

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

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

**SUMMARY REPORT OF THE INDEPENDENT FINANCIAL
CONSULTANTS**

Chris Wheeler, CPFA, Tony Hall, CPFA, Ken Bell, CPFA

**This report is as presented to the Boundary Committee at its meeting of 19 November 2008
and has been amended only for print formatting and correction of spellings and grammar.**

Contents

1.	Executive Summary	1
1.1	Introduction	1
1.1.1	Scope of the Review.....	1
1.1.2	Layout of Report.....	1
1.2	Overall Outcome of the Review	2
1.2.1	Likelihood of Patterns meeting the Affordability Criterion	2
1.2.2	Likelihood or otherwise of Submissions meeting the Affordability Criterion.....	2
1.3	Summary of Conclusions.....	5
2.	Context and Background.....	6
2.1	Terms of Reference for the Review	6
2.1.1	Objectives of the Review	6
2.1.2	The Affordability Criterion.....	6
2.1.3	Approach to the Review	7
3.	Issues arising from the review	10
3.1	Common Issues across all submissions.....	10
3.1.1	Balances being spent by constituent authorities	10
3.1.2	Council Tax Equalisation	10
3.1.3	Boundary Committee Approach	10
3.1.4	Payback Period	11
3.1.5	Financial Stability – unallocated and earmarked reserves.....	11
3.2	Specific Issues that affect more than one submission.....	12
3.2.1	Disaggregation of External Finance	12
3.2.2	The effect of Lowestoft in different submissions	12
3.2.3	Disaggregation of Education and Specific Grants in Pattern B Norfolk	12
3.2.4	Effect of Combined Fire Authority in Norfolk and Suffolk.....	13
3.2.5	Savings arising from “Securing the Future” initiative in Suffolk.....	13
3.2.6	Lack of sponsor and level of co-operation.....	13
3.2.7	Waveney financial position	14
3.2.8	Certification by the Constituent Chief Finance Officers (S. 151 Officers)	14
3.2.9	Localisation.....	15
4.	Conclusions.....	17
5.	Acknowledgements	19
	Appendix A - TERMS OF REFERENCE	20
	Appendix B – Effect of disaggregation on external finance	22
	Appendix C - The Effect of Lowestoft in different submissions	24
	Appendix D - Disaggregation of Education and Specific Grants	26
	Appendix E - Effect of the Combined Fire Authority	28
	Appendix F – How we have considered risk of each submission.....	31
	Glossary of terms.....	32

1. Executive Summary

1.1 Introduction

1.1.1 Scope of the Review

1.1.1.1 To provide the Boundary Committee with an assessment of the affordability, as defined by the Secretary of State, for unitary patterns of local government in Devon, Norfolk and Suffolk.

1.1.1.2 To advise the Committee what information it needs in making a judgement on the information which will enable the Committee to make sound recommendations on the affordability criteria consistent with DCLG's assessment of the original unitary bids.

1.1.2 Layout of Report

1.1.2.1 The report is laid out in a manner that is intended to take the reader chronologically through the review process to its outcomes as follows:

- Objectives of the review – paragraph 2.1.1;
- The Affordability Criterion – paragraph 2.1.2;
- Description of what our review has covered – paragraph 2.1.3;
- Common Issues that arose across all submissions – paragraph 3.1;
- Specific issues that affected more than one submission – paragraph 3.2;
- Our conclusions – paragraph 4;
- A range of appendices dealing with specific matters.

1.1.2.2 This report is supported by two accompanying documents:

- Compilation of individual detailed reports for each of the 16 submissions, and
- Compilation of background information.

1.2 Overall Outcome of the Review

1.2.1 Likelihood of Patterns meeting the Affordability Criterion

The following are likely to meet the Affordability Criterion after modelling:

Norfolk with Lowestoft	Single unitary pattern
Suffolk excluding Lowestoft	Two unitary pattern
Suffolk excluding Lowestoft	Single unitary pattern
Devon	Single unitary pattern
Norfolk excluding Lowestoft	Single unitary pattern
Suffolk with Lowestoft	Two unitary pattern
Suffolk with Lowestoft	Single unitary pattern

1.2.2 Likelihood or otherwise of Submissions meeting the Affordability Criterion (after modelling taken into account)

Note cells coloured pink indicate unlikely to achieve the criterion

	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 (see Appendix F)
NORFOLK WITH LOWESTOFT						
Single Unitary County						
1 Norfolk County unitary with Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW
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
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
<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.</p> <p>Note that the risk matrix scores these submissions at high risk.</p>						

	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 (see Appendix F)
--	-------------------------------------	---	------------------------	-------------------------	---	---

Two Unitary Pattern B

4 Two unitary Pattern B - Greater Norwich	Unlikely to be achieved	Unlikely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	HIGH
5 Two unitary Pattern B - Norfolk	Likely to be achieved	Likely to be achieved	Likely to be achieved	Unlikely to be achieved	Likely to be achieved	HIGH
Remainder	<p>This analysis takes no account of the lack of agreement with regard to the disaggregation of education expenditure and grants, which would make one or other of the submissions more difficult.</p> <p>Note that the risk matrix even before this scores these submissions at high risk</p>					

SUFFOLK WITHOUT LOWESTOFT

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	LOW
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

Single Unitary County

8 Suffolk County Unitary without Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW
--	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------	-----

DEVON						
Single Unitary County						
9 Devon County Unitary	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW
Two Unitary Pattern						
10 Devon two unitary pattern - Exeter and Exmouth	Likely to be achieved	Likely to be achieved	Likely to be achieved	Unlikely to be achieved	Likely to be achieved	HIGH
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	HIGH
<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>Note that the risk matrix scores this submission at high risk.</p>						
NORFOLK WITHOUT LOWESTOFT						
Single Unitary County						
12 Norfolk County Unitary - excluding Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW
Two Unitary Pattern A						
13 Two Unitary Pattern A Norwich & Great Yarmouth excluding Lowestoft	Unlikely to be achieved	Unlikely to be achieved	Likely to be achieved	Unlikely to be achieved	Unlikely to be achieved	HIGH
<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> <p>Note that the risk matrix scores this submission at high risk.</p>						

Two Unitary Pattern B						
14 Two Unitary Pattern B Norfolk Remainder excluding Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Unlikely to be achieved	Likely to be achieved	HIGH
<p>This analysis takes no account of the lack of agreement with regard to the disaggregation of education expenditure and grants, which would make one or other of the submissions more difficult.</p> <p>Note that the risk matrix even before this scores these submissions at high risk</p>						
SUFFOLK WITH LOWESTOFT						
Two Unitary Pattern						
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
Single Unitary County						
16 Suffolk County Unitary with Lowestoft	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	Likely to be achieved	LOW

1.3 Summary of Conclusions

- 1.3.1 Single unitary patterns appear to be most likely to meet affordability criterion.
- 1.3.2 Only one submission, Devon County, will be able to equalise at the lowest level of Council Tax in place.
- 1.3.3 Lack of sponsor or champion for submissions has weakened those submissions.
- 1.3.4 Some submissions were further weakened because of lack of collaboration between Lead Officers.
- 1.3.5 Proposals for additional expenditure on localisation issues vary considerably.

2. Context and Background

2.1 Terms of Reference for the Review

The terms of reference for the review are attached as Appendix 1 of this report.

2.1.1 Objectives of the Review

To ascertain the likelihood or otherwise of a submission meeting the Secretary of State's Affordability Criterion, and advise the Boundary Committee accordingly.

2.1.2 The Affordability Criterion

2.1.2.1 The five criteria that make up the Affordability Criterion as determined by the Secretary of State are contained within the following table:

➤ 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.

2.1.2.2 The Boundary Committee will expect that there should be a minimum effect of the structural changes on the Council Tax payers. Consequently, the effect of these matters on the projected Council Tax levels for the successor unitary authorities must be shown, on average, to be no higher than those presently in place for the current authorities under the present structure.

2.1.3 Approach to the Review

2.1.3.1 We have sought to obtain consistently presented financial data in respect of all 16 submissions by providing standard workbooks, pre-populated with “base data” obtained from the published “Finance and General Statistics, 2007-08, Budgets”, the most recent “firm” data available at the commencement of the review.

2.1.3.2 Using the base as established above, Lead Officers for each submission were required to develop financial cases for the years up to and including financial year 2013/14. Each submission was to be supported by specified working papers, which highlighted specific areas of additional expenditure and expenditure reductions which could be expected to arise from the formation of new unitary authorities.

2.1.3.3 We have reconciled the base figures for each submission to the total obtained and as described in 2.1.3.1 above to establish the integrity of the total starting point for all submissions. This has helped us to ensure that disaggregation of external finance and budgets, and consolidations within submissions have not had the effect of altering the original base starting point. An issue arose within Norfolk Pattern B.

2.1.3.4 We have systematically reviewed all of the data submitted to us to confirm whether or not it supports the financial cases as presented by Lead Officers.

2.1.3.5 When, in our opinion, data supplied has either not fully supported financial cases as presented or appeared to be inconsistent with a financial case, we have obtained further clarification from Lead Officers, and have taken into account views expressed by Sec 151 officers from constituent authorities, where these have been available to us. **See compilation of Background Information.**

2.1.3.6 From the financial data submitted to us, we have calculated a range of affordability indicators to inform the review of the likelihood of submissions meeting the Secretary of State’s affordability criteria. These included the following, but more than 70 indicators are contained within the Compilation of Background documents:

- Net savings over the 5 year period per £m and £ per head of population;
- Ongoing savings as a percentage of base costs, and per £m and £ per head of population;
- Payback period calculated over the 5 year period;
- Decrease in balances over the 5 year period, £m;
- Balances remaining as at 31st March 2014, £m and percentage of net base costs at 2013/14.

2.1.3.7 We have undertaken a broad sensitivity analysis to assess how robust a submission remains when its estimates of additional expenditure are exceeded by a range of percentages, and expenditure reductions are underachieved by a range of percentages.

2.1.3.8 In undertaking the review, we have taken into account cost drivers that tend to commonly occur with structural reorganisations of the type proposed. Our analysis of these has been used to identify higher or lower than expected expenditure in comparing one submission with another. Examples of such expenditure are as follows:

- Staff release costs including redundancy payments, contributions to pension funds for early retirement, pay harmonisation, relocation costs;
- Information technology upgrades and integration;
- Change management;
- Contract Novation costs arising from early termination of contracts;
- Additional staffing arising from disaggregation of County services;
- Localisation where “front office” facilities are required to interact with the community;
- Staff savings arising from merger of local authority services.

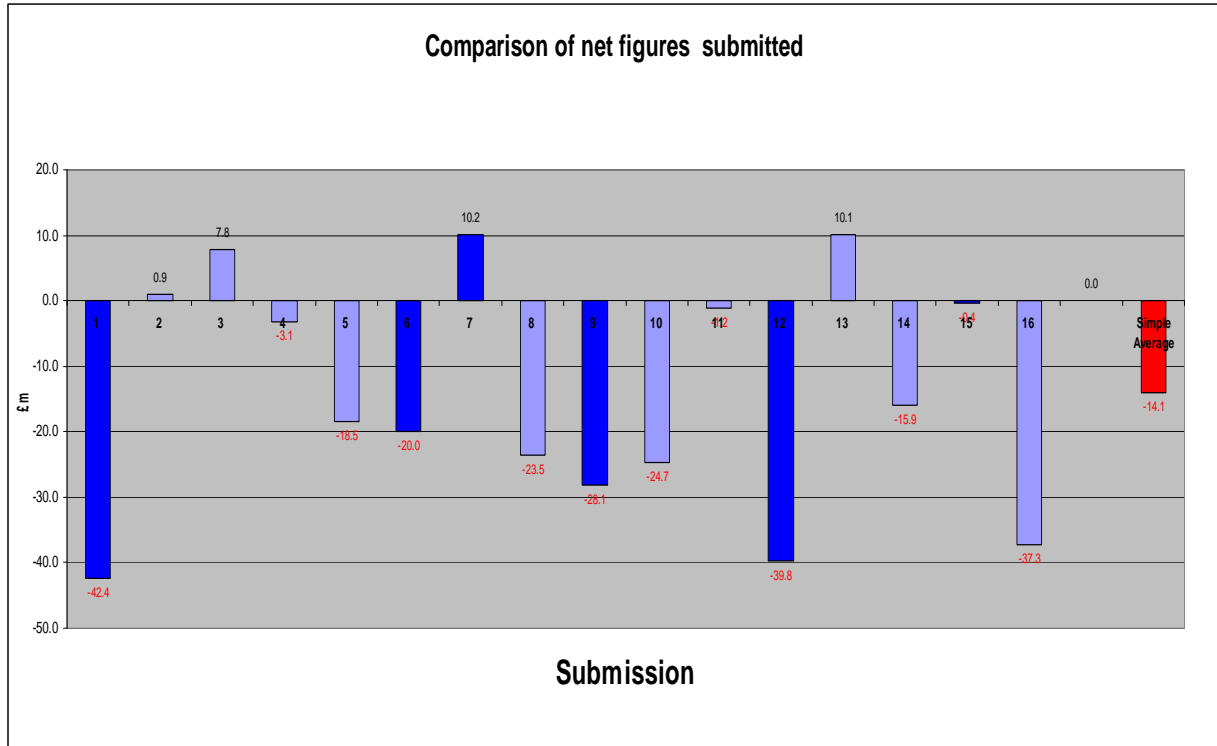
2.1.3.9 For each submission we have undertaken a comparison of Council Tax levels as they now exist within constituent authorities with projected Council Tax levels of related possible unitary authorities to test compliance with affordability criterion 5. **See paragraph 8 of detailed reports.**

2.1.3.10 We have taken a view on whether or not sufficient financial provision has been made for inherent risks, and in some cases opportunities, that are likely to arise from reorganisations of the type being considered. We have made broad assessments of what may, in our view, be reasonable additional provision for such items.

2.1.3.11 This does not imply that we have undertaken an audit or that we have assessed a budget for all or any part of a submission. We have reviewed high level business plans, and made additional provisions for risks and some possible opportunities that reflect some of the issues described under paragraph 3.

2.1.3.12 We have used our assessment of risks and opportunities to “model” their impact upon the business plans as submitted, to test how robust they may be in meeting the Secretary of State’s affordability criterion.

2.1.3.13 We have compared all submissions to gain a view of trends that emerge from an overview of all of the submissions, see the following graph. This has enabled us to identify and raise additional enquiries in respect of those where predicted net savings varied considerably from the average.



Note: Darker colours indicate Boundary Committee proposals

1 Norfolk County unitary with Lowestoft	2 Norfolk Pattern A - Norfolk Remainder	3 Norfolk Pattern A - Norwich Great Yarmouth and Lowestoft	4 Norfolk Pattern B - Greater Norwich
5 Norfolk Pattern B - Norfolk Remainder	6 Ipswich and Felixstowe unitary	7 Suffolk Remainder without Lowestoft	8 Suffolk County Unitary without Lowestoft
9 Devon County Unitary	10 Exeter and Exmouth	11 Devon Remainder	12 Norfolk County Unitary - excluding Lowestoft
13 Norfolk Pattern A Norwich & Great Yarmouth excluding Lowestoft	14 Norfolk Pattern B Norfolk Remainder excluding Lowestoft	15 Suffolk Remainder with Lowestoft	16 Suffolk County Unitary with Lowestoft

2.1.3.14 In doing all of the above we have assessed the impact of risk and opportunity modelling on a submission meeting the affordability criterion as determined by the Secretary of State. The outcome of these assessments is reflected in paragraphs 5 and 9 of individual detailed reports, and in paragraph 1.2.2 above.

2.1.3.15 We have compiled a suite of tables and graphs from the data supplied in the workbooks to provide us with an overview of comparative data for all submissions, and used this to inform our assessment of risks relating to each submission.

3. Issues arising from the review

3.1 Common Issues across all submissions

3.1.1 Balances being spent by constituent authorities

3.1.1.1 Our analysis of the effect on the use and retention of balances has been drawn from the submissions in the workbooks. These, though based on 2007-8 estimated balances as published, have been tracked through the transition period. Authorities have been invited to update these figures to actual outturn as at 31.3.2008 if they were significantly at variance with the projections.

3.1.1.2 However, these balances are at risk if they are spent by the constituent authorities before vesting day. We are encouraged that there will be shadow authorities in place before this time that will have authority to control contractual commitments affecting these balances prior to vesting day. However this is an issue which will need careful and continual review

3.1.2 Council Tax Equalisation

3.1.2.1 We have paid attention especially to the level of Council tax which is being put forward by each unitary submission in comparison with a range of calculations of present average levels, to be sure that the submissions are in line with Boundary Committee guidance on this matter.

3.1.2.2 Each of these is shown in the individual detailed reports for each submission, but it is clear that only the Devon County Unitary – draft proposal is able to equalise at the level of the lowest Council tax in place within the constituent authorities at present, and then only by year 2.

3.1.3 Boundary Committee Approach

3.1.3.1 Concern has been expressed on behalf of some of the constituent authorities.

3.1.3.2 This has been expressed by some of the Sec 151 officers as follows:

Base date for base data collection

'The Boundary Committee requires that business cases are based on 2007/08 budgets and balances as at 31 March 2007. It has not been demonstrated that this historical data is materially similar to current conditions and there is a risk that the conditions that will exist in April 2010 will be different again such that the business case is inherently unreliable.'

3.1.3.3 We do not agree with this viewpoint, since it is not practical to wait until 2010 to see what specific conditions apply then before making a recommendation as to whether or not it is likely that a new unitary will meet the affordability criterion set by the Secretary of State.

3.1.3.4 The process used does **not** attempt to produce a budget for the new unitary in 2010. What it does is to attempt to measure at constant prices what change might take place in financial terms in the first 5 years, and to scrutinise the underlying assumptions. That scrutiny is used to assess whether or not a submission is likely to meet the Secretary of State's affordability criterion.

3.1.4 Payback Period

3.1.4.1 The affordability criterion requires that the payback period does not exceed five years.

3.1.4.2 The period itself is not defined, so in accordance with the approach taken in the last round of unitary considerations, we have calculated the payback period as five years from and including the lead up year 2, in order to ensure that all transitional costs are captured in this calculation.

3.1.5 Financial Stability – unallocated and earmarked reserves

3.1.5.1 In our risk assessment, we have considered particularly for all submissions the position with regard to reserves, and in our detailed reports we have noted the longer term position by the end of the transitional period.

3.1.5.2 The workbooks that we have issued show the projected movements, within the transitional plan, of the unallocated reserves. We are also aware of the level of the submissions' "earmarked" reserves.

3.2 Specific Issues that affect more than one submission

3.2.1 Disaggregation of External Finance

3.2.1.1 The process of disaggregation of external finance was critical to the development of the base financial position for the unitary submissions, and potentially a difficult element to agree. Detailed commentary is provided under **Appendix B**.

3.2.1.2 DCLG guidance is that the effects of disaggregating formula grant should be contained within the current county until the next spending review, 2011/12. They expected that lead officers would agree the disaggregation that would feed into the formulae for formula grant. In the event of disagreement, there was no other solution offered.

3.2.1.3 Lead officers retained specialist consulting services from LG Futures to calculate the disaggregation in all counties. The outcome of this work was used in all submissions except for Two Unitary pattern B – Greater Norwich. Any difference was not material.

3.2.1.4 The relative simplicity of the proposals and patterns in Devon meant that disaggregation was relatively straight forward for that county.

3.2.1.5 The options for Lowestoft to move to Norfolk or remain in Suffolk were more problematic, since Lowestoft has high needs and if treated on its own for grant purposes attracts grant disproportionately.

3.2.2 The effect of Lowestoft in different submissions

3.2.2.1 We have reviewed the overall effect of Lowestoft moving to Norfolk or remaining within Suffolk, see **Appendix C**.

3.2.2.2 Suffolk submissions predict greater savings, whereas Norfolk apparently allocates greater additional net costs to unitary structures with Lowestoft.

3.2.2.3 For Norfolk Pattern B there is an apparent disproportionate effect which results in the potential for Council Tax to be £9 lower.

3.2.3 Disaggregation of Education and Specific Grants in Pattern B Norfolk

3.2.3.1 There is a net difference between the computations made by Norfolk County and Norwich City amounting to some £7m see **Appendix D**.

3.2.3.2 We have raised questions with both lead officers for Norfolk County and Norwich City, both of whom consider that their approach to the issue is correct.

3.2.3.3 The difference in approaches impacts on the likely affordability of Norfolk Pattern B, Two Unitary options.

3.2.4 Effect of Combined Fire Authority in Norfolk and Suffolk

3.2.4.1 The issue of the need for a Combined Fire Authority in Norfolk and Suffolk in the event of a two unitary solution in either county has been handled differently by each County.

3.2.4.2 The effect of the different approach was that the ongoing costs in Norfolk would be £1.9m per annum compared with £0.35m per annum in Suffolk. See **Appendix E**.

3.2.4.3 Since such a large disparity seems to be unjustifiable, we have, therefore, reduced the cost in our modelling the two unitary patterns in Norfolk.

3.2.5 Savings arising from “Securing the Future” initiative in Suffolk

3.2.5.1 Suffolk County has embarked on a programme of efficiency savings which it has called ‘Securing the Future’. The level of savings being generated and to be generated from the programme is very significant, both over the transitional period and ongoing. Suffolk has included these savings in their submissions, - as indeed has North Haven - bringing them in described as ‘Contribution from other sources outside the reorganisation net savings - if any’ (an adjustment line in the workbook).

3.2.5.2 We have gained further information from Suffolk, notably to establish

- whether or not these savings are in addition to Gershon savings (as required by the Secretary of State);
- how firm these savings are in terms of their future commitment.

3.2.5.3 We have considered whether or not these savings should be excluded from the process as would generally be the case as they were outside of the reorganisation itself. However, several other submissions incorporate this type of generic efficiency programme.

3.2.5.4 We have noted that there is a range of views on this issue from Suffolk S151 officers – some accepting the approach, some not, and some concerned that if accepted, the savings may not be forthcoming. We have received a further statement from Suffolk’s S151 officer on the issue.

3.2.5.5 We have modelled the submissions with and without these savings to assess their impact on affordability.

3.2.6 Lack of sponsor and level of co-operation

3.2.6.1 A number of the submissions for Two Unitary Patterns of local government within current county boundaries lacked individual sponsorship (although lead officers were nominated by the Boundary Committee and agreed to supply the financial information), with the result that background assumptions supporting the

“affordability workbooks” were the same as those used for Single Unitary patterns of local government, and no business cases specifically “targeted” were provided.

3.2.6.2 We considered that the impact of this has possibly been that apparently unviable submissions have been made, and we have applied models and comparisons with other submissions to enable us to comment on the possible impact of this.

3.2.6.3 Whilst it is clear that a great deal of hard work and effort by many officers has been put in, we have also noted that, though there has been a high level of co-operation in some cases in co-ordinating the provision of the financial information, that has not always been the case for a variety of reasons. This has in some cases hampered the quality of the financial submissions, with a consequent increase in the workload of our review.

3.2.7 Waveney financial position

3.2.7.1 We have noted in particular the financial position of Waveney as conveyed to us through the S151 officer.

3.2.7.2 We have taken two points from this:

- Firstly, we have specifically asked all lead officers whether they would now wish to reconsider the level of retained balances which they have declared, where any part of Waveney (which includes Lowestoft) is included in a unitary pattern. They have confirmed that their submissions are adequate, and we have taken these responses and our own view into account;
- Secondly, we feel that there could, in principle, be a financial benefit from the absorption of Waveney into a larger unitary, in that it would have a greater capacity to deal with financial imbalances, than the smaller Waveney could do on its own.

3.2.8 Certification by the Constituent Chief Finance Officers (S. 151 Officers)

3.2.8.1 We have received comments from almost all of the S.151 officers of the constituent authorities, and any reservations expressed by them have been noted, and have influenced our modelling and risk assessment as applied to the relevant submissions.

3.2.8.2 Five S.151 officers from district councils within Norfolk had not provided comments prior to the end of the review period.

3.2.9 Localisation

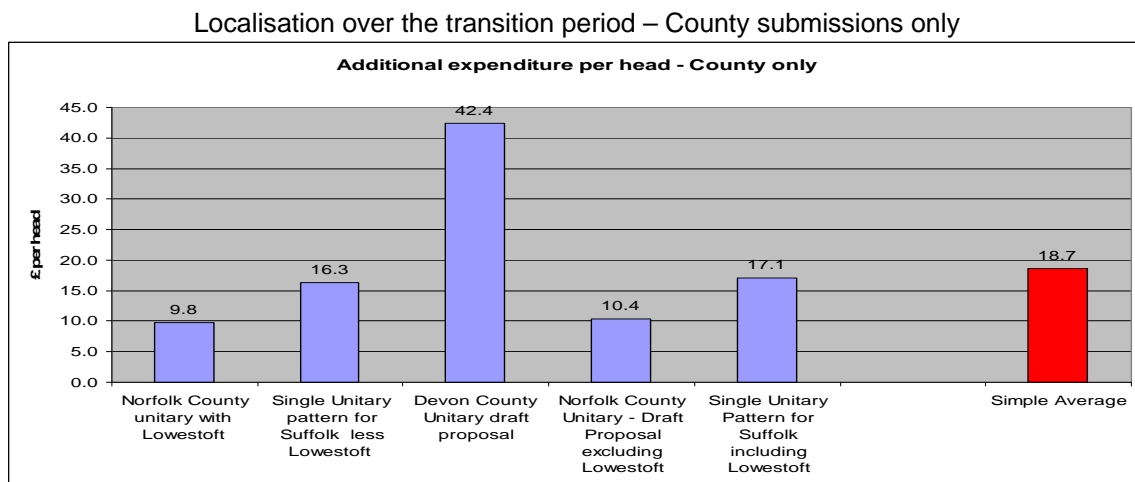
3.2.9.1 For the purpose of this review, the expenditure on localisation features only as a single item of expenditure within the transitional plan which includes many others that we reviewed to determine whether or not a submission is likely to be affordable.

3.2.9.2 However, we have been asked by the Boundary Committee to look specifically at provisions within the submissions that relate to localisation, as this may be a key issue in its understanding of how submissions have approached criteria other than affordability.

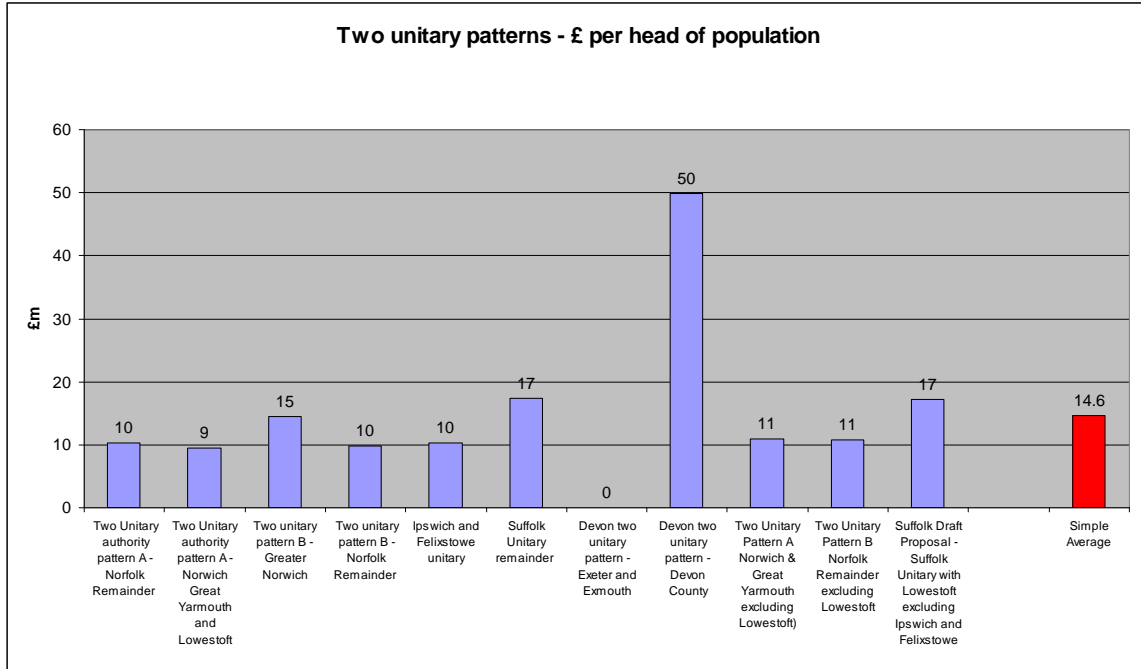
3.2.9.3 Localisation is a specific heading of one off or on going expenditure in the workbook and relates to the additional cost that may need to be incurred by a unitary authority to provide for access and engagement with local communities.

3.2.9.4 It may be expected that higher expenditure would be incurred by a County based unitary compared with a more locally based unitary authority, and in either case it will be dependent on the overall delivery plans. We have not examined this in detail as part of our review of overall affordability.

3.2.9.5 However, the submissions show the following provisions measured over the transition period in total expressed as a cost per head of population, split between County and Two unitary patterns:



Localisation over the transition period – Two Unitary patterns only



3.2.9.6 Devon County have provided for significant extra funds in their submission for both the County and the Two Unitary Devon remainder. In doing so both have put the submissions under some financial strain.

3.2.9.7 Of the district lead submissions, only Exeter and Exmouth have not made any additional provision.

4. Conclusions

4.1 Patterns - outcome of review

Having been through the process independently and applying the process to all of the submissions in the same way, it is considered that the following patterns are likely to meet all of the criteria and have risk matrix scores in low or medium levels of risk.

Norfolk with Lowestoft	Single Unitary Pattern
Suffolk without Lowestoft	Single Unitary Pattern
Suffolk without Lowestoft	Two unitary Pattern
Devon	Single Unitary Pattern
Norfolk without Lowestoft	Single Unitary Pattern
Suffolk with Lowestoft	Two Unitary Pattern
Suffolk with Lowestoft	Single Unitary Pattern

In the same way, we feel that the following patterns may not be likely to meet at least some of the criteria and have a risk matrix score of high

Norfolk with Lowestoft	Two Unitary Pattern A
Norfolk with Lowestoft	Two Unitary Pattern B
Devon	Two Unitary Pattern
Norfolk without Lowestoft	Two Unitary Pattern A
Norfolk without Lowestoft	Two Unitary Pattern B

4.2 Size of unitary authority

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.

4.3 Balances spent by constituent authorities

There is a risk that balances will be depleted by vesting day so undermining the transition plans.

4.4 Council Tax Equalisation

Only one submission, Devon County Unitary will be able to equalise at the lowest Council Tax levels in place.

4.5 Disaggregation of External Finance

The process of disaggregating external finance has been conducted effectively and consistently.

4.5 The Lowestoft effect

There are inconsistencies between the assessment of the impact of Lowestoft between Norfolk and Suffolk.

4.6 Lack of Sponsors and cross pattern cooperation

The overall process has been hampered to a significant extent by the lack of exchange of information between Lead Officers which may have been caused by the relatively short timescales for preparation of the submissions. This is reflected in the following issues:

- Disaggregation of Education and Specific Grants – paragraph 3.2.3;
- Effect of Combined Fire Authority in Norfolk and Suffolk – paragraph 3.2.4;
- Lack of sponsor and level of co-operation – paragraph 3.2.5.

4.7 Localisation

There are significant apparent differences between submissions of projected additional expenditure attributed to localisation, although variations in service plans may account for the differences.

5. Acknowledgements

We would wish to extend our thanks to Lead Officers and their staff and advisors at Devon County, Exeter City, Ipswich, Suffolk County, Norwich City and Norfolk County for the provision of high quality submissions and for the provision of timely and informative responses to our enquiries.

We would also wish to extend our thanks to all of those from constituent authorities for their assistance which has always been willingly given.

Chris Wheeler, Tony Hall and Ken Bell
Independent Financial Consultants to the Boundary Committee

November 2008

This document has been prepared for and only for the Boundary Committee for England in accordance with the terms of our consultancy services agreement and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Appendix A - TERMS OF REFERENCE FOR INDEPENDENT FINANCIAL CONSULTANTS September 2008

Background

The Boundary Committee for England is a statutory committee of the Electoral Commission and is responsible for conducting structural, boundary and electoral reviews of English local authorities.

In October 2006 the Department for Communities & Local Government (DCLG) invited principal councils in England to make proposals for unitary local government structures in their area. The DCLG received 26 bids, including a proposal from Norwich City Council to become a unitary on its existing boundary. On 25 July 2007, the Minister announced that nine bids had been successful and that it was the Secretary of State's intention to refer the Norwich City bid for unitary status to the Committee, with a view to it considering whether there might be unitary solutions for the county as a whole, possibly involving boundary changes. The Minister has also now stated that it is her intention to request the advice of the Boundary Committee in relation to the Exeter and Norwich bids.

The Committee will now undertake a review of Norfolk, Suffolk and Devon and will use the same five criteria that DCLG used to assess the 26 unitary bids that it received. These are:

- Affordability
- A broad cross section of support
- Strategic leadership
- Neighbourhood empowerment
- Value for money services

The Secretary of State issued her request for advice on 6 February 2008. In order to provide this advice, the Boundary Committee will require existing local authorities to provide information and evidence in relation to each of the five criteria.

Scope

The Boundary Committee requires the support of financial consultants to provide an assessment of the affordability of any advice provided to the Secretary of State for unitary patterns of local government in Devon, Norfolk and Suffolk. Consultants will support the Committee in advising what information the Committee needs in making a judgement on the information which will enable the Committee to make sound recommendations on the affordability criteria, consistent with DCLG's assessment of the original unitary authority bids.

The consultants will be expected to provide assistance in the following areas:

- Create worksheets for local authorities to present their financial case in a systematic and transparent manner, which allows all parties to be clear about their intentions and the basis of their costing.
- Provide a briefing to all finance officers in each county area on how to complete the workbooks.
- Provide support to local authorities as they complete the workbooks.
- Provide support to Boundary Committee officials and present findings to the Committee.
- Assess the workbooks completed by local authorities and provide the Boundary Committee with a written analysis of the information received and a view on the likelihood of each of the patterns identified meeting the affordability criterion as set out in the Secretary of State's advice.

Appendix B – Effect of disaggregation on external finance

- B.1 We identified from the beginning that within the disaggregation process, in order to build up the new base for the unitary submissions, the disaggregation of external finance would be very important and would possibly be the most difficult element to agree.
- B.2 The only guidance DCLG have given is that the effects of disaggregating formula grant should be contained within the current county until the next spending review round (in this case 2011/12). They expect that lead officers will agree the disaggregation which will feed into their formulae. If there is no agreement there is a fall back formula.
- B.3 We commend the lead officers, therefore, in that they have commissioned a specialist consultancy (LG Futures) to calculate the disaggregation in all counties. This has been used for all submissions except one. Even in that submission (Greater Norwich), we are pleased to note that the difference between the two consultancies used is marginal for the overall purposes of the exercise.
- B.4 Overall then, there appears to have been agreement as to this disaggregation within the workbooks as submitted.
- B.5 The key elements of this work are as follows:
- **Devon**

The relative simplicity of the proposals and patterns in Devon has meant that disaggregation has been relatively straightforward. The split has been agreed by both Councils.
 - **Norfolk and Suffolk**

The options to place Lowestoft in Norfolk, or let it remain in Suffolk meant that in these counties there were additional difficulties. Lowestoft has high needs and if dealt with on its own within the grant system would attract grant disproportionately.
- B.6 The consultancy identified several ways of approaching this problem to mitigate this effect, and recommended disaggregating formula grant on the basis of Norfolk and Suffolk collectively.
- B.7 However, if Lowestoft were to remain in Suffolk, the consultancy would recommend and DCLG would expect that the control totals would be set for each County separately.
- B.8 The main drawback overall is that Suffolk's grant disaggregation is dependent on the option that is selected for Norfolk. Indeed, there is a further anomaly when Lowestoft is placed in Suffolk for the North Haven submission which is dealt with in the relevant detailed report. This may also affect other submissions.
- B.9 However, the consultancy concluded that:
- 'Given the narrow range of outcomes from the modelling, it should be possible to agree the grant disaggregation between the lead authorities in Norfolk and Suffolk.'

B.10 We understand that workbooks which include Lowestoft reflect the disaggregation of external finance on the bases that have been shown above, and there is no disaggregation anomaly in the workbooks themselves to cause us concern.

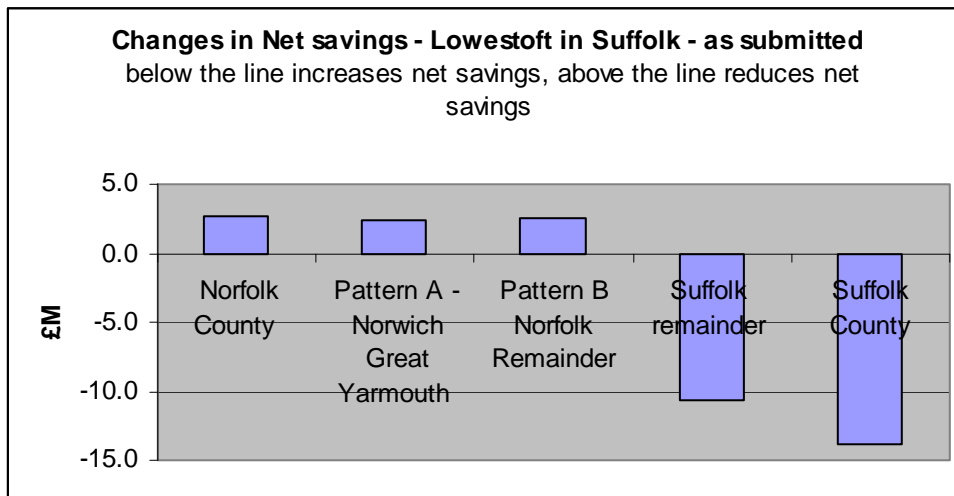
Appendix C - The Effect of Lowestoft in different submissions

C.1 We have reviewed the effect on the figures submitted of moving Lowestoft into Norfolk or retaining it in Suffolk.

C.2 The base data used in the submissions appears to be broadly correct.

C.3 The real difference is in the possible net savings that Norfolk and Suffolk have submitted in their transition plans as shown below:

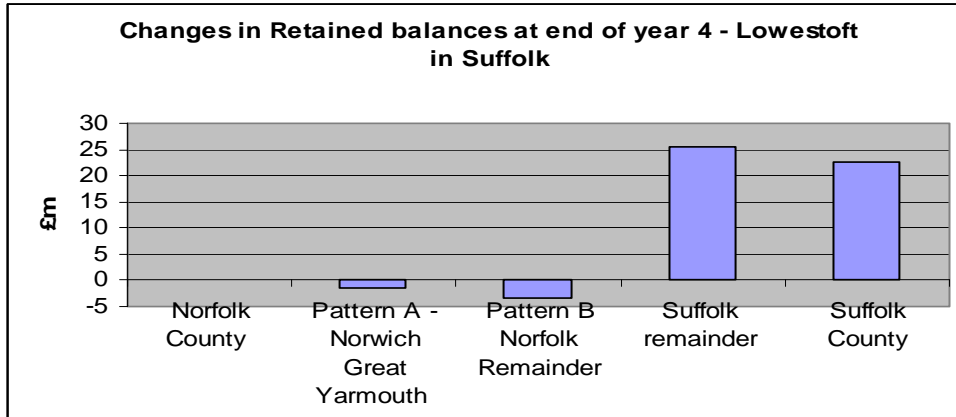
- **Norfolk** indicates that by retaining Lowestoft in Suffolk, there could be net reduction in overall savings of £2.3 - 2.6m – the transitional plan produces **less net savings** by that amount.
- **Suffolk**, on the other hand, indicates that retaining Lowestoft in Suffolk will allow their submissions to make **increased savings** of between £10.6m and £13.8m.
- The graph below indicates the position:



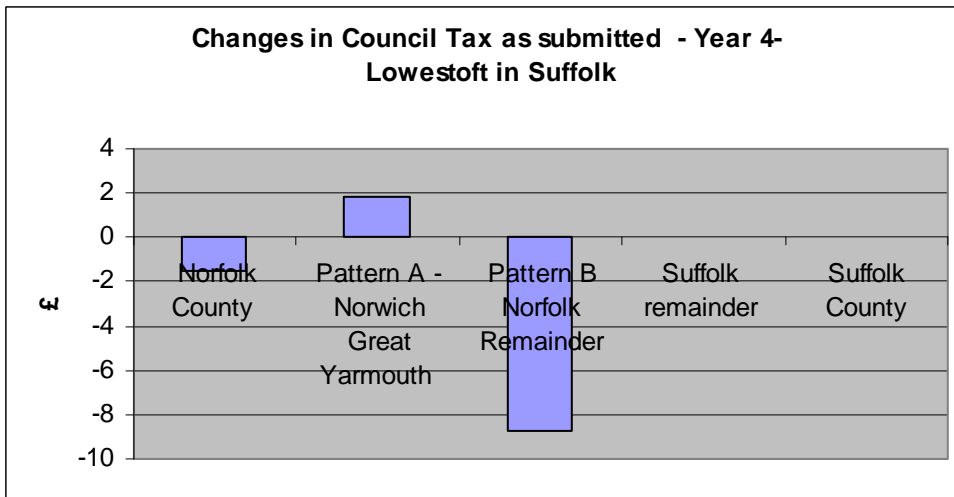
C.5 We understand that the reason for the substantial difference between the Suffolk submissions relates to the costs of corporate support services and senior management.

C.6 Whilst the cost of the proposed structure is broadly similar, the unitary structures with Lowestoft have a larger base budget, so that greater savings can be made. In contrast, Norfolk appears to have allocated additional net costs to the unitary structures with Lowestoft.

C.7 The effect of the differences on the Transitional Plans over the period, and on the Council Tax levels, as submitted, impacts upon the level of retained balances at year 4, as submitted. This is illustrated below:



C.8 Council Tax levels are broadly similar whether or not Lowestoft is included, with the exception of Norfolk Pattern B, where there is an apparently disproportionate effect of the reduction of expenditure compared with the reduction in Council Tax resulting in the potential for Council Tax to be £9 lower, as shown below:



C.9 Thus as submitted, it appears that, according to Suffolk's figures in particular, there is a significant benefit arising from Lowestoft remaining in Suffolk.

C.10 Suffolk appears to be able to make substantially higher savings, resulting in the Council Tax being maintained at the same level by year 4 in both submissions, meaning that their retained balances can increase substantially.

Appendix D - Disaggregation of Education and Specific Grants (Pattern B Norfolk)

D.1 In reconciling the base figures used in the submissions from Norfolk County, for “Two Unitary Pattern B Norfolk Remainder”, and Norwich City, for “Two Unitary Pattern B Greater Norwich”, we identified that the two were not using the same figures, and that consequently there was a disparity of £7.1m.

D.2 The net variance was as follows:

Service or grant	Norfolk County implied apportionment to Greater Norwich £m	Norwich City apportionment to Greater Norwich £m	Difference £m
Children’s Services (Education)	143.3	156.8	13.5
Specific grants	-120.3	-140.9	-20.6
Net difference			-7.1

D.3 Norfolk County were asked:

“If the apportionment were closer to Norwich City’s calculation, what would be the effect on Pattern B Norfolk remainder?”

D.4 The response produced the following outcomes:

- Greater Norwich net expenditure would reduce by £7m, and the Pattern B Remainder net expenditure would increase by the same amount;
- The increase for Pattern B Remainder would need to be recouped by increasing Council Tax by £29 to £20 above the average so failing affordability Criterion 5;
- Reducing the reserves below the recommended minimum balance for years 1 to 4 so failing to meet affordability Criterion 4;
- Ongoing savings from year 5 onwards would, however, cover the increased base budget cost, year on year, with reserves rising to £1.6m above the minimum level at the end of year 5.

D.5 Norwich City was asked:

“If the apportionment were closer to Norfolk County’s calculation, what would the effect be?”

D.6 The response produced the following outcomes:

- If Capital Finance and Specific Grants allocation were to be increased by £3.7m to £124m and Education grant reduced £13.5m then affordability criteria would be met by both submissions.

D.7 We asked what the effect on actual spending would be if the disaggregation were nearer to that put forward by the other party.

- **Norfolk's view is that :**

1. It could not be funded except by service cuts. It could not come from Council Tax without exceeding the requirement to set Council Tax at a level no higher than the current average
2. On the creation of two unitaries, the Department for Children, Schools and Families would wish to ensure that individual schools would see no consequent change to their funding.

- **Norwich's view is that:**

The disaggregation is justified, and remains confident that should the county figure hold, this would not hamper the ability of a Greater Norwich unitary council to provide an effective service. This would mean that the level of funding to schools in Greater Norwich would continue at the same level as it is now. We believe that a Greater Norwich unitary authority would still be able to achieve significantly improved outcomes for children in Greater Norwich.

D.8 Conclusion

- Each believe that their methodology for calculating the disaggregation is correct;
 - Norfolk says they have apportioned specific grants in detail.
 - Norwich have used a fall back arrangement primarily relating to RSG (there is no real disagreement on the RSG figures between them).
- Norwich City's response is a compromise response in an endeavour to ensure that the Pattern B submissions demonstrate "affordability".
- The adoption of the compromise would carry significant risks, if the actual outcome were to be significantly different from submissions.
- Norfolk feels that if their disaggregation is not correct it could result in service costs.
- Norwich on the other hand believes that they can still provide a good service. There must, however, be a funding issue since the shortfall would fall on the Council Tax.
- Each submission has, therefore, been evaluated in accordance with the information as submitted, but with a comment as to what the position appears to be if the disaggregation were not as they wished.

Appendix E - Effect of the Combined Fire Authority in Norfolk and Suffolk

E.1 Background

- E.1.1 It is a requirement that when two or more unitary authorities are created within a county area that a Combined Fire Authority (CFA) is created.
- E.1.2 So far as this review is concerned, the requirement applies only to Norfolk and Suffolk, Devon fire services are already administered by a Devon and Somerset CFA.
- E.1.3 The creation of two or more unitary solutions in either Norfolk or Suffolk would require the establishment of a CFA
- E.1.4 Both Counties have agreed that this would be the case.
- E.1.5 During the course of our review we have noted that the approach taken by Norfolk and Suffolk in developing the potential cost of a CFA has been substantially different resulting in significant variations in the likely projected costs.

E.2 Norfolk

- E.2.1 Norfolk County have led on the preparation and submission of 7 of the workbooks – 5 of which are affected, i.e. Pattern A Norfolk Remainder, Pattern A Norwich and Great Yarmouth (with and without Lowestoft), Pattern B Norfolk Remainder (with and without Lowestoft).
- E.2.2 Norwich City has led on the preparation and submission of one workbook that affects: Pattern B Greater Norwich.
- E.2.3 The work books submitted by Norfolk **excluded** the fire costs, whilst that submitted by Norwich **included** them for expenditure **but not** for grant.
- E.2.4 Revised workbooks, bringing all fire costs into account, were subsequently provided, and the estimated costs are shown in the following table:

Combined fire authority - Norfolk

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	Total £m	Ongoing £m
Set up	0.13					0.13	
ongoing		1.90	1.90	1.90	1.90	7.60	1.90
Total	0.13	1.90	1.90	1.90	1.90	7.73	1.90

Source - ITEM 2H.2

E.2.5 This is equivalent to a total additional precept of £38-39 per year. It is said that this appears low compared with some other CFA's. Calculated external finance figures have been double checked with LG Futures who prepared them.

E.3 Suffolk

E.3.1 Suffolk County have led on the preparation and submission of 4 of the workbooks – 2 of which are affected, i.e. Suffolk Remainder (with and without Lowestoft).

E.3.2 Ipswich has led on the preparation and submission of one workbook that affects: Ipswich and Felixstowe (North Haven).

E.3.3 Both Suffolk and Ipswich have **included** fire costs in the workbooks, and have only shown additional costs, which is consistent with the view of the independent financial consultants.

E.3.4 The effect of this is extracted and shown in the following tables:

Set up	0.40					0.40	
ongoing		0.25	0.25	0.25	0.25	1.00	0.25
Total	0.40	0.25	0.25	0.25	0.25	1.40	0.25

Source – detailed Supporting Information – Item 2

Ipswich and Felixstowe figures

Combined fire authority - Ipswich and Felixstowe (North Haven)

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	Total £m	Ongoing £m
Set up	0.20					0.20	
ongoing		0.10	0.10	0.10	0.10	0.40	0.10
Total	0.20	0.10	0.10	0.10	0.10	0.60	0.10

Source – Key financial assumptions

E.3.5 The figures from the two tables are combined to produce total Suffolk picture as shown in the following table:

Combined fire authority - Suffolk

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	Total £m	Ongoing £m
Set up	0.60					0.60	
ongoing		0.35	0.35	0.35	0.35	1.40	0.35
Total	0.60	0.35	0.35	0.35	0.35	2.00	0.35

E.4 Differences between Norfolk and Suffolk figures

E.4.1 There are considerable differences between the two approaches as shown below:

Combined fire authority - Difference between Norfolk and Suffolk

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	Total £m	Ongoing £m
Norfolk	0.10	1.90	1.90	1.90	1.90	7.70	1.90
Suffolk	0.60	0.35	0.35	0.35	0.35	2.00	0.35
Total	-0.50	1.55	1.55	1.55	1.55	5.70	1.55

This indicates that Suffolk set up costs are higher than Norfolk's by £0.5m, whilst Norfolk ongoing costs are higher than Suffolk's by £1.6m per annum.

E.4.2 In response to our request for additional information from lead officers, the following reasons for the differences have been provided:

- Norfolk has assumed that the new CFA would require its own officers, and that savings, if any, would arise in their own establishment and have already been accounted for in their approach to staffing reductions.
- Suffolk has assumed that they will continue to provide support to the new CFA.

E.5 Action taken in modelling of risks and opportunities

E.5.1 For modelling purposes, we consider that there is an opportunity for Norfolk to reduce the costs in respect of the two unitary patterns, and for each submission that would need to contribute to a CFA we have reduced Norfolk's originally submitted figures by 50%.

Appendix F – How we have considered risk of each submission

- F1 A risk matrix was developed against which we have compared the performance after modelling for each of the submissions. This is shown in detail within each of the Detailed Reports at paragraph 9.
- F2 It contains three measures or categories for each of the criteria of the Secretary of State's affordability criterion.
- F3 Risk is measured according to the margins by which a submission is likely to achieve or not achieve each of the five criterions.
- F4 Performance against each criterion receives a score ranging from 1 to 3, where 1 = LOW, 2 = MEDIUM and 3 = HIGH.
- F5 In order to fall within the LOW category, a submission must have no more than 2 scores in the MEDIUM category and at least 3 scores in the LOW category.
- F6 To rank as MEDIUM risk, a submission will have only one score in the HIGH category.
- F7 Any submission that fails to meet Criterion 1, "net effect of the transitional plan on balances" and/or Criterion 4, "satisfactory balances at year 1" is classified as HIGH risk whatever its score on other criteria.
- F8 A submission may be shown as meeting most of the criterion, as modelled, but may be shown as HIGH risk.

Glossary of terms

The following terms have been used throughout our reports, including our Detailed Reports, and some of those listed may not appear in this Summary Report.

Affordability criteria	These are the measures which have been set down by the Secretary of State as the basis against which to assess each submission. There are 5 of these, relating to the transitional plan, the payback period, capital, balances and Council Tax
Affordability indicators	These are detailed calculation we have used to help us to see whether or not affordability criteria are likely to be achieved.
Affordability workbooks	We designed standard Excel workbooks – a series of integrated spreadsheets - which we required the lead officers to complete as part of their submissions. These covered all aspects of the transition plan and calculated Council tax levels and tracked the use of balances. We use this as the starting point in our assessment as to whether the affordability criteria are likely to be achieved.
Average Council Tax	There are several ways of calculating an average Council tax. These are described in section 8 of our detailed reports. Each calculation relates to the Council taxes in place in all or part of the constituent local authorities in 2007-8.
Balances	We use this term to mean sums available to support expenditure or the Council Tax and not reserves for any other reason. Also known as unallocated balances.
Base costs	These are the costs of the submission before any effect of the transitional plan is included. This can relate to any year.
Capital	Capital expenditure gives a benefit for more than one year and, therefore, can be financed from a number of sources. It is only the annual cost of this financing which is charged in the year and the net effect of which has to be met from the Council Tax. The definition of capital expenditure is set down in the Accounting Code of Practice.
Capital receipts	These are the receipts from sales of capital assets, which can only be used to meet capital expenditure according to the rules laid down by statute or direction.
Capital transitional costs	During the transitional period from 2008 – 2014, capital costs may be incurred to meet the needs of the new unitary. The net effect of financing these costs has to be met within the transitional plan.
Constituent authorities	Each new unitary proposal is made up of all or part of a number of different local authorities. We have used this phrase to indicate all those that are affected by a particular submission.
Council Tax base	In order to calculate the Council Tax, it is necessary to apportion the total net cost of an authority to its population. This is done by calculating a figure which broadly represents the number of residential properties liable for Council Tax in an authority's area.
Council Tax yield	The amount of money that is yielded by multiplying the Council Tax by the Council Tax base
Disaggregation	When an authority is split in order to be part of the new unitary submissions, its expenditure, external finance, balances, population and council tax base have to be split also. This action is disaggregation, and where the disaggregation of expenditure, is different in proportion from the disaggregation of grants, this can

	lead to an anomaly that has to be dealt with through funding or other measures.
Equalise Council Tax	The process of constructing a budget to produce the same Council Tax as that already in place , either on average or measured against a specific authority.
Expenditure disaggregation	See disaggregation above
Expenditure reductions	We use this term to mean any savings or increase in income which has been included in the transitional plan
External finance	We use this term to mean the allocation from central government to support the Council Tax. It relates to the distribution of Revenue Support Grant and the Non Domestic Rate pool. The present grant which does this is called Formula Grant. We use these titles to mean the same thing. It does not relate to specific grants
Financial modelling	As local authorities have been required to make their submission to us using the workbooks, which are exactly the same in construction for each submission, we are able to model the effect of any changes which we feel could or should be made – in effect to ask ‘what if ‘ questions’
Formula Grant	The main grant from Central Government that supports the Council Tax., otherwise referred to as ‘ external finance’ , to relate to the effect of the application of this grant
Inherent risks	After reviewing in detail all the documents supporting each of the submissions we have tried to highlight areas where risks may still be in place in addition to those in the submission. We have called these issues’ inherent risks’. It is important to understand that we are not saying that these particular issues will definitely come to fruition – just that it is reasonable that these or some other risk may affect the figures when it comes to implementation.
Lead Officer	For each submission the Boundary Committee requested that one S151 officer would lead the compilation of the submission and the preparation of the workbooks. This was to be done in consultation with the S151 officers of the constituent authorities.
Lead Up Years	The new unitary authorities are, at present, planned to be in place from 2010. There are two lead up years to this date - 2008 – lead up year 1 – and 2009 – lead up year 2
Modelled inherent risks	If we have identified what we think may be inherent risks, we have then included the effect of these in our financial modelling to see what the outcome might be.
Modelling	The application of financial changes to our financial data base built up from the data included in the submission or submission, to see what the effect would be.
Pay harmonisation	Where two or more authorities are brought together there will be an imbalance in pay rates and scales. These will have to be brought together - or ‘harmonised’ over a period, which has a financial effect. This is key cost in the transition plan
Payback period	The Secretary of State’s criterion require the payback period – the period within which all costs of the transition, including the costs which are incurred before the new authority is in place – to be no more than 5 years. The start point for that is not defined. We have taken the payback period to begin from 2009 (lead up year 2). This is to ensure that leads up costs are recouped in the 5 year period.
Per head of population	Unless specified, this includes all members of the population as set out in the 2007-8 CIPFA statistics for local authority budgets.
Percentage of staff	The net number of staff who will leave the new unitary before or

changes	during the transition period, measured against the total number of staff who would transfer to the new authority as measured by the workbooks
Population	See per head of population
Prudential borrowing	To meet capital expenditure local authorities may borrow money in accordance with the prudential code of borrowing. Effectively this means borrowing as long as certain pre agreed limits and controls are not breached.
Recommended balances	We asked the lead S151 officer to set down the level of balances measured against the net budget for each year in percentage terms. We use this as a measure to see if any transitional plan or modelling caused balances to go below this recommended figure.
Revenue savings	These are reductions from costs which would otherwise be met from the Council Tax
S151 officer	Each local authority must appoint by law (S151 Local Government Act 1972) one officer who has the responsibility for the financial affairs of that authority. This is a personal responsibility to that officer.
Satisfactory balances	We use this phrase to also mean recommended balances – see above
Sensitivity analysis	We use this phrase to describe the process whereby we have applied a range of changes - defined in percentage terms - which may occur to the figures as submitted to us. Its aim is to attempt to see how robust or susceptible to change the figures are when the changed figures are measured against the affordability criterion
Specific grant	Grants which relate to specific services as opposed to general service expenditure
Staff release costs	When staff are released, there are costs incurred – these may include redundancy which can be calculated in different ways according to local or national rules. Where the staff that leave are entitled to pension payments, a contribution may be necessary to the local government pension fund. This is often termed 'pension strain costs'. The total of such costs is what we have termed staff release costs
Staff release numbers	The net number of staff which are to leave the new unitary over the transition period.
Submission	We use this word to indicate the complete package of documents which we requested from each of the lead officers. It is generally used to relate to the Affordability workbook contained in those submissions.
Transitional costs	These are the net costs planned to be incurred over the transitional period. That period is from 2008 (lead up year 1) to 2014
Transitional plan	This is produced by the workbook and brings together all additional costs and expenditure reduction and measures these over the transitional period, and takes into account the use of balances and the effect on the Council tax.
Unallocated balances	Balances held by a local authority which are not for a specific purpose, but which are used for cash flow and for general support to the Council tax.
Vesting day	At present it is expected that if approved the new unitary authorities will be in place from 1 st April 2010. This is vesting day.
Workbooks	Also called affordability workbooks. See above
Working balances	See unallocated balances above.