish effective local leadership. It could become too remote from citizens and communities, reduce local decision making, and even perhaps damage the interests of the individual places. One of the biggest challenges faced by large unitary councils is maintaining a sense of local democracy. In the examples of previous re-organisations quoted earlier in this report, various means of trying to address this issue have been tried, but it remains a difficult issue to solve and no one solution has emerged. Bigger local authorities may be more inclined to give more focus to factors such as value for money at the expense of local need, and have to trade off the different needs of different places, simply due to their size. This can mean that local places lose out. Larger local authorities which serve bigger populations run the risk of services becoming homogenous. Local involvement and engagement becomes diluted and therefore less responsive to local need. A single county unitary model can be effective in a County where the issues are similar across the geography, although even in those circumstances there is no accepted model which delivers on the local connectivity which is critical to citizens.

The single unitary model could also find it more difficult to work with the number of parishes required, which is already over 200 and could increase if the whole county is parished. Furthermore, the incidence of town and parish councils is not consistent across the county area. Under a two unitary model, there would be only 74 in the North, compared with 146 in the South. There is also the issue of Nuneaton and Bedworth Borough, where currently there are no town or parish councils at all, and likewise Rugby Town is unparished. These issues would have to be tackled by a single county unitary.

By contrast, the two unitary model can create a more local focus that is closer to real places and communities and empowers truly local leadership. By contrast, the County Council stopped having Area Committees and have reduced their support for Community Fora, holding fewer meetings.

A two unitary model could create a very different culture, building on the strengths of the Boroughs and Districts in working with local people. The average representative ratio for

district councillors is just over 2,000, while for county councillors it is over 9,000<sup>34</sup>. This means that district council services work more closely with the community and citizens than county services do.

For example, the Boroughs and Districts have already been discussing an exciting devolution programme with the Warwickshire Association of Local Councils. This could involve the following elements:

- The organisational structure of the future two unitary councils should be focused on connection with local communities and their wellbeing rather than around 'old' departments which is the case currently. Ongoing liaison should be directed through one point of contact for parish and town councils going forward;
- Rather than the devolution of services driven by annual budget allocation, a 3 – 4 year budget should be agreed to allow significant time for change to be enacted and progress made, promoting more local independent decision-making;
- The diversity of parishes need to be recognised, that the strengths and weaknesses of each organisation needs to be identified in order to improve service delivery and joint working. It was also felt that new councils will need to be set up to cover the Rugby town area and the whole of Nuneaton & Bedworth Borough;
- A community governance review should be undertaken to understand the role of existing parishes and parish meetings, as some smaller ones may need to be considered for Joint Parish Councils;
- More effective governance training is required in some areas, similar to the joint training undertaken by Stratford-on-Avon, and further encouragement for individual councillors to undertake CPD is recommended;
- A continuation of support to use the Quality Councils approach and incentivise, to continue and strengthen Local Councils Agreement and to retain Parish Councils Champion role, and
- Building on the experience of work in Bishop's Tachbrook to develop Community Investment Packages for particular communities.

A two unitary option could therefore aim to create, in the words of Dorset Council, two 'district councils with county council powers'. Culturally this could feel very different to a single county unitary.

Finally, it is possible that a county unitary could have fewer councillors than a two unitary model (this is clearly dependent on the number of councillors chosen, which will need due consideration of local circumstances and local needs). This could lead to greater strains on councillors taking up casework or community issues, and even more so if the ratio is significantly larger on a county level. This could have a damaging effect on local leadership. As stated in *Effective Representation for Local Communities: Councillors and Representative Ratio*, the activities councillors carry out relate to their roles in four dimensions: place, policy, people and processes:

*The varied nature of the roles of the councillor and the increases in time demands that councillors are experiencing mean that any reduction in councillor numbers*

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<sup>34</sup> Effective Representation for Local Communities: Councillors and Representative Ratio, An Independent Report for the District Council's Network p10

*will increase the workload and time demands on the remaining body of councillors and could have adverse effects on the quality of local democracy and effective representation<sup>35</sup>.*

Ultimately therefore the two unitary model will provide greater local political leadership and accountability which will enable greater engagement with residents and have the greatest potential to fundamentally change the relationship between local government and residents, from a paternalistic model focused on service provision to one focused on co-production and independence promotion. This is why the option was ranked first.

The status quo option received the second highest ranking for this option on the basis that it would continue to preserve a focus on local place and community and local leadership through the five Boroughs and Districts, and so is better than the single county unitary. However, the Boroughs and Districts can struggle to influence major policy agendas in the two tier system. The two unitary council model provides the opportunity for genuinely meaningful recognition and leadership of real places throughout local government structures.

Ultimately, it is essential that the views of residents, businesses and other local stakeholders are sought on these issues, ahead of any submission to Government on the potential options for Local Government Review. It should be noted that in this regard the public engagement exercise is due to commence on 21 September and that to ensure that there is absolute independence this exercise is being undertaken by the external research company ORS.

## **2. The potential for improved service delivery**

Both the county unitary model and the two unitary model are likely to improve service delivery to some extent when compared to the status quo, due to the ability of a unitary council to deliver economies of scale and make reinvestments, and strategically plan services for an area removing, for example, any confusion over split responsibilities between the tiers for economic development, and provide clearer representation between local government and other public bodies.

However, it is a much more interesting debate as to whether a single county unitary or a two unitary model would be more likely to improve service delivery. There is not much hard evidence on whether the size of a unitary authority makes a difference to performance. There has been a great deal of longstanding debate on this issue and many arguments and counter arguments. A report for the Department of Communities and Local Government (DCLG) in 2006 entitled 'Population Size and Local Authority Performance' illustrated this complexity, finding that although 'the balance of evidence suggests that performance tends to be better in large than small authorities,' 'the relationship between population and performance is a complex mosaic', and that reorganisations in different local areas needed to be considered separately as a result. There is no definitive answer on this point, and the arguments distract from the more pertinent point that a UA, large or small, can perform well and be effective or perform badly and be ineffective, depending on whether it has strong political and corporate leadership capacity and capabilities.

The single county unitary clearly has the benefit of size, creating more economies of scale and enabling more reinvestment in services from efficiencies made. It could also be considered a risk to disaggregate existing County Council services, potentially creating disruption and reducing performance. Finally, a single county unitary may be able to assess the variation in performance and cost of delivery of District and Borough services,

<sup>35</sup> Effective Representation for Local Communities: Councillors and Representative Ratio, An Independent Report for the District Council's Network p3

and under a single management structure, deliver greater performance consistency by applying best practice and reducing variation across the county.

However, diseconomies of scale are also possible when organisations get bigger. Organisational structures and processes can become too complicated and cumbersome. A county unitary in Warwickshire would be one of the largest Councils in the country if created today. A bigger organisation may find, for example, it more difficult to bring about transformational change by building new sets of relationships with residents and the community and voluntary sector which promote independence and resilience. This transformational change depends on local authorities building effective relationships with local residents and communities, therefore, authorities which cover smaller geographical areas are more likely to be effective in delivering this change.

Furthermore, is standardisation and consistency always a good thing? As argued above, Warwickshire is a very diverse place. There is significant variation between the North and South of the county in areas including the economy, housing market, transport links and health and wellbeing. Residents have very different needs in both places. A two unitary model can take into account these different local needs, and deliver services that are responsive to them, more easily moving resources to where they are needed most. There are numerous examples where this might be the case.

For example, in health and social care, services need to be delivered at the place level to be effective.

There are extremely different health needs in the North and South of the county, with substantial differences in health inequalities and poor outcomes that need to be tackled. There is greater health inequality and more deprivation and poorer outcomes in the North, while the South has to support an ageing, more affluent population that is living longer with more long-term conditions and co-morbidities.

Public Health England statistics highlight the inequalities found in the Warwickshire region, for example the male life expectancy at birth in Nuneaton and Bedworth is 77.9 years compared to 81.1 years in Warwick<sup>36</sup>. This is compared to a national average of 79.6 years. However these figures are also accompanied by the recognition that there is an earlier onset of long term conditions in the northern part of the county, which is due a range of structural reasons, running across issues including health behaviours and housing.

Therefore the place agenda for health and social care is paramount, as it provides the opportunity to offer tailored health solutions to very different populations and challenges, which is not something that has been achieved through the existing sub-regional STP and ICS agenda.

Within this context the Warwickshire health and care system has been evolving rapidly partly because of the needs of local communities and financial pressures, but also because COVID-19 has accelerated the change dynamic. There is now in effect a Joint Health and Well-being Board covering Coventry and Warwickshire. Sat underneath this is governance around four places: Northern Warwickshire; Rugby; Coventry, and South Warwickshire. This structure recognises that many of the issues that require attention need to be dealt with at a place level, not at a Sub-Regional or County wide level.

This place structure overall more or less corresponds to the NHS organisational structure with the three CCGs now merging to become a single sub-regional CCG; while at a place level:

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<sup>36</sup> <https://fingertips.phe.org.uk/profile/public-health-outcomes-framework>

- George Elliot Hospital NHS Trust in Nuneaton serves Northern Warwickshire,
- University Hospitals Coventry and Warwickshire NHS Trust (and the Walsgrave and St Cross hospitals) serve Coventry and Rugby, and
- The South is served by South Warwickshire NHS Foundation Trust.

If local government services could operate in the same geographical way (North and South unitaries focused on place) it opens up the opportunity to better achieve place based integration of health and social care services. It is widely acknowledged that integration at a local place and neighbourhood level, built around primary care, is critical to good performance and two smaller unitaries may be in a better position to facilitate this. For example, would a single county unitary be inclined to try and put in place a consistent policy framework for hospital discharge and other critical areas of integration? Such an initiative may not actually be best for the patients in both the North and the South: different protocols may be required in both areas.

Finally, smaller unitary councils with a 'district' culture may be better equipped to be closer to the voluntary sector and local communities, building community resilience and independence, and focusing on preventative solutions such as social prescribing, taking a whole population health approach to the health and social care needs of the population. This, again, is accepted best practice within NHS England's Long Term Plan.

This model would overall offer a much better opportunity to deliver the King's Fund model of integration that the sub regional bodies want to achieve.

This same argument can be applied to many other service areas where there is variance between the needs in the North and the South of the county. This will be demonstrated further below under criterion 3 regarding economic growth.

However, there are some services where scale may be important, and local need less so, and then collaboration and shared services will be key to a two unitary model.

For example, Children's Services, where experienced and high quality leaders and social workers can be difficult to find, could be delivered through a Children's Trust approach working across the whole county.

There are excellent examples of this kind of arrangement already around the country in the Achieving for Children social enterprise which delivers children's services across the Royal Borough of Kingston, the London Borough of Richmond and the Royal Borough of Windsor and Maidenhead. The services in Kingston are judged 'outstanding' by Ofsted, following their inspection in October 2019, and services in Windsor and Maidenhead are rated 'Good' by Ofsted following an inspection in January 2020.

The aim of this kind of arrangement is to create an organisation that can provide holistic and outstanding children's services with freedom and flexibility in a cost effective way while remaining democratically accountable. A DfE commissioned review of Achieving for Children in 2016 found improvements in the delivery of core services using an integrated approach, increased innovation and improved staff engagement and commitment and ability to recruit and retain high quality people, and the delivery of savings.<sup>37</sup>

Similar arrangements have been set up in Doncaster, Slough and Worcestershire. Warwickshire could look to adopt, adapt and improve solutions like these which are readily

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/573673/A\\_review\\_of\\_the\\_establishment\\_of\\_AfC.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573673/A_review_of_the_establishment_of_AfC.pdf)

available to be deployed. If a Children's Trust model is not preferred, the two unitaries created under a two unitary model are still comparable in size to other councils around the country who run Children's Services. As stated above, the link between size of council and performance of services is not clear, and the County Council's services do 'require improvement'. The ability to focus on children's needs is what is important.

Similarly, harmonising waste and recycling policy could be delivered by the two unitaries working together if this was seen to be a useful way of saving money. The Boroughs and Districts already have a very strong record of collaboration and partnership working, as will be demonstrated under criterion 4 below, and this could be built upon.

Arrangements would have to be made for the Fire Service. This could be established in its own right as an organisation like the Herefordshire and Worcestershire Fire Service. Alternatively, merging with another Fire Service could be considered. This would then match the geography of the WMCA which is in line with expectations for future mayoral powers.

It must also be acknowledged under this criterion that the Boroughs and Districts are working in increasingly innovative ways to support their communities.

For example, Nuneaton and Bedworth Borough Council was one of the first to establish a trading arm back in 2013. The Company (NABCEL) has TECKAL status so can provide services to the Council without a procurement process. The company now has a portfolio of 45 properties which also includes two bed and breakfast properties. These B&B properties help meet the Councils homelessness demand and provide much needed temporary accommodation at a lower price and higher quality than other hotel providers. The company now has three other business streams – gas servicing, electrical servicing and cleaning services. The intention is to offer these services to other local authorities and to private customers, using the 20% turnover limit that is allowable under TECKAL arrangements. The forecast turnover for 2020/21 is £2.7m with annual income to the Council of £500k (this level of income was also achieved in 2019/20). The Company has a Business Plan in place to 2023 which shows turnover increasing to £5m by the end of the plan. Initiatives such as these improve community resilience, providing the district council with the focus to provide locally required services, and be more financially independent.

Ultimately the best configuration of service delivery in the future is likely to be a combination of countywide mechanisms and services delivered at the individual place level. Either a single county unitary or a two unitary model could deliver this combination.

However, the argument here is that in Warwickshire specifically, given the very different needs in the North and the South, responding to local need is relatively speaking more important than countywide consistency. Economies of scale can still be delivered when they need to be by the two unitaries working together. It may also be possible to collaborate with existing comparable unitaries in Coventry and Solihull to deliver economies of scale, as is happening for waste disposal.

Therefore the two unitary model has been ranked higher, but it must be acknowledged that this is an interesting debate.

It should also be noted that, if a review of services and structures is conducted over a realistic timescale, it might be possible to be more transformative in looking at public sector reform, rather than moving services around different councils.

For example, it may be possible to do more at the Combined Authority level where scale is important (economic considerations are taken into account below under criteria 3). There is already a move towards Regional Adoption Agencies. Could Children's Services

more broadly be delivered at the sub-regional level to maximise the recruitment of high quality leaders and social workers and build in capacity to undertake more innovative practice and research?

In a similar way, there have been some indications that the Government might be considering integrating Social Care services into the NHS under the banner of Integrated Care Systems.

If such things came to pass, it might have significant implications for the remaining services within local government, which should be carefully considered. The remaining services may be better delivered on a two unitary footprint which creates local leadership as an important contrast to the growing scale and size of sub-regional arrangements.

### 3. Creating the conditions for economic growth

As we saw above, given the economic challenges currently facing the country, and given the importance of economic growth to the Government's policy agenda, this is a critical criterion for consideration.

Any future model for local government in Warwickshire has to be appropriately configured for supporting economic growth.

The proposed two unitary model receives the highest ranking for this criterion, and the proposed county unitary receives the second ranking score, with the status quo option receiving the lowest ranking.

The North and South of the county have extremely different economies and challenges and needs, as can easily be evidenced:

- The economy of the South of the county is largely based on higher value industries, particularly in the fields of professional business services, computing and software, and high-value engineering and manufacturing. Tourism is also important. By contrast, the economy of the North of the county is based on heavy industry and the legacy of the mining industry. The North continues to have a higher proportion of lower value manufacturing industries, personal services and public sector employment than the national average.<sup>38</sup>
- In Nuneaton & Bedworth, GVA per head of population is just one third that of Warwick District and median annual wages are much lower in Nuneaton & Bedworth (£28,061 in 2018) than the best-performing area of Warwick (£32,952).
- The north of the County has a higher-than-average proportion of the workforce in low-paid sectors, accounting for more than 1 in 3 employees.
- Nuneaton and Bedworth has 20% of Lower Super Output Areas and is in the top 20% of the nationally most deprived areas, compared to 0% in Stratford-on-Avon.
- Skills and education levels vary across the county. The ONS 2011 census revealed that in North Warwickshire and Nuneaton and Bedworth districts, 27.9% and 28.0% of respondents respectively had no qualifications, compared 16.4% in Warwick.

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<sup>38</sup> Coventry & Warwickshire Economic Assessment, <https://api.warwickshire.gov.uk/documents/WCCC-688-358>

- Before the COVID-19 pandemic, universal credit claims in North Warwickshire was at 5.7%, whereas in South Warwickshire this was 4.1%.

It is also important to recognise there are two distinct housing market areas in Warwickshire. The first housing market area is in North Warwickshire and covers the areas of Rugby and Nuneaton and Bedworth. The second housing market area is across the Southern area of Warwickshire covering the geographical areas of Stratford-on-Avon and Warwick District including Kenilworth, Leamington Spa and Alcester areas. The average house price in North Warwickshire is £205,430, whereas the average house price in Stratford is £323,734.

The development of the last Local Plans demonstrated that Warwickshire on its own as a county was not a useful geographical area on which to base planning evidence or proposals. There was no need for any overlapping initiatives between Warwick and Stratford in the South and Nuneaton and Bedworth or North Warwickshire in the North. By contrast, Warwick District area had several initiatives in common with Stratford around Gaydon and the south of Warwickshire (Warwick, Whitnash and Leamington and Bishop's Tachbrook) including infrastructure planning along the A46 and M40, and the impacts of housing proposals around Southam.

This variance between North and South means that local approaches are needed. The challenges created by COVID-19 support this argument. It is a possibility that the economic challenges particularly impact on the South of the county due to the exposure of the South to areas such as tourism, which have been decimated by the pandemic. Stratford-on-Avon has been identified as the fourth worst hit economy nationally due to COVID, due in the main to its exposure to the tourism and hospitality industry.

Therefore local plans are required to meet local needs with real emphasis given to the local challenges. Otherwise the concern is that the North of the county will continue to get left behind. Each set of challenges requires specific focus to drive improvement and the 'levelling up' agenda, and this can be provided by a two unitary model. A single county unitary may have to dilute the priorities of individual places and focus on the overall strategic position, simply due to its size.

There is a logical counter-argument that aggregation and larger local government structures are more likely to produce economic growth and productivity because of the ability to focus strategically on major issues including transport, skills and housing. It could be argued a single county unitary would be beneficial as it would provide a single voice for Warwickshire.

However, the county of Warwickshire (without Coventry) is simply not big enough nor cohesive enough in its own right to act as a strategic economic unit. This is demonstrated by the fact that the Local Enterprise Partnership includes Coventry and Warwickshire. This demonstrates that a single county unitary approach does not create a big enough strategic unit to create advantage for the economy.

While it is agreed that size is important to create strategic focus, this could be better achieved through the Combined Authority approach and adopt a collaborative approach which focuses on Transport, Skills and Economic Development.

By adopting a more coordinated and strategic approach to the economy across a single footprint, supported by joined up planning, better integrated services such as transport, education and policy will be more achievable, and this should have an impact on economic growth and productivity. This larger umbrella would provide better place leadership, also



supporting travel to work patterns in the region, but also offer accountability and collective and collaborative local decision making across economic geographies.

Such an approach is line with the Government's devolution policy. The Institute for Government's report *Making devolution deals work* states that:

'By giving local areas powers over economic enablers such as housing, transport, skills and infrastructure, they will be able to boost economic growth and productivity locally...To some, devolution offers the chance to better join together public services at a local level, gaining efficiencies from closer working between services such as employment, health, skills, education, transport and social care. In addition to creating more cost-effective public services, devolution could – in this view – also lead to a simpler and clearer landscape of local services for citizens'<sup>39</sup>.

A case study of this kind of approach in a county area is demonstrated by Cambridgeshire and Peterborough:

#### Cambridgeshire and Peterborough

The devolution deal made by Cambridgeshire and Peterborough created a new combined authority made up of eight founding members. It stated its intention was to start 'a new relationship between Government and local partners where coterminosity with the CCG, Police, and Fire enables greater collaboration opportunities'<sup>40</sup>. The combined authority website describes that its key ambitions include: 'doubling the size of the local economy...delivering outstanding and much needed connectivity in terms of transport and digital links... transforming public service delivery to be much more seamless and responsive to local need... growing international recognition for our knowledge based economy' and 'improving the quality of life by tackling areas suffering from deprivation'<sup>41</sup>. As described in the devolution deal itself, it is recognised that for the combined authority to 'meet and exceed its ambitious targets for growth and wealth creation it needs to connect people and places'. Specific initiatives have been developed to create a connected region and these were designed through two themes: 'Transport and the physical connections between communities, which is the key to unlocking sustainable growth' and 'Digital Infrastructure and the connected economy with the objective of making a truly digitally connected region of the UK'.

Cambridgeshire and Peterborough have therefore made considerable effort to develop effective structures to support their local economy, and have realised a number of benefits in return. As outlined in their Local Transport Plan, the area: 'depends upon national and international connectivity to drive its economic prosperity. We must therefore ensure that all our region's businesses and tourist attractions are connected sustainably to our main transport hubs, ports and airports'. The plan continues to describe working in partnership with Highways England to improve freight movement and to support infrastructure and signalling enhancements, which when combined would assist goods to 'flow freely into and out of the region, allowing trade and local businesses to flourish'<sup>42</sup>.

<sup>39</sup> <https://www.instituteforgovernment.org.uk/sites/default/files/publications/4681%20IFG%20-%20Making%20a%20Devolution%20final.pdf> p8

<sup>40</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/600239/Cambridgeshire\\_and\\_Peterborough\\_Devolution\\_Deal.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/600239/Cambridgeshire_and_Peterborough_Devolution_Deal.pdf) p4

<sup>41</sup> <https://www.cambridgeshirepeterborough-ca.gov.uk/about-us/what-we-do/>

<sup>42</sup> <https://cambridgeshirepeterborough-ca.gov.uk/assets/Transport/Draft-LTP.pdf> p77

The Connecting Cambridgeshire programme is also an initiative working across multiple partners including telecom suppliers, the combined authority and government bodies to improve the county's digital infrastructure, 'to drive economic growth, help our businesses and communities to thrive and make it easier to access public services'<sup>43</sup>. As stated by the Mayor of Cambridgeshire and Peterborough, James Palmer, 'A strong mobile and broadband network together with free public access Wifi is key to enable us to remain competitive in the national and international marketplace'<sup>44</sup>. This four year plan as outlined in the Digital Connectivity Review 2018/2019 published by the combined authority in partnership with Connecting Cambridgeshire supports the devolution deal commitments to 'double the size of the economy, deliver outstanding and much needed connectivity, make public services more responsive to local need and improve people's quality of life'<sup>45</sup>.

It is these interlinking relationships between councils that could benefit Warwickshire in a combined authority approach, ensuring that each area retains its identity but maximises its ability to thrive through a more joined up strategic approach that tackles major issues including transport, planning and housing.

Such an approach could lead to a new approach for planning. For example, the combined authority could create one single overarching framework, with focus on areas of big development, and then a plan for the two unitary councils sitting underneath this. To ensure that this is not too remote, the unitaries should encourage and incentivise further local neighbourhood planning too at the parish and town council level.

In terms of creating a Combined Authority approach for Warwickshire, by far the easiest option and the most sensible (given the nature of the economy and transport links into the West Midlands) is for Warwickshire to join the West Midlands Combined Authority (WMCA).

All of the Warwickshire Authorities are either non-constituent members of or have applied to be non-constituent members of the West Midlands Combined Authority, and all are included within the three LEP geography of the WMCA.

All of the Districts and Boroughs are agreed that the future economic growth, including development of future transportation infrastructure, would be best achieved through seeking full constituent membership of the WMCA. This would be possible under either option being considered within this report. The WMCA is at the heart of the local functional geography and there is no credible alternative. It needs to be remembered that a significant number of Warwickshire residents of working age work in areas that already have a devolution deal, principally through the WMCA as a lot of the population work in Birmingham, Coventry and Solihull. If Warwickshire was to join an as yet undefined Combined Authority area, this would have the implication of undermining the geography of the existing WMCA and the Coventry and Warwickshire LEP.

It is easy to envisage an approach that combines two North and South unitaries in Warwickshire with membership of WMCA, therefore providing an ideal combination of strategic thinking on issues such as planning and transport, and local focus on the economy of place and the specific challenges that need to be faced in the North and South of the county.

<sup>43</sup> <https://www.connectingcambridgeshire.co.uk/about/>

<sup>44</sup> <https://www.connectingcambridgeshire.co.uk/wp-content/uploads/2019/07/Connecting-Cambridgeshire-Digital-Connectivity-Review-2018-2019-with-map.pdf> p2

<sup>45</sup> <https://www.connectingcambridgeshirco.uk/wp-content/uploads/2019/07/Connecting-Cambridgeshire-Digital-Connectivity-Review-2018-2019-with-ap.pdf> p2

The two unitary model also fits best with the Coventry and Warwickshire Local Enterprise Partnership, which is of importance in the development of the economy. A single county unitary would be significantly bigger than Coventry City Council and might create tensions. On the other hand, a two unitary model would create three councils of similar size within the LEP and therefore create balance.

Therefore the two unitary model is ranked highest due to its ability to provide a more coordinated and strategic approach to the economy across a single footprint, supported by joined up planning, better integrated services in transport, education and policy, and this should have an impact on economic growth and productivity. But crucially, it will also offer better place leadership, with more accountability and local decision making across economic geographies.

Both the single county unitary and the two unitary model were ranked higher than the status quo option due to the ability of unitary local government to strategically plan services for an area removing any confusion over split responsibilities between the tiers for economic development, and provide clearer representation between local government and other public bodies.

#### 4. Deliverability

The proposed two unitary model receives the highest ranking for this criterion, and the proposed county unitary receives the second highest ranking, with the status quo option receiving the lowest ranking.

The single county unitary model does involve the least change to services, as County Council services remain unchanged. This should improve the likelihood of service continuity and improvement given that existing services are largely unaffected by the reorganisation and will be delivered over a similar footprint. This is advantageous given the complexity that has resulted from other unitaries' experiences where disaggregation was required. There is a risk that service performance could suffer through disaggregation.

However, some County Council service performance is not strong. As mentioned above, the economic gap between North and South has not diminished. The Ofsted rating for Children's Services is 'requires improvement', for all categories apart from adoption performance which received a 'good' rating. The Sustainability and Transformation Plan for Coventry and Warwickshire in 2016 forecasted a financial challenge of £267 million by 2020/2021 unless action was taken, and health and social care have not been fully integrated. Given this is the case, the risk may be increased by leaving these services in situ rather than taking the opportunity to make them more local with more chance of delivering long term transformation.

Furthermore, the two unitary model would build on the Boroughs and Districts' track record of collaborative working.

Examples of this in the south of the county include:

- The use of joint Heads of Service between Stratford-on-Avon District Council and Warwick District Council on ICT and Neighbourhood Services, a shared Information Governance Officer and shared business rates team between these two councils;
- The Shakespeare's England partnership which is a joint tourism venture for South Warwickshire. This is a not-for-profit membership organisation and a public private sector partnership supported by the region's key tourism businesses as well as Warwick District Council and Stratford-on-Avon District Council;

- Collaboration with councils on the A46 road corridor in an A46 partnership; and
- Other joint working including through the South Warwickshire Community Safety Partnership, the South Warwickshire Health And Wellbeing Delivery Group, the Community Assessment Impact Operational Group and Vulnerable Persons Assessment Group.

Examples in the north of the county include:

- Shared services between North Warwickshire Borough Council and Nuneaton and Bedworth Borough Council for independent living support initiative and Private Sector Housing;
- A joint building control service that started with collaboration between North Warwickshire and Nuneaton and Bedworth, and has now expanded to include Staffordshire areas, showing that collaboration outside of the county is possible, and shows the importance of market forces from outside the county for the North of the county;
- Shared procurement, GDPR and IT system support services between Nuneaton and Bedworth Borough Council and Rugby Borough Council;
- Shared management of service areas between North Warwickshire Borough Council and Nuneaton and Bedworth Borough Council (including Head of Service, Revenues Manager, Systems Manager and Financial Inclusion Manager) as well as Revenues & Benefits and an IT system hosted by Nuneaton and Bedworth Borough Council; and
- Further collaborations including dual-use leisure centre partnerships with Coleshill School, Polesworth School, QE Academy in Atherstone and Etone College Nuneaton, the LEADER agreement with DEFRA and Hinckley & Bosworth Borough Council, the management agreement with Warwickshire Wildlife Trust for local nature reserves and the Tame Valley Wetlands Landscape Partnership.

In relation to closer working on waste disposal, all of the District and Borough councils have agreed to jointly commission a Materials Recycling Facility [MRF] in partnership with the existing Unitary Authorities of Coventry, Solihull and Walsall. This initiative demonstrates an ability to be a fundamental part of an innovative solution to control and expand the range of materials that can be recycled by the partners from across the sub-region. At the same time the project will deliver better value for money by reducing processing costs and mitigating risks in overall recycle markets. The project has meant that all five authorities have had to make decisions in this area and become long-term equity partners in the MRF. A simpler solution could have been for the disposal authority to have taken the lead, similar to arrangements in Herefordshire and Worcestershire and directed the collection authorities to use this new facility.

There are examples of good cross-county working in relation to housing. HEART is a Warwickshire public health project that provides advisory and support services to residents to improve, repair or adapt their homes in response to health needs. This is a joint strategy partnership service between the councils to enable independent living – with the organisation split into HEART North (North Warwickshire, Nuneaton and Bedworth, and Rugby) and HEART South (Stratford-on-Avon and Warwick)<sup>46</sup>. There is also work with the Voluntary and Community Sector to work on horizon scanning.

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[https://www.nuneatonandbedworth.gov.uk/info/21036/heart/353/heart\\_%E2%80%93\\_helping\\_you\\_live\\_independently\\_at\\_home](https://www.nuneatonandbedworth.gov.uk/info/21036/heart/353/heart_%E2%80%93_helping_you_live_independently_at_home)

Finally, Warwick Building Control was formed in 2016 and sees Building Control applications from Warwick District, Rugby Borough and Daventry District administered by Warwick District Council.

Work across the county such as this will be vital going forwards, to ensure a joined up strategy to best provide for the needs of the population at the best value.

It is also the case that currently the Northern Boroughs and the Southern Districts have very different service delivery models. The South has outsourced more services than the North, which retains a lot of services in house. Outsourced services in the South include fraud investigation, housing repairs, out of hours building control for dangerous structures and neighbourhood services including refuse and recycling, street cleansing and ground maintenance. It is also the case that the South's outsourced services tend to be long-term for up to 8 years. It would be very difficult to unpick this for a single county unitary, making it very difficult to deliver consistency and economies of scale. When Borough and District services are considered, given the difference in cultures, and the record of collaboration, the easier configuration to deliver would be on a North / South footprint.

One argument for a single county unitary is that it produces a council of sufficient size that meets the Government's criteria of 'at least 300,000-400,000' people. However, the two unitary model proposed is also a possibility using this criteria.

Although the population figures for one of the two unitaries proposed in this model is under this threshold at the current time, as shown by the ONS statistics<sup>47</sup> provided below, this Government requirement will be met soon, and within ten years, both proposed unitary councils will meet this criteria.

	<b>Estimated population 2020</b>	<b>Estimated population by 2030</b>	<b>Estimated population by 2040</b>
<b>Warwickshire</b>	581,624	630,394	672,247
<b>Northern Warwickshire, Nuneaton and Rugby</b>	306,026	327,983	347,842
<b>South Warwickshire</b>	275,597	302,411	324,404

It can also be seen that, across the West Midlands, the two unitaries proposed will be comparable to other unitaries across the region.

Within the West Midlands, when GVA is examined, the proposed South Warwickshire economy is the second biggest, second only to Birmingham, with the proposed North Warwickshire fourth overall.

When population is taken into account, both proposed unitaries would be bigger than other existing unitaries such as Solihull and Wolverhampton.

By contrast, a county unitary would be significantly bigger in both population and economy than all other unitaries in the WMCA area except Birmingham. A unitary of such size within the WMCA could add to the politics and be unpopular among existing members.

This is shown in the table below.

<sup>47</sup>

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/dataset/populationestimatesforukenglandandwalesscotlandandnorthernireland>

Unitary	Gross GVA 2018	GVA change 2020	GVA change 2021 (projected)	Population (2020)	Population 2030 (projected)	Area (sq miles)	No. of Councillors
"Northern Warwickshire"	7,735	-11%	10%	306,026	327,983	277	N/A
"South Warwickshire"	9,413	-12%	9%	275,597	302,412	487	N/A
<b>Warwickshire Combined Total</b>	<b>17,148</b>	<b>-12%</b>	<b>10%</b>	<b>581,624</b>	<b>630,395</b>	<b>764</b>	<b>N/A</b>
<b>Birmingham</b>	27,266	-10%	9%	1,147,620	1,194,895	103	99
<b>Coventry</b>	8,979	-12%	10%	373,390	419,366	38	54
<b>Dudley</b>	6,066	-10%	9%	322,229	336,516	38	72
<b>Sandwell</b>	6,729	-10%	8%	329,627	347,891	33	72
<b>Solihull</b>	7,529	-12%	9%	216,297	230,362	69	51
<b>Walsall</b>	5,742	-10%	8%	285,494	304,384	40	60
<b>Wolverhampton</b>	6,075	-10%	8%	263,997	279,846	27	60

Finally, the two unitary model is a better cultural fit. There is poor cultural alignment between the County Council and the District and Boroughs under the current arrangement. It is important to note that the lack of cultural alignment between the County Council and Boroughs and Districts is likely to impact on all of the options. However, the track record of District collaboration increases the likelihood of being able to successfully address any cultural alignment issues. The two unitary model also clearly creates two new entities, removing any sense of 'takeover' by the County of the Boroughs and Districts which may cause problems (this is a well-known problem in other mergers that are seen as 'takeovers').

On this basis the two unitary model has been ranked highest and the single unitary model second. The status quo option has been ranked lowest, as there is a lack of collaborative working between the Districts and Boroughs and the County under the current two-tier system.

## 5. Cost savings

As part of the preparation of this report, a financial assessment has been undertaken of the potential savings, costs and income foregone of the options being considered.

The financial assessment indicates that both the single county unitary and the two unitary options deliver more savings when compared to the status quo.

Creating a single county unitary could deliver cumulative net savings of £40.7m after five years.

Creating two unitaries could deliver cumulative net savings of £26.6m after five years.

There is therefore a difference between the two options of £14.1m over five years.

This is shown in the table below.

The table identifies a prudent level of saving that could be achieved from the creation of a single or two unitary model for Warwickshire, and these are based on experiences from elsewhere in the country. However, the table does not include speculative savings which could be delivered from future transformation of service delivery. It would be for any new authority to establish the future vision of service delivery and priorities. Therefore, at this stage such unsubstantiated savings have not been included within the overall assessment of value for money.

Please note that rounding has been used to simplify the presentation. This means that there are areas where the addition may not precisely sum.

Please also note that the figures in this assessment are not adjusted for inflation.

Finally, the numbers within this assessment should be regarded as an estimate only. The actual savings will be driven by the detailed decisions made. For the purposes of this analysis the important point is the difference between the two scenarios.

		Area	5 year total	
			Option 1: One Unitary	Option 2: Two Unitaries
<b>Costs</b>	Council tax harmonisation		2.9	5.9
	Change Costs		4.7	5.2
	Redundancy Costs		5.5	3.8
	<b>Total Costs</b>		<b>13.0</b>	<b>14.9</b>
<b>Savings</b>	Staff savings		(28.2)	(19.5)
	Corporate Services		(10.8)	(8.6)
	Property Rationalisation		(1.8)	(1.5)
	Service Optimisation		(6.8)	(5.4)
	Democratic Savings		(6.1)	(6.5)
	<b>Total Savings</b>		<b>(53.7)</b>	<b>(41.5)</b>
<b>Net (Saving) / Cost</b>			<b>(40.7)</b>	<b>(26.6)</b>

Put another way, after five years, creating a single county unitary could make annual recurrent savings of £10.7m.

After five years, the two unitary option could make annual recurrent savings of £7.5m.

This represents a difference in savings of £3.2m per year after five years.

The differences between the options are because a single country unitary provides the opportunity to create greater economies of scale in terms of senior management and service spend reductions than the two unitary option. The two unitary option is also higher cost.

While it is clear that the greatest financial gain would be achieved from the single county unitary model, the difference between the two options is not significant in the context of overall net budget:

- The single county unitary could create savings of £10.7m per year, or 1.5% of net budget
- The two unitary model could create savings of £7.5m per year, or 1.1% of net budget

Both models begin to make savings in year two, using the phasing assumptions made.

For this criterion, the single county unitary has been ranked highest, followed by the two unitary model, and finally the status quo.

## **Value for Money**

However, it must be acknowledged that there are different ways of considering value for money, rather than just reducing base cost.

Reducing staff levels and rationalising services can lead to more stretched and less responsive services. It can also limit the potential for long-term transformation where the financial benefits may be far more significant.

Moreover, value for money needs to be provided for the council tax payer too.

## **Council Tax Harmonisation**

In this regard the tricky issue of council tax harmonisation is particularly important. Whichever unitary option is chosen, the resulting organisation(s) will have to work out how to harmonise council tax across the county.

This is a difficult issue in Warwickshire given the current discrepancy in Borough and District precepts between the North and the South (the lowest value is £144.12 in the South and the highest value is £238.66 in the North). This discrepancy is significant and reflects the significant socio-economic differences between the North and South.

A future county unitary would have a difficult choice to make:

1. Harmonise to the highest precept, which reduces income lost, but involves a significant council tax rise for the South of the county, which represents poor value for money for the council taxpayer and could be politically difficult
2. Harmonise to the lowest precept, which ensures the North of the county would receive a council tax cut, and the South would receive no increase, but would lose a significant amount of money to local government in Warwickshire
3. Harmonise to an average of the precepts in North and South as a compromise, which would involve some increase in council tax for the South, but also forego significant income

In summary, creating new unitary councils either forgoes income that local government in Warwickshire could retain for services, or represents additional costs to the council taxpayer.

There is no easy way out of this difficult trade off and careful consideration is required.

### *Impact*

Council tax harmonisation also has the potential to have significant impacts on the overall value for money of the respective options.

Analysis has been undertaken of the income forgone from council tax harmonisation using the three scenarios identified above. The results of this are shown in the table below:



Option (5 Years)	Harmonise to Highest	Harmonise to Lowest	Weighted average
	£'000	£'000	£'000
Status Quo	0	0	0
Single County Unitary	2,858	46,048	22,304
Two-Unitary: North & South	5,896	19,488	15,412

If the future unitary council(s) chose to harmonise to the highest precept, the income foregone appears manageable. These costs have been built into the overall cost/savings analysis outlined above. Using this method, both options still produce net savings after five years.

However, under this option, the single county unitary would have to implement a significant tax rise for the South of the county. This tax rise for the South of the county is much smaller under the two unitary model.

Also under this option, it could take significantly longer for harmonisation to take place (if it is assumed that the 2% cap on increases remains). The single unitary would be unable to harmonise until 2046, which does not appear realistic. By contrast, the two unitary model sees harmonisation occur faster (in 2031).

Harmonising to the lowest precept forgoes huge amounts of income for local government in Warwickshire (£46m over five years for a single county unitary). This therefore could wipe out all potential savings for a potential future county unitary, creating no financial benefit to local government from reorganisation.

Harmonising to a weighted average again results in significant amounts of income lost to the county unitary over five years (£22m). This potentially reduces the five year savings significantly.

It would also result in an increase in council tax for residents of the South, and a reduction for residents in the North, and therefore arguably transfers resources from South to North.

### *Conclusion*

This exercise is clearly dependent on assumptions about what any future council(s) would choose to do.

However, the point of the exercise is to illustrate that reduced costs is not the only important criterion in this context.

A future single county unitary would face a difficult choice between maximising its income and savings, while increasing council tax rates, or foregoing significant income, but minimising council tax rises.

Residents of the Districts in the South could see themselves paying higher council tax rates for services that are run more remotely and are less responsive.

Alternatively, income foregone by council tax harmonisation could wipe out many of the potential savings from a single county unitary approach.

# Conclusion

This report recommends that Option 3 – the two unitary model – should be considered most likely to meet the criteria as outlined in this report.

In summary this is because:

- The two unitary model better maintains a sense of real place and community;
- The two unitary model better maintains effective local leadership;
- The two unitary model has more chance of improving services due to its focus on local need;
- The two unitary model has more chance of creating economic growth due to its focus on place;
- The two unitary model can achieve the potential economic benefits of operating strategically at scale if the two unitaries become full members of WMCA;
- The two unitary model is more likely to succeed, and
- Although the two unitary model produces fewer cost savings than the single county unitary, the difference is potentially not significant.

Ultimately there is a lack of empirical evidence to support whether a bigger county unitary or smaller unitaries will be more effective in any given place.

Therefore an assessment of any preferred option must be based on the specific local context in each place.

In Warwickshire there is clear evidence that the North and the South of the county are fundamentally different places, and as such, require their own local government structures.

This is why this report recommends option the two unitary model.



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