

January 2007

Preliminary report on potential financial implications for a single Wiltshire Authority

Status: Preliminary report

This is a preliminary report that has been prepared for discussion purposes. This report does not constitute our final views. As a result any views in this report may be subject to change or amendment (following discussion with you). Our paper is addressed to, and prepared for Wiltshire County Council and we do not accept any duty or responsibility to any other party. On this basis, this paper should not be disclosed to any third party or be quoted or referred to without our prior written consent. Such consent will be granted only on the basis that such papers are not prepared with the interests of anyone other than Wiltshire County Council in mind and that we do not accept any duty or responsibility to any other party.

Government and Public Sector

Introduction and Background

PricewaterhouseCoopers LLP (PwC) has been working in partnership with the County Council since mid December to help inform its thinking about the financial implications for a potential single local authority for Wiltshire. In this role, we have considered the robustness of the relevant costs, savings and related assumptions made by officers in relation to the creation and running of a single Wiltshire Council.

In the short timescale available to us and the Council, we have liaised extensively with officers to provide a combination of analysis, advice, support and challenge to assess the potential savings and costs which could accrue from a single Wiltshire Council. We are also undertaking further work to compare the projected savings and costs identified so far in Wiltshire to those identified in other parts of the country, where we are undertaking similar work, in order to provide further insight on the scale and robustness of the projections made in Wiltshire. The work undertaken by PwC does not however constitute an audit of the figures prepared by officers.

We would emphasise that, at the time of preparing this paper, work is still being carried out to further review and refine the relevant figures. As a result, the figures provided in this report should be seen as provisional, and they may be subject to further change as the ongoing work continues.

We have in the time available to date, focused our work on the scale of potential financial savings and the investment required to realise those savings ('transition costs') in those areas likely to be of most significance. An initial list of such areas was established at a workshop with members and officers on 15 December and further areas of focus have been added during subsequent liaison and discussion with officers.

The projected savings and costs in the relevant areas have been assessed on a number of bases, depending on such factors as:

- the nature of the individual service or function;
- information available within the County and from the Districts (eg on costs, staffing, organisational structures, current levels of service etc);
- comparative information available from other sources such as CIPFA and the Audit Commission;
- relevant research and studies undertaken elsewhere;
- our own work at other authorities; and
- the envisaged future vision for the individual service or function in the new authority.

The assumptions that have been applied are a best estimate of the potential savings achievable in the context of the information and timescale available.

The savings opportunity for a single Wiltshire Authority

The following table sets out the initial projections on the possible financial savings to be achieved by implementing a single Wiltshire authority. The types of saving which have been identified and assessed include, for example, those related to:

- Economies of scale and avoidance of duplication on amalgamation of services and functions;
- Rationalisation of staffing structures as a result of merging a number of organisations into one;
- Extra synergies that can be derived from bringing services together in one organisation; and
- Use of best practice across the new authority, building on existing strengths.

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Service/ Function	Initial Indication of Eventual Potential Saving per annum £000
Economic Development	500
Trading Standards and Environmental Health	590
Waste	1,420
Leisure	270
Planning	1,850
Housing and Adult Care	1,600
Housing	470
Revenues and Benefits	1,200
Parking	500
Corporate	550
Legal	500
Human Resources	180
Finance and External Audit	750
Democratic Governance - allowances	225
- administration	290
Property and Accommodation	1150
Contact centre	860
Procurement	675
Communications and marketing	120
ICT	1,000
Total	14,700

Thus initial indications are that recurring savings could eventually total approximately £14.7m per annum. This compares with projections made by a number of other counties which we are aware of, where the range of savings is between £11.4m and £27m per annum. The average of the sample counties is £18.4m.

In this context, the relative size and spend of the individual authorities are obviously important factors relating to savings potential. Wiltshire is in fact one of the smaller counties included in the sample, its population being 449,700 as opposed to an average of 528,000 and with net revenue expenditure (County plus Districts) of £502m (including schools) compared to an average of £637m in the other counties included in the sample. The projected savings in Wiltshire are just under 5.3% of the net revenue expenditure of the existing Wiltshire authorities, excluding schools (£278.3m).

Government and Public Sector

The following table shows how Wiltshire compares to the average of the sample of other counties:

Comparisons	Wiltshire	Average of sample authorities	Percentage of Wiltshire compared to average
Provisional Savings	£14.7m	£18.4m	80%
Population	449,700	528,000	85%
Net Revenue Spend	£502m	£637m	79%

On this basis the savings figures so far identified for Wiltshire appear to be in line with the projected savings elsewhere, taking into account its net revenue expenditure and size. In addition, anticipated capital receipts of approximately £2.5m have been identified.

The transition costs

The following table sets out the initial projected estimates for the transition costs, which could be incurred when moving to one Council for Wiltshire.

Service/ Function	Initial Indication of Potential Cost per annum £000
Project Management	1,600
Early Retirement and redundancy	7,000
Training , recruitment and relocation	1,150
Human resources	900
ICT	2,500
Business Management	1,500
Contact Centre	470
Closedown of Districts	500
Other (eg signs)	300
Contingency	2,000
Total	17,920

Thus on the basis of the work undertaken to date, total transition costs are currently estimated to be approximately £17.92m, though again the figures are subject to change, as further work is undertaken, particularly in respect of potential early retirement and redundancy costs. This figure is slightly below the average of the total transition costs of the authorities included in our sample (£18.4m) but if the relative size and expenditure of Wiltshire are taken into account, the Wiltshire figures would appear to be reasonably prudent.

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Overall Review

The total saving per annum quoted above is the eventual annual saving which could be achieved after 3 to 4 years. Inevitably it will take some time to achieve these figures, while the transition costs will tend to be incurred rather earlier in the process. The estimated phasing of the savings is shown in the following table.

Year	Projected savings pa £'000	Cumulative savings £ '000
1	5,220	5,220
2	11,905	17,125
3	14,305	31,430

On the basis of the work so far undertaken it is therefore estimated that the cumulative savings will cover the total transition costs within the first 2-3 years of the introduction of the new authority, this being the estimated payback period.

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