

**BOUNDARY COMMITTEE REVIEW OF LOCAL GOVERNMENT STRUCTURES IN
NORFOLK SUFFOLK AND DEVON**

**REVIEW TO TEST WHETHER AFFORDABILITY
CRITERIA ARE LIKELY TO BE MET**

**REVIEW OF RESPONSES AND 'IN AGGREGATE'
ASSESSMENT**

- Review of**
- **responses to our reports dated 19th November 2008,**
 - **two unitary patterns in the light of the Secretary of State's
new guidance dated 5th December 2008**

SECTION A

- REPORT OVERVIEW

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*As presented to the Boundary Committee on 20th January 2009, but with
additional analysis as requested*

REPORT TO THE BOUNDARY COMMITTEE

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1 Background to this report

This report is one of three documents – the others being ‘Detailed Comments on Responses and Copies of Responses’ (Section B), and the workbooks (Section C) showing detailed calculations for the two ‘in aggregate’ approaches we have examined, which are also to be read in conjunction. This report presents the overview to the exercise and our overall conclusions.

Our report to the Boundary Committee on 19th November set out the results of our review of the 16 submissions made to the Boundary Committee in September, as to whether they were likely to meet the affordability criteria set out by the Secretary of State. Our report was placed on the Boundary committee website on 21st November.

Following a ruling under a judicial review, the deadline for responses to that report has been extended to 24th December.

In addition, the Secretary of State has issued new guidance specifically relating to the concept of aggregation in areas where two unitary patterns have been reviewed. This is attached at **Appendix A**.

The criteria which were originally required to be met by the Secretary of State have not changed. For the sake of completeness, we show them again below.

➤ Criterion 1 Transitional costs overall must be more than offset over a period (“the payback period”) by savings.
➤ Criterion 2 The “ payback period ” must be no more than 5 years.
➤ Criterion 3 In each year, capital transitional costs incurred are to be financed through revenue resources, or the normal process of prudential borrowing or the use of capital receipts.
➤ Criterion 4 In each year, other (i.e. revenue) transitional costs incurred are to be financed through a combination of the following: <ul style="list-style-type: none">➤ In year revenue savings arising as a result of restructuring;➤ • Other in year specified revenue savings that are additional to annual efficiencies (e.g. Gershon savings) which local authorities are expected to make;➤ • drawing on available revenue reserves, subject to ensuring that satisfactory amounts remain to meet unforeseen pressures or other potential calls on reserves;➤ Use of revenue reserves should be the final option considered, both because of the need to preserve a contingency to meet future pressures and because use of reserves adversely affects the fiscal aggregates in a given year, increasing spending but not receipts and so placing further pressure on the Government’s fiscal rules;➤ The use of capital resources to meet revenue costs will not be permitted.
➤ Criterion 5 All costs incurred as a result of reorganisation must be met locally without increasing council tax . The Boundary Committee have directed us to consider this criterion using the guideline “without increasing council tax on average”.

2 Advice requested by the Boundary Committee

The Boundary Committee have asked us to perform three tasks:

2.1 Task A - 'In aggregate' - request: The IFC's (Independent Financial Consultants) are asked to advise the Committee whether the patterns identified in its report published on 7 July are likely to meet the affordability criterion, 'in aggregate', as envisaged by the 5 December guidance. The IFCs should consider representations that relate to the 'in aggregate' issue and take them into account when responding to the Committee.

2.2 Task B – effect on previous outcomes - request: To what extent have the representations affected the outcome of the reports presented to the Committee on 19 November and uploaded on our website on 21 November?

2.3 Task C – general questions - request: Advice to the Committee on the general questions that have been received not directly relevant to the workbooks.

The formal request is attached at **Appendix B**

3 Starting point

The starting point for all analysis in this report is the data shown in our Summary Report 17th November 2008 and its supporting documents.

To produce that document we examined some 400 detailed workbooks and specified supporting documents and asked some 200 detailed questions to which we received - in the main –detailed answers.

That document showed the results of our approach which included modelling the effect on the submitted figures if provision was made for certain risks which we identified. This process is described in our Summary report -paragraphs 2.1.3.1, 2.1.3.2, and 2.1.3.3

It is important to understand that the process which was put in place captured a point in time, and was constructed purely to allow the assessment of whether or not the Secretary of State's affordability criteria were likely to be met - and for no other purpose. It did not attempt to produce a budget for the new unitary.

Experience of major reorganisations, both in local government and some other areas, tends to indicate that the outcome for transitional costs and savings will be more difficult than predicted – costs may be higher and savings may be lower. Balances are essential to support this likely risk.

We have modelled the effect of some risks which may take place from our review of all the data submitted. Overall the effect of these possible risks, after allowing for possible opportunities which we highlighted, was some £28m – about 12% of the net savings as submitted.

That modelling is the starting point for this analysis.

4 Overall Conclusions

Conclusion 1 – “In aggregate” approach and risk

The ‘in aggregate’ approach potentially has a higher level of risk than that inherent in considering submissions individually, due to the very high level of collaboration and cooperation which would be needed between all parties in order to share balances and net transitional savings. In practice it is unlikely that one authority would share benefits with another and so disadvantage its own stakeholders. As we have used the same risk matrix as that used in the initial review, this additional risk is not reflected in the Tables 9.6 and 9.14. We recommend, therefore, that the Boundary Committee consider this additional risk and take it into account when reaching its final conclusions.

Conclusion 2 – Devon “in aggregate”

The ‘in aggregate’ approach which we have followed indicates that the two unitary pattern in Devon could, in aggregate meet the affordability criteria. Separately the two submissions in this pattern were scored as high risk.

Conclusion 3 – Overall effect of “in aggregate” approach

The “in aggregate” approach to affordability has, apart from Devon, not materially changed the overall conclusions contained within our Summary Report of 19th November 2008.

Conclusion 4 – Two Unitary Patterns, Norfolk, Patterns A and B

Two Unitary patterns in Norfolk – Patterns A and B with or without Lowestoft - are scored as high risk under Method A ‘in aggregate’ approach and appear not likely to meet the affordability criteria, except with the inclusion of opportunity modelling.

Conclusion 5 - Norfolk Pattern B, Method B

It is not possible to directly analyse Pattern B Norfolk using Method B ‘in aggregate’ approach as the error in budget disaggregation regarding education spending and specific grants cannot be allocated to one or the other of the submissions. As requested, however, we have shown the effect of an arbitrary range of allocations of this error between the two submissions for the purposes of illustration and find that this makes no difference to our conclusion using Method A. See Appendix C to this report.

Conclusion 6 – Opportunity Modelling

If the Committee are minded to recommend any submission or pattern which we have indicated may meet the affordability criteria only after the inclusion of opportunity modelling, it should not be assumed that this is the case without further detailed review and the nomination of a committed sponsor or champion.

Conclusion 7 – Net transitional savings and reserves transfers

The ‘in aggregate’ approach seems to require savings made – and reserves held - in one area to be transferable to another area. The issues arising from this will need to be addressed by the Secretary of State.

Conclusion 8 – Effect of Responses on previous outcomes

With regard to Task B – Effect on previous outcomes - the issues raised by the responses, having been carefully considered do not affect our overall conclusions in our Summary Report 19th November 2008

Conclusion 9 - General Questions

With regard to Task C – General Questions – we have found nothing on which we feel we should provide the Committee with additional advice. There are points which have been raised which the Committee will wish to consider itself however.

Conclusion 10 – New submission, Norwich

Norwich has put forward in its response (8f and 8g) a new set of figures which they say is based on the Norfolk submissions. In our view this represents a new submission which should go through the same process and full consultation that all other submission have. We have therefore not considered the detailed figures at this stage.

Conclusion 11 – General economic climate

Many of the responses have expressed concerns about the changed and deteriorating economic climate and how this may have an adverse impact upon any conclusions drawn from “affordability” submissions and related financial modelling. Local authorities, whatever their structure, will face financial challenges, and structural realignment will in some cases produce greater resilience and in others not. We would anticipate that the Secretary of State would take into account the overall robustness of relevant authorities when making a final decision on whether or not to implement an individual new unitary structure of local government.

5 Norfolk Pattern B – Greater Norwich and Norfolk Remainder with and without Lowestoft

Norwich contests the approach we took to modelling in reviewing the Greater Norwich and the Pattern B Norfolk Remainder submissions.

We accept that views can be taken on the modelling we undertook – in most cases respondents have been concerned that we have not provided for increased risks sufficiently.

We feel it important to address the concerns raised by Norwich at this stage of the report as they will affect consideration of the ‘in aggregate’ approach under Method A and Method B, as well as Task B - Effect on previous outcomes. We have therefore undertaken further sensitivity analysis .We have dealt with this in greater detail at Appendix C and summarise the issues below.

Disaggregation of education expenditure and specific grants

It must be remembered that in Pattern B the base budget, as shown by the two submissions, was unreconciled by £7.1m per annum due to the different views that the lead officers took on education spending and specific grant disaggregation. This would have significantly affected the Council Tax calculation in particular. The issue was for the lead officers to resolve, and no other submissions put forward unreconciled base budgets.

Greater Norwich Submission

The transitional plan put forward by Norwich for the Greater Norwich submission showed net savings over the transitional period of only £3.2m - 2.2% of base costs. Norwich says their approach is ‘transformational’ – but our task is to assess the effect of their submission on the affordability criteria.

In our modelling we assessed the effect that if savings could reduce by only 10% and that there might be a delay of 6 months in achieving them. Norwich says that **any** reduction of their figures in modelling is 'very pessimistic'.

Had we used only a possible 3 months delay and a 5% reduction, this in itself with no other adjustment would have equated to 2.3% of base costs. But this would have increased the net modelled savings by £3.6m.

Pattern B Norfolk Remainder Submission

We modelled opportunity savings in all the County Remainder submissions to recognise the 'lack of sponsor' issue. In Pattern A we reduced the additional staff costs put in by Norfolk for the reduction of economies of scale by 50%. The Pattern A authorities were of the order of two thirds the size of Pattern B Remainder and Norfolk had put in less equivalent staff costs to reflect that. In our modelling we took the view that this would mean less of a reduction, and reduced additional costs by 10%. If we now took the view, for illustration, that a 50% reduction was more appropriate the effect would be some £3.2m over the transitional period.

Further sensitivity analysis

Taking all this into account, and in order to respond openly to all these issues affecting Pattern B, we have modelled the effect, for illustrative purposes, of

- a. increasing the modelled savings:
 - (1) in the Greater Norwich submission by £3.6m (as described above)
 - and (2) in the Norfolk Remainder submission by £3.2m.
- b. making overall provision for the £7.1m per annum caused by the budget imbalance as submitted.

The net effect is shown below:

Method A – with further sensitivity modelling

The outcome is that even allowing for these further savings, the "in aggregate" patterns, using Method A, both with and without Lowestoft, appear to be unlikely to meet criteria 4 and 5, Balances and Council Tax, after allowing for the budget aggregation error of £7.1m. This is shown in detail in the workbooks.

Method B – allocation of error in budget disaggregation with further sensitivity modelling

In our view it is not possible to analyse Norfolk Pattern B directly using Method B as this would require a proper allocation of the budget error to one or the other of the submissions. However, in response to a request by the Boundary Committee, we have looked at three different scenarios for arbitrary allocations of the budget error, and have included further savings as shown above as further sensitivity modelling.

- **£7.1m is allocated to Greater Norwich submission and further savings are modelled**
- **£3.55m is allocated to each submission and further savings modelled**
- **£7.1m is allocated to Norfolk Remainder submission and further savings are modelled**

In each case we conclude that “in aggregate” the submission is unlikely to meet all of the affordability criteria. This is explained in further detail at Appendix C.

6 Risk Matrix – background and further risks from the “in aggregate” approach

In approaching Task A – “In Aggregate” analysis we have used the risk matrix which we applied in our report dated 19th November 2008. In our view this ensures a consistent approach to that which we used then. We set out clearly our scoring mechanism and its aims in our Summary Report of 19th November 2008 – (Appendix F page 31). We have reviewed this and are satisfied that it is reasonable.

Nevertheless, we wish to emphasise what our approach has been in assessing whether or not the Secretary of State’s affordability criteria are likely to be met using the “in aggregate” approach as set out in Methods A and B.

Firstly, we have assessed after modelling whether or not the criteria have been met, by whatever margin – effectively a “first past the post” approach. The results of this are shown below in tables 9.6 and 9.14.

Secondly, using the risk matrix, we have assessed by what margin the criteria have been achieved or otherwise; the lesser margin for error the higher the risk score and vice versa. This enables us to show the level of risk that we consider is reflected in the submissions on an objective basis.

Thirdly, since we are focussed on our task of highlighting whether or not a submission as modelled is likely to meet the affordability criteria, we had regard to the level of modelling necessary to test this. For example, when a submission showed substantial savings we modelled the effect of a larger percentage reduction in savings than another submission which showed more marginal savings. In doing this we tested the sensitivity of the submission to possible risks in achieving the criteria at the margin; we were not testing what the actual outturn might be.

However, there may be other risks in the “in aggregate” approach which are not reflected in the above approach. It should be remembered that the affordability submissions represent high level financial forecasts and not budgets, and consequently if one unitary authority fails in practice to deliver forecast savings, any shortfall would be met from its own balances in the first place. This would lessen “in aggregate” balances available to another unitary authority within the Pattern.

The “in aggregate” approach also requires a very strong level of cooperation and collaboration between new unitaries which may have different persuasions and aspirations, as well as between the present constituent authorities. This is essential to ensure both balances and net transitional savings are available to the relevant unitary, as reflected in the “in aggregate” approach. Effectively this will require the movement of resources, some of which may not be achieved for some years (i.e. transitional net savings) from one unitary to another.

The level of such cooperation and collaboration which has been seen so far has not always been high. We see this as a significant additional risk, but we are not in a position to reflect it in the risk matrix for the reasons given above.

We recommend, therefore, that the Boundary Committee consider this additional risk and take it into account when reaching its final conclusions.

7 Task A – ‘In Aggregate’ – Summary

The guidance which was provided by the Secretary of State on 5th December 2008 defined the term ‘in aggregate’ when looking at two unitary patterns covering a whole County or area’.

We are also asked to consider comments made by respondents. Several responses supported the approach but did not give specific views on how it should be undertaken. Those that made specific points are shown below:

Ref No	Author of response	Overall response
1	Norfolk County	We have read the Secretary of State’s additional guidance to the Boundary Committee, dated 5 December, which clarifies the meaning of the term “in aggregate”. We note in particular paragraphs 8 and 9, which restrict the scope to transitional costs and opening reserves. It is important to ensure that aggregation of the figures does not belie the reality that the two unitaries will be separate entities, with independent responsibilities to Council Tax payers in their respective areas.
	Norfolk County	The ongoing business cases, the net ongoing savings and risks in the transition plans, cannot be meaningfully aggregated. Large savings and low risk in one unitary would not, in practice, compensate for minimal savings and high risk in the other. The Revenue Support Grant mechanism is not one that can be fine-tuned to divert a defined amount of funding from one specified authority to another.
	Norfolk County	<p>This is not a question simply of aggregating the existing transition plans; it is about a different approach to drawing up and delivering business plans for two unitaries working co-operatively</p> <p>In our view, this would be a high risk approach:</p> <ul style="list-style-type: none"> ➤ There has been no purposeful collective will to implement shared back office services in Norfolk since the initial feasibility study was carried out. ➤ The local government review and debate in Norfolk has been strongly contested. It would be unrealistic for the implementation and affordability of a unitary structure to rely heavily on co-operative collaboration between two new unitaries, to be sustained over several years. ➤ There would need to be a “pooled budget” arrangement between two separate legal entities. Cost control and benefits realisation can be difficult under such arrangement. In the event of overspends (whether excess costs or insufficient savings) the co-operative relationship quickly breaks down. ➤ Given the different priorities and focus for the two unitaries in each Pattern (and particularly Pattern B, where Norwich have emphasised the differences

		between urban Norwich and rural Norfolk) there may be significant limitations to the potential to take a common approach and thus save costs.
	Devon County	The Secretary of State's supplementary guidance emphasises a different dimension - (from that used by the consultants) - of the affordability test. It would be difficult to use the same methodology to make precise assessments and arrive at reasoned judgements about the affordability "in aggregate" of two, or more, unitary authorities.

We share the concerns about the approach and have highlighted our views in our report. Nevertheless we have followed the wording of the Secretary of State's guidance.

We have approached this task by using two different methods

There were certain issues which had to be dealt with in approaching the task and some issues which need to be highlighted. These are shown below.

8 Task A – 'In aggregate' - Issues

8.1 Lack of sponsor

Our Summary report highlighted the problem of a lack of sponsor for certain of the submissions (see pages 13) and we therefore included possible opportunity modelling – thus increasing the net savings of these submissions. Where this meant that the affordability criteria were then met, we highlighted this in our report using the phrase 'Only likely to be achieved after possible opportunity modelling'.

We have continued to use the same wording to highlight this issue

However, we strongly point out that the lack of a committed champion for these areas brings with its own risk in view of the difficulty of the unitary process. We feel that it should not be assumed that the submissions meet the affordability criteria without further work led by a committed champion for the area.

8.2 Calculation of Council Tax

Under Method A all figures are amalgamated – including Council Tax Base budget and external finance. This leads to an average Council Tax across the two submissions for comparative purposes – but the actual Council Tax will be set by each individual unitary and therefore will not - or is very unlikely to be – the average across the two unitaries. This is treated separately in Method B.

It is worth pointing out that we have generally modelled the Council Taxes resulting from the submissions at £1 below the average Council Tax before inception, in order to preserve balances as far as possible. We have continued to adopt this approach in this exercise. As we pointed out in our Summary report (para 3.1.2) the comparisons generally relate to the average Council Tax not the lowest Council Tax, and include parish precepts on average as well

8.3 Securing the Future Savings in Suffolk

In our review we set out our approach to the Securing the Future (StF) savings in our Summary report - Appendix F.

We completely discounted StF savings for both County Submissions and for the North Haven Submission. This is because even excluding these savings in the entirety after our modelling we found all three submissions were likely to meet the affordability criterion. For Suffolk remainder, we allowed the StF savings but heavily reduced then by of the order of over 20%.

9 Summary of ‘in aggregate’ reviews

Likelihood or otherwise of Submissions meeting the Affordability Criterion (after modelling taken into account) under the Secretary of State’s new Guidance

9.1 Method A – Description

This method is described in detail in the workbook attached .Effectively the two submissions in each pattern have been added together in total, as modelled, and then applied to the risk matrix shown in our Summary report.

9.2 Method A - Summary of Issues

By following an ‘in aggregate’ approach - by adding together all data from each submission – we find that all Norfolk two unitary patterns still score High Risk against our risk matrix. Only the Devon two unitary pattern changes from our summary report 19th November 2008. However, this should be read in conjunction with our comments relating to the risk of the “in aggregate” approach.

9.3 Norfolk Pattern B with and without Lowestoft

For Pattern B - patterns 2 and 4 – we have increased the net base budgets of the aggregated submissions by £7.1m per annum to correct the unreconciled base budget reflected in those submissions due to the lack of agreement on education spending and specific grants. Overall this represents no change from our 17th November Summary Report. We deal with the particular issues arising from the responses from Norwich (responses 8, 8a, 8b, 8c, 8d, 8e, 8f, 8g (last one not yet attached) under Task A.

9.4 Suffolk with and without Lowestoft

Suffolk two unitary patterns – patterns 5 and 6 – have been reviewed “in aggregate” and continue to be likely to meet the criteria and score Medium Risk on our risk matrix. Overall this represents no change from our 17th November Summary Report

9.5 Devon

Devon two unitary pattern – pattern 7 – when viewed in aggregate now scores Low risk on our matrix. Both these submissions individually previously scored high risk. However, this should be read in conjunction with our comments relating to the risk of the “in aggregate” approach.

The reason for this is that whilst previously Exeter and Exmouth projected substantial savings but was unlikely to meet Criteria 4 – balances, Devon remainder had sufficient balances but was deemed to be high risk in terms of Criteria 1, - transitional plan savings and Criteria 2 – payback – even after significant modelling of opportunity reductions. That remains the case, but the savings arising from the Exeter and Exmouth submission make this more viable.

Overall, the Devon two unitary pattern, when viewed in aggregate performs better against the affordability criteria. However in our financial modelling we brought in £11.2m of possible opportunity savings. We therefore remain concerned that it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor.

9.6 Method A - Outcome

Where it is unlikely that the relevant criteria will be met, or where it is only likely to be achieved after possible opportunity modelling this is highlighted in pink

Items which differ from our analysis in our Summary report 19th November 2008 are highlighted in light blue

NORFOLK WITH LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 1 - Two Unitary Pattern A						
2 Two Unitary Pattern A - Norfolk Remainder	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	HIGH RISK
3 Two Unitary Pattern A - Norwich Great Yarmouth and Lowestoft						
<p>We have applied possible opportunities to these submissions by using data obtained from other “championed” two unitary submissions. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor. Note that the risk matrix scores these submissions at high risk.</p>						

NORFOLK WITH LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 2 - Two Unitary Pattern B						
4 Two unitary Pattern B - Greater Norwich	Likely to be achieved	Likely to be achieved	Likely to be achieved	Unlikely to be achieved	Unlikely to be achieved	HIGH RISK
5 Two unitary Pattern B - Norfolk Remainder						
<p>This analysis now takes account of the lack of agreement with regard to the disaggregation of education expenditure and grants which totals £7.1m. This has been added to total base expenditure put forward by the two submissions to reconcile the base budget. Some opportunity modelling has been included in Norfolk Remainder. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor</p>						

NORFOLK WITHOUT LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 3 - Two Unitary Pattern A						
2 Two Unitary Pattern A Norfolk remainder	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	HIGH RISK
13 Two Unitary Pattern A Norwich & Great Yarmouth excluding Lowestoft						
<p>We have applied possible opportunities to the above Norfolk Two unitary pattern A Norwich & Great Yarmouth excluding Lowestoft submission—by using data obtained from other “championed” two unitary submissions. Even then it is unlikely to achieve the criteria. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor.</p>						

NORFOLK WITHOUT LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 4 - Two Unitary Pattern B						
4 Two Unitary Pattern B Greater Norwich	Unlikely to be met (though the shortfall is marginal)	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Unlikely to be achieved	HIGH RISK
14 Two Unitary Pattern B Norfolk Remainder excluding Lowestoft						
<p>This analysis now takes account of the lack of agreement with regard to the disaggregation of education expenditure and grants which totals £7.1m. This has been added to total base expenditure put forward by the two submissions to reconcile the base budget. Some opportunity modelling has been included in Norfolk Remainder. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor</p>						

SUFFOLK WITHOUT LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 5 - Two Unitary Pattern						
6 Ipswich and Felixstowe unitary	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	MEDIUM RISK
7 Suffolk Remainder without Lowestoft						

SUFFOLK WITH LOWESTOFT METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 6 - Two Unitary Pattern						
6 Ipswich and Felixstowe (New Haven)	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	MEDIUM RISK
15 Suffolk Remainder with Lowestoft						

DEVON METHOD A						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 7 - Two Unitary Pattern						
10 Devon two unitary pattern – Exeter and Exmouth	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	LOW RISK
11 Devon two unitary pattern – Devon Remainder						
<p>We have applied possible opportunities to the above Devon Two unitary pattern – Devon remainder submission by using data obtained from other “championed” two unitary submissions. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor.</p> <p>There is an additional level of risk relating to the “in aggregate” approach as it requires a very strong level of cooperation and collaboration between two unitaries which may have different persuasions and aspirations, and also between the present constituent authorities, to ensure that the resources are available as modelled. The risk is not taken into account in this matrix (see paragraph 6 above)</p>						

9.7 Method B – Description

This method is described in detail in the workbooks attached – Patterns 1, 3, 5, 6 and 7, and recognises that in the new Guidance, the Secretary of State has made no mention of the amalgamation of base budgets, external finance, Council Tax bases, or Council taxes.

It attempts therefore to keep each of the two submissions which make up the relevant patterns separate and to identify – if possible - what transfers of either transitional net savings, or unallocated balances, or both, are necessary to move, if possible, the risk assessment to at least 'medium'.

It must be said that this approach brings its own problems. In practice, requiring a transfer of a savings arising from the transitional plan from one submission to another will mean that savings achieved by one submission – by finding efficiency savings which are likely to involve staff reductions – are to be given to another submission run by a completely different administration. We consider that such an approach is likely to increase the level of risks involved in a major administrative reorganisation. However, no additional provision for this factor has been provided within our risk matrices, for the reasons discussed above.

9.8 Method B - Summary of issues

9.9 Pattern A Norfolk with Lowestoft – Pattern Number 1

If it is possible to transfer £1.6m of the savings generated by Pattern A Norfolk Remainder to Pattern A Norwich Great Yarmouth and Lowestoft, then both would score at least Medium on Criteria 1 – Transitional Plan. Use of balances has been remodelled to bring Council Tax to £1 under the base figure.

However it is not possible to transfer balances between the submissions as both fail Criteria 4 – Balances in Year 1. Consequently both are shown as High Risk.

9.10 Pattern A Norfolk without Lowestoft – Pattern Number 3

If it is possible to transfer £3.6m of the savings generated by Pattern B Norfolk Remainder to Pattern B Norwich Great Yarmouth and Lowestoft, then both would score very close to 'Medium' on Criteria 1 – Transitional Plan. Norfolk Remainder's score would be 0.92% when the category requires 1% to meet a score of 'Medium'. Use of balances has been remodelled to bring Council Tax to £1 under the base figure.

However it is not possible to transfer balances between the submissions as both fail Criteria 4 – Balances in Year 1. Consequently both are shown as High Risk.

9.11 Pattern B Norfolk with and without Lowestoft – Pattern numbers 2 and 4

There are two submissions where this approach is not directly possible, Pattern B - with or without Lowestoft – in Norfolk. As was pointed out in our Summary report (page 12 and Appendix D) the lead officers of Greater Norwich and Norfolk Remainder submissions could not agree on the disaggregation of education expenditure and specific grants, persisting in adopting different approaches to this work which lead to significantly different outcomes. In fact the base budget for this Pattern as submitted was unreconciled by £7.1m per annum. We

have rectified that in the Method A analysis for these two patterns, but that is not directly possible using Method B.

It was the responsibility of the two lead officers to agree a budget split which reconciled to the base budget as has occurred with every one of the other 13 submissions. Without an allocation of this figure to one or other or both of the submissions, the resulting Council tax and other indicators cannot be calculated.

Nevertheless, we have been asked to illustrate what the effect would be if an allocation were to be made. We emphasise that this has to be made on an arbitrary basis, and is done for the purpose of illustration only.

We have, therefore, looked at three different scenarios:

- £7.1m allocated to the Greater Norwich submission
- £3.55m allocated to both submissions
- £7.1m allocated to the Norfolk Remainder submission

The details of each scenario are shown in the workbooks – Patterns 2 and 4.

£7.1m allocated to Greater Norwich submission

In this scenario, it would be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1 – Transitional Costs. However, in order to keep Council Tax level at £1 below the inception level, both submissions would not have sufficient balances in year 1, and would, therefore, be High Risk on our risk matrix.

£3.55m allocated to each submission

In this scenario, again it would be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, so allowing Greater Norwich to meet Criterion 1 – Transitional Costs. This would allow Greater Norwich to transfer £1.8m balances back to Norfolk Remainder. However, whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £11.9m, in year 1, and would therefore be scored as unlikely to meet the criterion and High Risk therefore. Consequently, in aggregate, using Method B, the overall Pattern would be unlikely to meet all of the criteria.

£7.1m allocated to Norfolk Remainder submission

In this scenario, it would again be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1 – Transitional costs. This would allow Greater Norwich to transfer £5.7m of balances back to Norfolk Remainder. However, whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £11.7m, in year 1, and would therefore be scored as unlikely to meet the criteria, and therefore ranked as High Risk. Consequently, in aggregate using method B, the overall Pattern would be unlikely to meet all of the criteria.

9.12 Suffolk with and without Lowestoft – Pattern numbers 5 and 6

Whilst we have completed the Method A analysis for Suffolk, since the individual submissions as modelled for our Summary report scored at least Medium in our risk analysis, they will score at least that under Method B. We have, however, undertaken an “in aggregate” analysis which confirms the position.

9.13 Devon – Pattern number 7

When originally modelled Exeter and Exmouth were shown be unlikely to meet Criteria 4 – Balances. This is because although substantial savings were projected, these were all needed to support the Council Tax to an acceptable level. It was therefore shown as high risk

Conversely, Devon Remainder was shown as meeting all five criteria but of those, three were met only after possible opportunity modelling. The margins on the level of savings and payback were very low, so the submission was shown as high risk.

Viewing these two submissions in aggregate allows the stronger balances of Devon Remainder to support the weaker balances of Exeter and Exmouth, and the savings deemed to be generable by Exeter and Exmouth to support the low savings levels of Devon remainder even after modelling. . The modelling of the Council Tax in the Exeter and Exmouth review has reflected the objective incorporated in the original submission of setting this in year 1 at the lowest level applying in the 2007/08 base year.

So if it is possible to transfer £2.8m of the savings generated by Exeter and Exmouth to Devon Remainder, and £4.2m of the balances available to Devon Remainder to Exeter and Exmouth, both submissions may be likely to meet all of the criteria.

We would point out three things:

- Firstly, Devon Remainder’s higher balances are exceptional as they result from a transfer of earmarked reserves which the S151 officer has indicated could be used, on a temporary basis to fund transitional costs, but which would be repaid from subsequent savings by 2013/14.
- Secondly, we strongly suggest that it is not assumed that Devon Remainder meets the affordability criteria without a strong champion in place and more detailed work.
- Thirdly, there is an additional level of risk relating to the “in aggregate” approach as it requires a very strong level of cooperation and collaboration between new unitaries that may have different persuasions and aspirations, and also between the present constituent authorities, to ensure that the resources are available as modelled. The risk is not taken into account in this matrix (see paragraph 6 above)

9.14 Method B Outcome

Where it is unlikely that the relevant criteria will be met, or where it is only likely to be achieved after possible opportunity modelling this is highlighted in pink

Items which differ from our analysis in our Summary report 19th November 2008 are highlighted in light blue

NORFOLK WITH LOWESTOFT METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 1 - Two Unitary Pattern A						
2 Two Unitary Pattern A - Norfolk Remainder	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	HIGH RISK
3 Two Unitary Pattern A - Norwich Great Yarmouth and Lowestoft	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	HIGH RISK
<p>We have applied possible opportunities to these submissions by using data obtained from other “championed” two unitary submissions. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor. Note that the risk matrix scores these submissions at high risk.</p>						

NORFOLK WITH LOWESTOFT METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 2 - Two Unitary Pattern B						
4 Two unitary Pattern B - Greater Norwich	It is not possible to apply Method B to Norfolk Pattern B due to the disaggregation of education expenditure and specific grants, which has led to an unreconciled base budget for the total pattern of £7.1m per annum. We have therefore only applied Method A analysis to this pattern					
5 Two unitary Pattern B - Norfolk Remainder	<p>We are not in a position to allocate this shortfall to either of the submissions as there is no agreement between the relevant lead officers as to the disaggregation.</p> <p>The net effect of this shortfall would fall directly on the Council Tax of the relevant submission</p>					
<p>For the purposes of illustration only we have been asked to show the effect of an arbitrary allocation of the disaggregation error between the two submissions. This has been done and our conclusions are shown in paragraph 9.11 above.</p> <p>Some opportunity modelling has been included in Norfolk Remainder. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor</p>						

NORFOLK WITHOUT LOWESTOFT METHOD B

	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 3 - Two Unitary Pattern A						
2 Two Unitary Pattern A Norfolk remainder	Unlikely to be met (though the shortfall is marginal)	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Likely to be achieved	HIGH RISK
13 Two Unitary Pattern A Norwich & Great Yarmouth excluding Lowestoft	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Unlikely to be achieved	Only likely to be achieved after possible opportunity modelling	HIGH RISK
<p>We have applied possible opportunities to these submissions by using data obtained from other “championed” two unitary submissions. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor. Note that the risk matrix scores these submissions at high risk.</p>						

NORFOLK WITHOUT LOWESTOFT METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 4 - Two Unitary Pattern B						
4 Two Unitary Pattern B Greater Norwich	It is not possible to apply Method B to Norfolk Pattern B due to the disaggregation of education expenditure and specific grants, which has led to an unreconciled base budget for the total pattern of £7.1m per annum. We have therefore only applied Method A analysis to this pattern					
14 Two Unitary Pattern B Norfolk Remainder excluding Lowestoft	We are not in a position to allocate this shortfall to either of the submissions as there is no agreement between the relevant lead officers as to the disaggregation. The net effect of this shortfall would fall directly on the Council Tax of the relevant submission					
<p>For the purposes of illustration only we have been asked to show the effect of an arbitrary allocation of the disaggregation error between the two submissions. This we have done for 'with' Lowestoft option and our conclusions are shown in paragraph 9.11 above. They will be no different for the 'without' Lowestoft option.</p> <p>Some opportunity modelling has been included in Norfolk Remainder. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor</p>						

SUFFOLK WITHOUT LOWESTOFT METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 5 - Two Unitary Pattern						
6 Ipswich and Felixstowe unitary	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	MEDIUM RISK
7 Suffolk Remainder without Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	MEDIUM RISK

SUFFOLK WITH LOWESTOFT METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 6 - Two Unitary Pattern						
6 Ipswich and Felixstowe (New Haven)	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	MEDIUM RISK
15 Suffolk Remainder with Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW RISK

DEVON METHOD B						
	Criterion 1 Transitional Plan	Criterion 2 Payback (see Glossary of Terms)	Criterion 3 Capital	Criterion 4 Balances	Criterion 5 Council Tax Compared with the average level	Risk assessment
Pattern 7 - Two Unitary Pattern						
10 Devon two unitary pattern – Exeter and Exmouth	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW RISK
11 Devon two unitary pattern – Devon Remainder	Only likely to be achieved after possible opportunity modelling	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	Only likely to be achieved after possible opportunity modelling	Likely to be achieved	MEDIUM RISK
<p>We have applied possible opportunities to the above Devon Two unitary pattern – Devon remainder submission by using data obtained from other “championed” two unitary submissions. Therefore it should not be assumed that the model applied is sustainable, without further detailed work, and especially without a sponsor.</p> <p>There is an additional level of risk relating to the “in aggregate” approach as it requires a very strong level of cooperation and collaboration between two unitaries which may have different persuasions and aspirations, and indeed between the present constituent authorities, to ensure that the resources are available as modelled. This risk is not taken into account in this matrix (see paragraph 6 above)</p>						

10 Task B - Effect on previous outcomes - Summary

Task B:

To what extent have the representations affected the outcome of the reports presented to the Committee on 19 November and uploaded on our website on 21 November?

10.1 Task B Summary of key general issues which have been raised

Some respondents have confused CIPFA Placements with IPF	The three consultants, each operating in their own right as separate business entities, were appointed through CIPFA Placements - a separate business division of the Institute of Public Finance Limited
Later data should have been used than 2007-8 estimates.	See the response in the main report (paragraphs 3.1.3.3, and 3.1.3.4)
2007-8 actuals were available to be used	2007-8 actuals are compiled by the DCLG and were only available electronically across the authorities in a consistent analysis from 28 th November 2008
2008-9 budgets were available to be used	Again these were only available electronically across the authorities in a consistent analysis from June 2008. Again manipulation of reserves data would have been necessary. All workbooks had to be distributed by early July. However, the workbooks specifically allowed the updating of unallocated reserves to 1/4/2008
Financial climate has changed	Many responses have expressed concerns about the changed and deteriorating economic climate and how this may have an adverse impact upon any conclusions drawn from "affordability" submissions and related financial modelling. We agree that there have been many changes since the base data was constructed – some of these may have reduced costs, and many have increased costs. But a base position has to be struck so that movements measured by the transitional plan can be measured against the affordability criteria. Local authorities, whatever their structure, will face financial challenges, and structural realignment will in some cases produce greater resilience and in others not. We would therefore anticipate that the Secretary of State would take into account the overall financial robustness of relevant authorities when making a final decision on whether or not to implement a new unitary structure of local government
Concern about the approach taken to financial	We set out how we would approach this exercise in April 2008. The approach was agreed by the Boundary Committee officers and was presented to all S151 officers of the affected authorities. Our approach was fully explained in our Summary Report dated 17 th

<p>modelling of possible risks</p>	<p>November 2008 (see paragraph 2.1.3 page 7)</p> <p>We have approached each review consistently and have taken into account the detailed responses to issues we have raised in assessing what risks, or indeed what opportunities, may occur and have made provision for these in our financial modelling.</p> <p>We have always held the principles of reasonableness and materiality in our reviews. This is important – as we say in the detailed reports ‘This is not in any way to ‘second guess’ the work that the statutory officer for the lead authority and their colleagues have not undertaken - nor is it in any way a recosting exercise. Our modelling merely suggests what could be the effect on the submitted data if these highlighted possible risks came to fruition. Whilst the effect of these risks could be higher or lower, this does give a contribution to the judgments that need to be made in order for final decisions to be taken.</p> <p>We have been mindful that we are charged only with making an assessment of whether or not the affordability criteria are likely to be achieved.</p> <p>We have looked again in detail where respondents have felt there may be issues with this approach. In all cases we feel our approach to be reasonable.</p>
<p>Concern that our report has said that authorities with populations below 560,000 cannot be affordable</p>	<p>Several responses have misinterpreted our report on this issue Our Summary report at para 4.2 page 17 states</p> <p>4.2 Size of unitary authority</p> <p>There appears to be some correlation between the size of a proposed authority and its likelihood of achieving the affordability criteria, as all single unitary patterns with populations of between 560,000 and 900,000 demonstrated low risk, whereas submissions for two unitary patterns have generally demonstrated difficulties with meeting all of the affordability criteria.</p> <p>This was a conclusion not a predisposition - we used the phrase generally since we also found that two unitary patterns in Suffolk are likely to meet the criteria, yet they have populations below the figures we show above</p> <p>One response has gone further and attempted to show that many present unitaries would ‘fail the affordability criteria’ on this basis.</p> <p>If the population size of an authority were an indicator that it would be affordable or not then there was no need for the Boundary Committee or indeed the Secretary of State to require an analysis to assess whether or not they were likely to meet the affordability criteria which she has set down.</p> <p>Our task was to assess the position with regard to the 16 submissions which were put to us, and we remain happy with our conclusion.</p>
<p>Comparisons with costs incurred by other</p>	<p>Some concern has been expressed that our comparative work only covered the 16 submissions in this exercise. Some have said that other comparative data should have been used. Some have said that the 16 submissions themselves are all different and therefore not comparable.</p>

unitaries	<p>Our task was to look at the costs and savings arising from the transitional plans put to us – plans which amalgamated up to all or part of 10 different existing authorities. The process in no way was aimed to produce a budget for the new unitary. Comparisons with existing unitaries running stable budgets are not really helpful.</p> <p>We accept that the 16 unitaries are not the same – 5 are County Unitaries, 11 are two unitary patterns, and of these 3 are present districts with increased borders.</p> <p>The recent DCLG exercise which established unitaries to be in place from 1/4/2009 used a similar – but not the same - process. None of these were directly similar to the unitaries in this exercise, and none more similar than the 16 submissions we were reviewing. They have not yet set their budgets in published form, and data on their revised transitional costs is not consistently available at this time. Some respondents have pointed out that the costs appear to have increased from those originally put forward. This is hardly unexpected and informed our approach – see para 6 of this report - Starting Point.</p> <p>The process which we used built on that which the DCLG employed – in particular it required data to be presented in a consistent fashion, with specified supporting documents. Each lead officer therefore approached the exercise in the same way, faced the same problems, and all were supported through the process where necessary.</p> <p>It follows that the data which they produced can be analysed consistently.</p> <p>In reviewing the data we split the submissions made for county unitaries from those for two unitary patterns, where we felt that to be necessary (see for example graphs at pages 15 and 86 of the Compilation of Detailed reports). Though simple averages are shown for comparative purpose, where we included financial modelling for specific risks, this was drawn from a range of information – not purely the comparisons, but the submitted supporting data, and the additional information collection and its review.</p> <p>In conclusion, we feel the approach which we took was reasonable in the timescale with the resources available to us, and that the overall conclusions are sound.</p>
Concern that Counties have been nominated as lead officers for both their submissions and the County remainder submissions	<p>It was very important that there was one lead officer for each submission who had a duty to consult with constituent authorities and their S151 officers. Lead officers were suggested by the Boundary Committee to ensure this took place – but other officers could have put themselves forward for the role.</p> <p>We recognise this issue – we have called it ‘lack of sponsor’ throughout our analysis. We have modelled what we see as opportunity savings which could arise. Indeed overall we have included some £50m of such possible savings into our modelling for our evaluations, but we make the point throughout that it should not be assumed that these savings can be achieved without further detailed work, and especially without the appointment of a committed sponsor</p>
Some responses have tried to imply that	<p>Our overall aim in this exercise is not to produce a set of figures which can be compared between submissions.</p> <p>It is not our role to assess which submission is more likely to be affordable</p>

our figures show a particular submission is better than another submission	<p>than any other submission – that is no part of our remit. We are asked only to review whether or not the submission is likely, in our view, to meet the criteria.</p> <p>Thus it was not necessary, for example, to make a judgement on whether the Securing the Future Savings in the Suffolk County Unitary submissions were likely to be achieved or not since our view after our modelling was that the submission was likely to achieve the criteria without such savings.</p>
Some concern about the compilation of the risk matrix.	<p>We set out clearly how we had constructed our risk matrix on pages 31 Appendix F of the Summary report.</p> <p>The matrix sets margins by which measures calculated through applying the figures after modelling are scored. The matrix has been applied consistently to all outcomes.</p> <p>Therefore, it is possible for all criteria to be likely to be achieved but still score high risk if the margins by which the criteria are achieved are very low.</p> <p>This is a reasonable way of expressing the concept of risk. It supplements the sensitivity analysis which we also undertook on the submitted figures and which is clearly shown in the Detailed Reports for each submission.</p> <p>We have looked again at the margins which we set and find them to be reasonable. In particular we have reviewed our stipulation that any submission which after modelling fails criteria 1 – transition plan – or criteria 4 – balances is scored as high risk. We point out that the Secretary of State's criteria requires payback within the stipulated period and reasonable balances to be available in each year of the transition and that use of balances should be the final option considered.</p>

10.2 Task B Summary of outcomes of response review by County

There were 33 responses which have been provided to us by the Boundary Committee. The outcome of our review of each is shown below

Ref No	Author of response	Date of response	County	Overall response	Reason
1	East Devon – covering letter	4 th December 2008	Devon	No effect on the overall conclusions	There are no specific issues raised concerning the report
2	East Devon - affordability	4 th December 2008	Devon	No effect on the overall conclusions	Each issue that has been raised has already been considered in the process
2a	East Devon – further comments	17 th December	Devon	No effect on the overall conclusions	Most of this response relates to the use of 2007-8 base data and the fact that the financial climate has changed. We have dealt with this in detail in the response and

					already in summary in the main report (paragraphs 3.1.3.3, and 3.1.3.4)
6	Ben Bradshaw MP	27 th November 2008	Devon	No effect on the overall conclusions	No new issues arose. There are incorrect conclusions as to the work carried out in the response
9	Exeter – CE covering letter	19 th December 2008	Devon	No effect on the overall conclusions	The main issue is based on a misunderstanding of the report.
10	Exeter – response to BCE Financial Consultants report	19 th December 2008	Devon	No effect on the overall conclusions	The issues raised have been considered during the review
13	Devon County Council	22 nd December 2008	Devon	No effect on the overall conclusions	The response supports the conclusions as shown in our report.
14	Mr E.M.Stanton	8 th December 2008	Devon	No effect on the overall conclusions	Issues have been considered in our review
15	South Hams District Council	23 rd December 2008	Devon	No effect on the overall conclusions	Issues raised have already been considered in the review
16	Appledore Residents Association	24 th December 2008	Devon	No effect on the overall conclusions	The issues raised have been covered in our Summary report
22	West Devon Borough Council	23 rd December 2008	Devon	No effect on the overall conclusions	Issues raised have been considered in our review
3	Great Yarmouth - Financial Consultant's reports for Pattern A authorities	5 th December 2008	Norfolk	No effect on the overall conclusions	We have not been required by the Boundary Committee to read the Great Yarmouth workbooks
4	John Dinwiddy	2 nd December 2008	Norfolk	No effect on the overall conclusions	Issues raised have been considered in the review
7	Norfolk County Council	17 th December 2008	Norfolk	No effect on the overall conclusions	The response is in agreement with our report
8	Norwich Clive Mason, Finance Consultant Norwich City Council, Operational Manager (Local Government), Public Sector Consultants	12 th December 2008 onwards	Norfolk	No effect on the overall conclusions	The emails seek clarification of the financial modelling which we undertook regarding the Greater Norwich submission – this has been given in response
8a	Norwich - Bridget Buttinger Deputy Chief Executive	24 th December 2008	Norfolk	No effect on the overall conclusions	The main point is that this is a transformatory submission and that

					we have misunderstood the effect of this and have overprovided for risks. We have not misunderstood this and we feel our level of risks provided – which is lower than in some other reviews – is reasonable
8b	Norwich annex a Commentary on the 'Affordability' Review of the 'Norfolk Pattern B – Greater Norwich Unitary Submission'	23 rd December 2008	Norfolk	No effect on the overall conclusions	The response gives detailed workings, much of which has already been seen. It reemphasises Norwich's contention that its IT costs and savings and staff release estimates are accurate, and states in some cases that ' any reduction 'would be 'pessimistic'. We stand by our modelling adjustments which we feel to be a reasonable provision for risk, and point out that the provisions are lower than we have provided for some other submissions.
8c	Norwich Annex B Richard Harbord Public Sector Consultants Ltd.	23 rd December 2008	Norfolk	No effect on the overall conclusions	All comments have been covered in the main report
8d	Norwich – Commentary on the IPF 'Affordability' Review of the 'Norfolk Pattern B – Norfolk Remainder Submission'	23 rd December 2008	Norfolk	No effect on the overall conclusions	Issues raised have been addressed
8e	Norwich Existing Unitaries, New Unitaries, Metropolitan Councils, London Boroughs - Population estimates and IPF criteria	23 rd December 2008	Norfolk	No effect on the overall conclusions	The analysis is based on an incorrect interpretation of the conclusions of our Summary Report relating to the population size of the unitary submissions

8f	Norwich - A Revised Financial Workbook adopting the Norfolk County Council 'Shared Services' Model	9 th January 2009	Norfolk	Not applicable	This is a new submission which should go through the same process as all other submissions
8g	Norwich – Comparison of workbooks	9 th January 2009	Norfolk	Not applicable	This is a new submission which should go through the same process as all other submissions
11	Broadland Cll'r Woodbridge	11th December 2008	Norfolk	No effect on the overall conclusions	All points raised have been considered through the review process.
12	Broadland – Cll'r Woodbridge	27 th November 2008	Norfolk	No effect on the overall conclusions	All points raised have been considered through the review process.
17	Ipswich Borough Council	19 th December 2008	Suffolk	No effect on the overall conclusions	The response is generally supportive, though it shows concerns relating to the County unitary bid. Such concerns would be met if County achieved Securing the Future savings (which we have fully discounted) equivalent to only one fifth or so of the estimate of such savings.
18	Suffolk Coastal District Council	19 th December 2008	Suffolk	No effect on overall conclusions	Issues raised have been considered in our main report
18a	Suffolk Coastal District Council	December 2008 – originally submitted in September 2008	Suffolk	No effect on overall conclusions	Issues raised have been considered in our main report
18b	Suffolk Coastal District Council	December 2008	Suffolk	No effect on the overall conclusions	The covering letter highlights points covered in detail in the letter it attaches (18 above)
19	Suffolk County Council & Mid Suffolk District Council	22 nd December 2008	Suffolk	No effect on the overall conclusions	The response is generally supportive of the conclusions in our summary report
20	St Edmundsbury Borough Council	22 nd December 2008	Suffolk	No effect on the overall conclusions	The issues raised have been considered in the Summary report

	Forest Heath District Council Waveney District Council				and supporting documents
20a	Waveney	4 th December 2008	Suffolk	No effect on the overall conclusions	The response is generally supportive of the conclusions
21	Babergh District Council	23 rd December 2008	Suffolk	No effect on the overall conclusions	The issues raised have been considered in our review
5	Waveney	4 th December 2008	Suffolk/Norfolk	No effect on the overall conclusions	No new issues raised which affect the affordability report itself

11 Task C – General Questions - Summary

<p>Task C: Advice to the Committee on the general questions that have been received not directly relevant to the workbooks.</p>
<p align="center">Summary of issues – this has been drawn from the detailed comments which we have highlighted in each submission which are not directly related to our work</p>
<p align="center">Concern relating to the original , amended, and revised timescales imposed</p>
<p align="center">Peer review awaited</p>
<p align="center">Evidence dismissed without consideration (Great Yarmouth)</p>
<p align="center">'Low Risk' should not be taken as ' No risk',</p>
<p align="center">Comparison with the status quo</p>
<p align="center">Other unitary patterns than those put forward are preferred</p>
<p align="center">Disproportionate weight can be attached to affordability conclusions</p>
<p align="center">Boundary Committee should ensure that the 'in aggregate' work is undertaken</p>
<p align="center">Lack of support for the way the exercise was conducted</p>
<p align="center">Support for the way the exercise was conducted</p>
<p align="center">Concern that Counties were asked to be lead officers for County Remainder submissions</p>
<p align="center">Detailed Issues raised These are issues which have not been dealt with in our detailed review as they deal with issues outside of our remit</p> <p align="center">Issues relating to disaggregation are dealt with at Task A</p> <p align="center">We do not believe that we can give further advice to the Boundary Committee on any of these issues</p> <ul style="list-style-type: none"> ➤ Boundary Committee have given no indication of their views arising from the Consultants report ➤ A period of two weeks to provide consultation responses on such an important issue is wholly insufficient ➤ Financial consultants' report is still provisional because it is to be subjected to an external peer review – want to know about and comment on the results and conclusions ➤ Inappropriate that the Boundary Commission chose to release these significant documents with only a few minutes warning ➤ Have dismissed our evidence without consideration. (Great Yarmouth) ➤ To allow the various options to be evaluated on a fair and consistent basis, we request that the Boundary Committee undertakes an evaluation of the business case and workbooks submitted to them by Great Yarmouth Borough Council, prior to their final recommendation to the Secretary of State (Great Yarmouth) ➤ 'Low Risk' should not be taken as ' No risk', and in the current state of financial turmoil, such a term, using historic data, ... is not a reliable basis for making a change which is obviously without support at a local level - one of the essential ingredients for change. ➤ One of the things lacking in this process is a comparison with the status quo - which seems to attract the majority local vote. ➤ Overall therefore, we conclude that the best solution for Norfolk and Suffolk as a whole is for Lowestoft to continue to be administered from within Suffolk and more particularly, taking in to account the other key lines of enquiry, for it to be part of a

new East Suffolk Unitary model.

- Everyone acknowledges the significant limitations of the financial assessment exercise that has been undertaken - yet there is a danger, in the way it is reported, that disproportionate weight can be attached to its conclusions. The exercise has been completed in a very short period of time, with historic data and largely reliant on huge assumptions which have not and, in practice, could not in the timescales allowed, be tested reliably.
- I wish I could believe that the proposed Unitary Council(s) could achieve those sorts of accolades and levels of performance from Day 1
- The Secretary of State's supplementary guidance emphasises a different dimension - (from that used by the consultants) - of the affordability test. It would be difficult to use the same methodology to make precise assessments and arrive at reasoned judgements about the affordability "in aggregate" of two, or more, unitary authorities.
- I am appalled at the short time given to Devon County Council to consult with its electorate after Exeter's bid was rejected (for good reasons)
- It is crucial that the Boundary Committee evaluates the various unitary options in aggregate across the Devon area prior to making its recommendations to the Minister.
- The Council has previously expressed concern that the Boundary Committee did not consider the assessment of alternative proposals on the basis of finding the most appropriate solution.
- The Boundary Committee should now consider the case for a South Devon and Dartmoor Unitary on the basis of the Secretary of State's reminder.
- The Boundary Committee cannot provide the Secretary of State with the necessary advice on the financial aspects of LGR in Devon that they are required to do without further work, and wider engagement.
- The whole reorganisation study has resulted from the wishes of Exeter Council. It has nothing to do with the wishes of the residents of North Devon, who will be subjected to large extra expenses of time and cost
- I wanted to write to express our appreciation at the professional and fair manner in which you and your colleagues have undertaken this review and in particular the way that requests for follow up information were dealt with.
- We believe it was unfair to ask the County Council to lead on the production of the financial case for both the unitary County and the rural County. It is clear that the bulk of the effort has been put into the former and the latter produced as an adjunct to that.
- In our view an extension till 24th December 2008 is inadequate
- With others, the Council will be able to demonstrate shortly that an East, West, North Haven model will also comfortably satisfy the affordability test.
- It is crucial that the Boundary Committee evaluates the various unitary options in aggregate across the Devon area prior to making its recommendations to Ministers
- The Council is concerned that the Boundary Committee did not consider the assessment of alternative proposals on the basis of finding the most appropriate solution when tested against the five criteria.
- The submitted concepts for patterns for new unitary authorities across Devon were dismissed with little evidence of assessment

APPENDIX A – Secretary of State’s New Guidance

GUIDANCE FROM THE SECRETARY OF STATE

Introduction

On 6 February 2008, the Secretary of State requested advice from the Boundary Committee on certain matters relating to the unitary proposals from Exeter City Council, Ipswich Borough Council and Norwich City Council. Section 5 of the Local Government and Public Involvement in Health Act 2007 (“the 2007 Act”) provides that the Boundary Committee may provide the advice requested. Where it provides that advice, the Committee may also recommend whether or not the Secretary of State should implement the original proposal, and may make to her an alternative proposal for a single tier of local government for an area that includes the whole or part of the county for which the authority making the original proposal is either the council or the council of a district in that county.

Section 6(2) of the 2007 Act requires the Committee, in making a recommendation or alternative proposal, to have regard to any guidance from the Secretary of State about the exercise of the Boundary Committee’s functions under section 5 of the 2007 Act. The Secretary of State issued a first set of guidance on 6 February 2008 (as Annex B to her request). That guidance set out certain aspects of the approach the Committee should follow in making the assessments and judgements that may be necessary for it to make any alternative proposal to the Secretary of State. This further guidance is to clarify the approach the Committee should follow in making such assessments and judgements against the criteria included in the Secretary of State’s request.

The criteria in the request

The Secretary of State’s request of 6 February 2008 asked whether there could be alternative proposals for a single tier of local government, and if so on what basis, for Exeter, Ipswich and Norwich and the whole or part of the surrounding county areas, which would in aggregate have the capacity, if they were to be implemented, to deliver the outcomes specified by the five criteria set out in Annex A to the request.

The Secretary of State included the term ‘in aggregate’ in the request to make clear that any alternative proposals for unitary local government must have the capacity to meet the five criteria across the specified area. However, it is not clear to the Secretary of State from the financial information published by the Boundary Committee on 21 November 2008 that the Committee is approaching the assessment of alternative proposals on this basis. The Secretary of State has therefore decided that it would be helpful to the Boundary Committee to provide additional guidance as to the approach that the Secretary of State was seeking through the use of the term “in aggregate”.

Guidance from the Secretary of State

The assessment of a proposed unitary solution’s capacity “in aggregate” to deliver the outcomes specified by the criteria will be relevant where that solution consists of two or more proposals that there should be a single tier of local government for an area (and that are not alternatives to one another) (i.e. an alternative proposal within the meaning of section 5(5)(b) of the 2007 Act).

The term “in aggregate” applies in particular to the affordability of any alternative proposal. It might of course also be applicable to the other criterion which relates to the transition from two tier to single tier local government, namely, the broad cross section of support criterion. For example, if there was very strong support in one part of an area for it to become unitary, minority support for a unitary authority for the remaining area might be considered sufficient.

In relation to the assessment of affordability, if the Boundary Committee identifies a possible unitary solution of the type described in paragraph 5, it should assess the capacity of that unitary solution as a package to meet the criteria, rather than assessing the capacity of each of the two or more proposed new unitary authorities separately. For example, if the Boundary Committee was contemplating a unitary solution which consisted of splitting an existing county (County X) into two new single tier areas (Area A and Area B), the assessment to be made against the affordability criterion would be whether Areas A and B, when taken together, met the affordability criterion.

Such an assessment would require the transitional costs associated with the creation of each proposed new unitary authority to be aggregated, and for the purposes of assessment against the criteria, compared with the aggregate of the savings that would result in each of the areas. Furthermore, for the purposes of this assessment, any consideration of the need to fund costs by reserves and of the availability of reserves, should be approached in aggregate without seeking some apportionment between the two or more areas.

In this way, by the effective pooling of costs, savings and reserves across a specified area (the area of County X in the example), it may be possible to deliver unitary solutions for that specified area that offer benefits to local communities which would not be available if the matter was approached on the basis of looking only at parts of the specified area in a wholly discrete manner. Hence, in the example, whilst Area A might not on its own be affordable, because it is not able to cover the transitional costs associated with that area with its own reserves, it might be affordable if the reserves for the whole county area are pooled and then apportioned on a basis which meets the transitional costs in both Areas A and B. It is for this reason that in the request, the Secretary of State included the term “in aggregate”.

When responding to the request from the Secretary of State for advice and in making an alternative proposal to her (if any), the Boundary Committee may wish to provide details of the methodology which it used in making that alternative proposal, including to give effect to the “in aggregate” approach sought in the request and about which this guidance is given.

5 December 2008

APPENDIX B – Remit from the Boundary Committee

Request to independent financial consultants to respond to representations on affordability that are received by 24 December 2008

19 December 2008

Background

1. The Committee has extended the period for representations on affordability to be received, to 24 December 2008. The date by which the Boundary Committee will provide any advice has also been extended by the Secretary of State, to 13 February 2009.
2. The Committee has noted the new guidance issued by the Secretary of State on 5 December. The Committee is yet to confirm whether it will take any different approach to the consideration of the patterns 'in aggregate'. However, if it does provide advice, on each of the patterns 'in aggregate', it will be necessary for the IFCs to start preparing this work immediately if it has any chance to meet the 13 February deadline.

Task A: The IFCs are asked to advise the Committee whether the patterns identified in its report published on 7 July are likely to meet the affordability criterion, 'in aggregate', as envisaged by the 5 December guidance. The IFCs should consider representations that relate to the 'in aggregate' issue and take them into account when responding to the Committee.

Request for the original IFCs to respond to the Committee

3. The original IFCs are asked to consider the representations on affordability and advise the Committee of the following:

Task B: To what extent have the representations affected the outcome of the reports presented to the Committee on 19 November and uploaded on our website on 21 November?

4. The Committee expects that each individual representation is addressed in turn. It is expected that the response provided will reflect the level of detail that respondents have provided.
5. The Committee also requests that the original IFCs summarise the representations and submit a summary report on how, together, the representations considered have, if at all, affected the outcomes of the reports presented to the Committee on 19 November.
6. The approach used by the IFCs to considering this advice should be summarised in this outline report.

Task C: Advice to the Committee on the general questions that have been received not directly relevant to the workbooks.

7. There may be financial questions within the responses that are sent to the Committee that do not relate to the IFCs' views on the reports that were presented to the Committee on 19 November. The IFCs are requested to provide a separate commentary on these issues. The review team of the Committee will direct the

original IFCs as to which aspects of the representations it requests particular commentary on. The original IFCs are asked to provide commentary on any other issues raised in representations that the review team do not specifically highlight but which are relevant to the Committee's consideration.

8. The IFCs are not expected to provide any comments that do not relate to financial information.

Process

9. The review teams of the Committee will forward the IFCs who produced the reports that were presented to the Committee on 19 November ('the original IFCs') all representations on affordability that are received by 24 December 2008.
10. The IFCs are requested to provide a report to the Committee by 16 January 2009, in advance of its meeting on 20 January 2009, subject to the complexity of the representations received.

APPENDIX C – Norfolk Pattern B – Greater Norwich and Norfolk Remainder with and without Lowestoft

It will be clear from the responses from Norwich (responses 8,8a,8b,8c,8d,8e,8f,8g (last one not yet attached) –lead officer for Greater Norwich submissions - that they contest the approach we took to modelling, in reviewing, the Greater Norwich and the Pattern B Norfolk Remainder submissions. Norwich feel we have not reduced the Pattern B Norfolk remainder costs sufficiently when we made provision for opportunity modelling but have reduced their net savings by too much. It is worth pointing out that Norfolk do not contest the approach we took to the Norfolk Remainder submission for which they were the lead officer.

We accept that views can be taken on the modelling we undertook – in most cases respondents have been concerned that we have not provided for increased risks sufficiently.

We feel it important to address these concerns raised by Norwich as they will affect consideration of the 'in aggregate' approach under Method A and Method B, as well as Task B - Effect on previous outcomes.

Disaggregation of Education Expenditure and Specific Grants

The recurring issue which we faced in reviewing Pattern B was the disaggregation of education expenditure and specific grants which meant that the base budget was unreconciled by £7.1m per annum. We have included that in our Method A analysis for Pattern B. This significantly affected, in particular, the Council Tax calculation. We do not consider that it is directly possible to undertake a Method B analysis for Pattern B in Norfolk due to this base budget disaggregation problem. This was an issue for the lead officers resolve, and no other submissions have put forward unreconciled base budgets.

However, we have been asked to illustrate what the position might be if the budget error were allocated to the submissions on an arbitrary basis and the results of this exercise is shown below.

Greater Norwich Submission

The transitional plan put forward by Norwich for the Greater Norwich submission showed net savings over the transitional period of £3.2m - this is equivalent to some 2% of base costs and some £14 per head of population. This was the lowest level of savings of the submissions championed by present districts by far, and even as submitted would have scored only 'medium risk' on our risk matrix. Norwich says their approach is 'transformational' – but our task is to assess the effect of their submission on the affordability criteria.

Our sensitivity analysis (page 58 of the Compilation of Detailed Reports) showed that even at only 5% sensitivity the submitted figures were unlikely to meet criteria 1 and 2 - transitional cost and payback .

In our modelling we assessed the effect that savings could reduce by only 10% and that there might be a delay of 6 months in achieving them. These figures are lower than we have used for several other submissions. We also increased some staff release costs but reduced costs for the Combined Fire Authority - and we increased Norwich's balances to 2007-8 outturn by £1.2m. The reasoning for all this was explained in our report. The net effect of this was a reduction in net savings of £ 7.8m – 5.1% of base costs. But the net savings only had to reduce by 2.2% of base costs for the submission to not meet criteria 1 and 2. We pointed this out in our Detailed Report on the Greater Norwich submission (page 58)

In fact had we used **only** a possible 3 months delay and a 5% reduction, this with no other modelling would have equated to 2.3% of base costs. This would have increased the net modelled savings by £3.6m.

Norwich says that **any** reduction of their figures in modelling is 'very pessimistic'. Most other responses have argued that we may have not provided sufficiently in our modelling for the possible risks of increased costs.

Pattern B Norfolk Remainder Submission

We have received no adverse comments on our modelling from Norfolk who were the lead authority for this submission. Norwich on the other hand feels that we have understated the opportunities that could arise which they feel Norfolk have not recognised. They have come to this conclusion by examining the population figures and the assessed transitional costs of Norfolk County and Norfolk Pattern B on a population pro rata basis. They accept in their response that there maybe some loss of economy of scale but dispute the level of provision.

We have already recognised that there may be opportunity costs in the County Remainder submissions which may not have been fully examined, possibly due to the 'lack of sponsor' issue which we have dealt with fully in our Summary report. Indeed in Pattern A we reduced the additional staff costs put in by Norfolk for the reduction of economies of scale by 50%. The Pattern A authorities were of the order of 400k in size – Norfolk Pattern B is of the order of 600 – 680k and Norfolk had put in less equivalent staff costs to reflect that. In our modelling we took the view that this would mean less of a reduction, and reduced additional costs by 10%. If we now took the view that a 50% reduction was more appropriate the effect would be some £3.2m over the transitional period.

Taking all of this into account, and in order to respond openly to all of the issues affecting Pattern B we have modelled the effect, for illustrative purposes, using both Method A and Method B of the "in aggregate" approach by:

- Increasing the modelled savings :
 - 1) In the Greater Norwich submission by £3.6m (as described above)
 - 2) In the Norfolk Remainder submission by £3.2m.
- Making overall provision for the £7.1m per annum caused by the budget imbalance as submitted.

The effect of this is shown below:

Method A – with further sensitivity modelling

As has been shown under the Method A analysis, as modelled, bringing the two submissions together still shows the "in aggregate" position as unlikely to achieve all of the criteria, and scores as High Risk on our Risk Matrix.

Adjusting as above, the outcome is that even allowing for these further savings, the "in aggregate" patterns using Method A, both with and without Lowestoft, appear to be unlikely to meet criterion 4 and 5, Balances and Council Tax, after allowing for the budget disaggregation error of £7.1m.

In fact, even allowing for the additional modelled savings, we would need to increase the savings included in our modelling for the total of both submissions by a further 22% in order

for the aggregate of the submissions to score “medium” for criterion 5, Council Tax, and have acceptable balances for both submissions.

The detail of these calculations is shown in the workbooks.

Method B – Allocation of error in budget disaggregation

We have pointed out that, in our view, it is not possible or appropriate for us to take a view as to which submission the error in budget disaggregation should be allocated. This was a task for the lead officers to undertake and agree.

Nevertheless, we have been asked to illustrate what the effect would be if an allocation were to be made. We emphasise that this has to be done on an arbitrary basis and is for the purpose of illustration only.

We have looked at three different scenarios:

- £7.1m allocated to the Greater Norwich submission
- £3.55m allocated to both submissions
- £7.1m allocated to the Norfolk Remainder submission

We have modelled each of these also with the additional savings highlighted above, for the purposes of illustration. The detail of each of these scenarios is shown in the workbooks.

£7.1m allocated to the Greater Norwich submission

In this scenario, it would be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional Costs. However, in order to keep Council Tax level at £1 below the inception level, both submissions would lack sufficient balances in year 1, and would, therefore, be High Risk on our risk matrix.

£3.55m allocated to each submission

In this scenario, it would again be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional Costs. This would allow Greater Norwich to transfer £1.8m balances back to Norfolk Remainder. However, whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £11.9m in year 1, and would therefore be scored as unlikely to meet the criteria and High Risk. Consequently, in aggregate using Method B, the overall Pattern would not be sustainable.

£7.1m allocated to the Norfolk Remainder submission

In this scenario, it would again be necessary and possible to transfer £6.3m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional costs. This would allow Greater Norwich to transfer £5.7m balances back to Norfolk Remainder. Whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £11.7m in year 1, and would therefore be scored as unlikely to meet the criteria and High Risk. Consequently, in aggregate using Method B, the overall Pattern would not be sustainable.

Method B – Allocation of error in budget disaggregation with further sensitivity modelling

We also modelled the effect of including the additional modelled savings. The result on this on three different scenarios is as follows:

➤ **£7.1m allocated to Greater Norwich submission and further savings are modelled**

In this scenario, it would only be necessary to transfer £2.7m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional costs. In order to keep the Council Tax level at £1 below the inception level, both submissions would have insufficient balances in year 1, and would therefore rank as High Risk on our risk matrix.

➤ **£3.55m allocated to each submission and further savings modelled**

In this scenario it would again only be necessary to transfer £2.7m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional costs. This would enable Greater Norwich to transfer £0.4m balances back to Norfolk Remainder. However, whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £9m in year 1, and would therefore be unlikely to meet the criteria, and ranked as High Risk. Consequently, in aggregate using Method B, the overall pattern would not be sustainable.

➤ **£7.1m allocated to the Norfolk Remainder submission and further savings are modelled**

In this scenario, it would again be necessary and possible to transfer £2.7m net savings from Norfolk Remainder to Greater Norwich, which would allow Greater Norwich to meet Criterion 1, Transitional costs. This would allow Greater Norwich to transfer £4.3m balances back to Norfolk Remainder. Whilst this would mean that Greater Norwich could just meet the criteria, the Norfolk Remainder submission would still have insufficient balances, by £8.8m in year 1, and would therefore be unlikely to meet the criteria and ranked as High Risk. Consequently, in aggregate using Method B, the overall pattern would not be sustainable.

Once again, we point out that there is an additional level of risk relating to the “in aggregate” approach as it requires a very strong level of cooperation and collaboration between new unitaries which may have different persuasions and aspirations, and indeed between the present constituent authorities, to ensure the resources are available as modelled. The risk is not taken into account in our risk matrix for the reasons discussed. (see paragraph 6 above)

Norwich has recently submitted its own version of how the “in aggregate” approach may work for this pattern. The submission is in effect a completely new submission, and it is our view that it should be subjected to the same process as all other submissions, including full consultation.