

Devon structural review

Synopsis of the Boundary Committee's assessment of affordability

Further draft proposal – Exeter & Exmouth and Rural Devon

The estimates given below are based on figures and assumptions made by the local authorities in Devon and have been modelled by our independent financial consultants to reflect risks relating to those assumptions.

The base figures used by the Devon local authorities are from the financial year 2007/08, and were taken from the published Finance and General Statistics Budget 2007/08, the latest published consistent and reliable data when the independent financial consultants began to assess the figures and assumptions.

The best estimate of the cost of changing from a system of two-tier local government to two unitary authorities is £76.5m (see Appendix A).

We estimate that this cost may be covered from savings of £98.2m (see Appendix B). However, the Exeter & Exmouth unitary authority would need to transfer part of its savings during the transition period to the Rural Devon unitary authority, for both authorities to be able to cover their costs. We estimate that it will take about 4 and a half years to recover this cost. Savings after this period are estimated to be £17.8m every year.

In order to ensure that there is a sufficient level of funds (balances) to support the plans being delivered in both these unitary authorities, there will be a need to transfer balances from Rural Devon unitary authority to Exeter & Exmouth unitary authority.

It will not be necessary to increase the average council tax in Devon as a result of the change to two new unitary authorities. The actual levels of council tax will be decided by the new authorities.

Devon
Two unitary authorities – Exeter & Exmouth and Rural Devon

Estimated costs of proposed changes

The extra costs that arise from bringing together a number of local authorities to become two unitary authorities are of two types: one-off costs and costs that will arise every year throughout the transition. These costs are listed below.

1. Staffing - includes the cost of reducing numbers of staff, including costs of redundancy and early retirement and pay harmonisation costs.
2. Information Technology – costs of new equipment and programs.
3. Other – such as devolving some decision making to a local level; supporting elected councillors and administrative support based in local areas; change management, training staff; disaggregation of county council services; cancellation of contracts.

The table below gives a breakdown of the costs

Expenditure	Cost in £ million
Staffing	38.1
Information Technology	6.6
Other	31.8
Total	76.5

Estimated savings of proposed changes

The estimated savings that arise from bringing together a number of local authorities to form two unitary authorities come mainly from ceasing to duplicate activities that are carried out by each of the existing authorities. The types of savings that will be made are outlined below:

Corporate and Democratic savings

1. Savings from reducing numbers of senior staff and administrative support staff because of duplication of jobs.
2. Savings in information technology because of reduction in numbers of systems in use, and fewer staff needed to support these services.
3. Expected savings from the ability to achieve better prices from buying more standard items and services in greater numbers.
4. Savings from reduced costs of, for example, insurance premiums, audit and treasury management.

Services savings

5. Savings from reduction in management and administrative support of services, such as Highways, Housing Services, Cultural Services and Environmental Services.

The table below shows a breakdown of the savings

Estimated Savings	Savings £ million
Corporate and Democratic	69.6
Services	10.4
Other	18.2
Total	98.2