

**Introduction**

The aim of Norwich City Council's bid for unitary status is to become an exemplary provider of all local government services to the citizens of Norwich and in the most cost effective way possible.

The city of Norwich is the main economic hub of Norfolk and of the Eastern region. However, the City Council can only currently provide services at the 'District' level, whilst Norfolk County Council provides other services, which means there is confused strategic management and leadership for Norwich.

Norwich City Council considers that unitary status is the 'best' vehicle to ensure the best possible future for Norwich and its people. Considering the need for ongoing service improvement, innovative 'ways of working' are essential to ensure that such improvement is achieved within current financial constraints. It is therefore considered that by Norwich City Council becoming a unitary authority, it will allow the authority to undertake the following for the citizens of Norwich:

- Provide strategic management and leadership.
- Plan, develop and provide local government services with less bureaucracy.
- Provide local government services in a more cost-effective way.

As this report will show, the costs for Norwich City Council's bid for unitary status (within current boundaries) have been covered by anticipated savings within 4-years of Vesting Day. This allows for an effective and timely transition to normalising the provision of all local government services to the citizens of Norwich.

With regard to the 'Greater Norwich City Council' bid for unitary status, it is still expected that the costs of transition will be met within 4-years of Vesting Day.

## **Structure of Report**

The 'Financial Case for a Unitary Norwich City Council' will follow the structure noted below:

1. Case for an Affordable unitary 'Norwich City Council'
2. Financial Model
3. Validation of Base Year Figures
4. Analysis of Reserves
5. Aligning Council Tax Levels and Rent Charges
6. Estimates
7. Assumptions
8. Service Levels & Impact of Planned Service Developments
9. Residual Two Tier Areas Affects by the Proposal:  
    Future Funding:- Effects Of Norwich City Council Becoming A Unitary Authority
10. Partnership Arrangement
11. Capital Programme
12. Reconciliations
13. Financial Management
14. Case for an Affordable unitary 'Greater Norwich City Council':
  - Estimates of Transition
  - A Greater Norwich Unitary Council – An Outline Financial Case

## **1.0 CASE FOR AN AFFORDABLE UNITARY ‘NORWICH CITY COUNCIL’**

- 1.1 The qualitative case for Norwich City Council becoming a unitary Council has been addressed in the main bid report.
- 1.2 At the close of the fourth year following Vesting Day, the gross costs for the formation of a unitary Norwich City Council would be £31.773m. It is important to recognise that these costs cover both the unavoidable costs of transition, but also a significant investment in transformation (e.g. new technology and skills) to ensure that the new unitary Council has the potential to deliver greater efficiency in future years.
- 1.3 It is also important to note over the same period, these costs are more than offset by the expected medium-term efficiency savings totalling £32.077m; thus giving an overall saving of £0.304m.
- 1.4 In the main, these savings would be generated from efficiencies that would accrue from ‘staff rationalisation’ and ‘alternative and innovative’ methods of ICT service provision that a unitary Norwich City Council would introduce.
- 1.5 In summary, the total costs and savings from Lead-Up Year 1 to the close of Year 4 post Vesting Day are shown below:

	£’m
Cost of Transition & Transformation:	31.015
Expected Efficiency Savings:	(32.077)
<b>Saving based on Operations:</b>	<b>(1.062)</b>
Short Term - Debt Financing:	0.758
<b>Saving over 4-years:</b>	<b>(0.304)</b>

### **Transition to a Unitary Authority**

- 1.6 The process of transition would only be the ‘first-step’ in the Council meeting the aims noted in the introduction. Transition is effectively the ‘gluing together’ of current Norwich City Council Services with the respective Norwich elements of services provided by Norfolk County Council. At this time, it is estimated that the net costs of transition would be £3.793m.

### **Transformation of a Unitary Norwich City Council.**

- 1.7 The second and most crucial step in Norwich City Council meeting its aforementioned aims is through a process of service transformation. Through a tried and tested transformation process (working with a private sector partner) the new Council will be able to improve the cost-effective long-term provision of local government services within Norwich.

- 1.8 The process of service transformation will involve the implementation and ongoing development of innovative but tried-and-tested ICT systems that will transform the previously ‘glued together’ services of the former Norwich ‘District’ and Norfolk ‘County’ Councils.
- 1.9 The cost of transformation within the 4-years post-Vesting Day totals £12.822m; however by undertaking transformation this will permit the Council to generate £17.677m in savings.
- 1.10 Consequently, by Norwich City Council undertaking complimentary Transition and Transformation, an overall saving of £304,000 is possible within 4-years of Vesting Day, and more significant efficiency savings are possible in subsequent years..

### **Why not Transform without Transition?**

- 1.11 Transformation and Transition are intrinsically linked. When the systems are effectively ‘glued together’, the longer-term process of transformation will also commence – they are not ‘mutually exclusive’!
- 1.12 Norwich City Council has previously undertaken a process of transformation for its current ‘District’ services that have in themselves generated significant efficiency savings (see section 10 – Partnership Arrangement). By becoming a unitary authority, as well as benefiting Norwich by being able to strategically manage and lead all local government services for the City, it will also be able to effectively integrate former ‘County’ services but then transform these integrated services so its services are provided in the most efficient and effective way possible.

### **Year 5 and onwards**

- 1.13 For Year 5 and onwards, this is where the real savings will be made. Considering that by Year 5 all ‘one-off’ costs will have been met, the annual ‘ongoing’ costs of becoming a unitary authority will continue, and these are estimated to be £5.049m; However, the ‘ongoing’ savings of £8.617m (including investment income) will also continue and this achieves for Norwich an overall annual saving £3.568m .

### **Ongoing Service Development**

- 1.14 Norwich City Council is expecting to receive a block-grant of somewhere between £3.0m and £4.0m from the ‘Local Authority Business Growth Initiative’. If the Council receives £3.0m, it intends to invest £750,000 in each of the first 4 years of becoming a unitary authority to directly develop ‘key priority’ areas. Together with the £200,000 per annum for service development that is included within the estimates of transition costs, this will allow a unitary Norwich City Council to ‘kick-start’ growth for Norwich by an annual investment of £950,000.

**Conclusion:**

- i. The costs of transition and transformation will be met from revenue resources and by the close of the fourth year post Vesting Day.
- ii. For Year-5 and onwards, there will be ongoing annual savings that will allow further investment within the City of Norwich.

## 2.0 FINANCIAL MODEL

### General Fund

2.1 The transition costs have been included within the DCLG 'Financial Form - partial county area – Norwich' model which accompanies this report.

Base Year+Transition Year Cost Analysis

	Base Year	LUP Year 1		LUP Year 2		Year 1		Year 2		Year 3		Year 4	
	Transition Costs	Cumulative Base Year+ this year	Transition Costs	Cumulative Base Year+ this year	Transition Costs	Cumulative Base Year+ this year	Transition Costs	Cumulative Base Year+ this year	Transition Costs	Cumulative Base Year+ this year	Transition Costs	Cumulative Base Year+ this year	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Cost of Services</b>	<b>441,155</b>	<b>464</b>	<b>441,619</b>	<b>1,956</b>	<b>443,111</b>	<b>2,984</b>	<b>444,139</b>	<b>(1,516)</b>	<b>439,639</b>	<b>(2,433)</b>	<b>438,722</b>	<b>(2,433)</b>	<b>438,722</b>
Financing:	40,161	28	40,189	147	40,308	302	40,463	210	40,371	63	40,224	(74)	40,087
Reserves:	(2,257)	0	(2,257)	0	(2,257)	0	(2,257)	0	(2,257)	0	(2,257)	0	(2,257)
<b>Demand on Tax</b>	<b>479,059</b>	<b>492</b>	<b>479,551</b>	<b>2,103</b>	<b>481,162</b>	<b>3,286</b>	<b>482,345</b>	<b>(1,306)</b>	<b>477,753</b>	<b>(2,370)</b>	<b>476,689</b>	<b>(2,507)</b>	<b>476,552</b>

#### *Source Document*

Worksheet entitled: 'Cumulative-Net Cost 2 Demand'

Spreadsheet entitled: 'Capital Reserves & Transition'

2.2 Over the six-year term of the model, this clearly shows that the costs of transition will be covered, as the 'Demand on Tax' is less than the 'Base Year'. In fact, it is expected that after the process of 'business re-engineering' that will commence following Vesting Day, that there will be annual savings of £3.568m per annum.

2.3 As will be seen later in Section 4 'Analysis of Reserves' the costs relating to Local Government Review 'Restructuring' are to be accounted for within a separate Provision and be financed from temporary borrowing and service efficiencies until break-even is achieved in Year 4 post Vesting Day. However, the DVLG 'Financial Form - partial county area – Norwich' does not include a line within Financing to allow for temporary borrowing.

### Housing Revenue Account

2.4 The financial model for HRA has been completed and also accompanies this report. However, the direct affects of 'unitary' restructuring are not significant for the HRA and there are no additional HRA issues following the formation of a unitary Norwich City Council within current City boundaries as Norwich City Council is the only Council with HRA responsibility.

### 3.0 VALIDATION OF BASE YEAR FIGURES

#### Norwich City Council

- 3.1 As reported to Full Council on the 28<sup>th</sup> February 2006 ([Minutes of Council](#)), the total 'Net Cost of Services' for 2006/07 is £27.350m and the 'Cost to be met by Government Grant and Council Tax' is £22.325m, of which £7.649m was to be met from the 'Precept on the Collection Fund'. A summary analysis is shown below:

	£'000	
<b>Net Cost of Services:</b>	<b>27,350</b>	
Trading Services:	(36)	
Interest and Investment Income	(1,141)	
AMRA	(2,092)	
<b>Net Operating Expenditure</b>	<b>24,081</b>	
Contribution to/from Capital Reserves	(1,498)	
Contribution to/from Other Reserves	(258)	
<b>To be met from Government Grant &amp; Local Taxpayers</b>	<b>22,325</b>	

(Source of information: Norwich City Council, reconfigured budget book)

- 3.2 For the financial framework, this has been restated to exclude non-cash items and recharges. Consequently, the 'Net Cost of Services' for 2006/07 has been revised to £20.374m. However, the 'Cost to be met by Government Grant and Council Tax' and the 'Precept on the Collection Fund' remain the same as those figures noted above. A summary analysis is shown below:

	£'000	£'000
<b>Net Cost of Services:</b>		<b>20,374</b>
Financing Costs:		
Money Set-Aside to meet Principal Repayments	960	
Interest on Borrowing	2,042	
Investment Income	(793)	2,209
Transfers to/from Revenue Reserves		(258)
<b>Demand on Tax: Local and Central</b>		<b>22,325</b>
<b>Reconciliation of Total Tax Contribution:</b>		
<u>Local Tax Contribution</u>		
Collection Fund Surplus:		165
Precept on Collection Fund		7,494

<u>Central Tax Contribution</u>	
Revenue Support Grant	2,375
NNDR	12,301
	<b>22,325</b>

**Norfolk County Council**

- 3.3 As reported to Full Council on the 22<sup>nd</sup> February 2006, ([Norfolk County - 2006/07 Budget Report](#)) the total 'Net Cost of Services' for 2006/07 is £485.878m and the 'Cost to be met by Government Grant and Council Tax' is £456.734m of which £286.809m was to be met from the 'Precept on the Collection Fund'. A summary analysis is shown below:

	£'000
<b>Net Cost of Services:</b>	<b>485,878</b>
Trading Services:	0
Interest and Investment Income	(6,784)
AMRA	(20,361)
<b>Net Operating Expenditure</b>	<b>458,733</b>
Contribution to/from Capital Reserves	0
Contribution to/from Other Reserves	(1,999)
<b>To be met from Government Grant &amp; Local Taxpayers</b>	<b>456,734</b>

(Source of information: Norfolk County Council; reconfigured Budget Book)

- 3.4 For the financial framework, this has been restated to exclude non-cash items and recharges. Consequently, the 'Net Cost of Services' for 2006/07 has been revised to £420.781m. However, the 'Cost to be met by Government Grant and Council Tax' and the 'Precept on the Collection Fund' remain the same as those figures noted above. A summary analysis is shown below:

	£'000	£'000
<b>Net Cost of Services:</b>		<b>420,781</b>
Financing Costs:		
Money Set-Aside to meet Principal Repayments	17,946	
Interest on Borrowing	26,790	
Investment Income	(6,784)	37,952

Transfers to/from Reserves:	(1,999)
<b>Demand on Tax: Local and Central</b>	<b>456,734</b>
<b>Reconciliation of Total Tax Contribution:</b>	
<u>Local Tax Contribution</u>	
Collection Fund Surplus:	916
Precept on Collection Fund	286,809
<u>Central Tax Contribution</u>	
Revenue Support Grant	27,346
NNDR	141,663
	<b>456,734</b>

## 4.0 ANALYSIS OF RESERVES

### Norwich City Council

- 4.1 As noted at paragraph 8 of the Council's Annual Audit Letter for the Audit 2004/05 ([Annual Audit & Inspection Letter 2004/05](#)) there is a requirement for Norwich City Council to restore Reserves to a 'more prudent level'. As at the 1<sup>st</sup> April 2006, the General Fund Balance stood at £1.947m.
- 4.2 The Council has commenced a three-year efficiency plan to ensure that Reserves are restored to around £3.0m. Assuming that there is no unitary status, the following Reserves Statement summaries the position of various reserves and balances up to 1<sup>st</sup> April 2009.

#### Norwich City Council – Reserves Statement

	2006	2007	1 <sup>st</sup> April 2008	2009
	£'000	£'000	£'000	£'000
<u>Earmarked Reserves</u>				
General Fund	4,591	4,591	4,591	4,591
HRA	1,601	1,601	1,601	1,601
Capital	246	246	246	246
<u>Reserves</u>				
HRA	2,266	0	0	0
Capital	8,553	5,960	3,670	3,103
<u>Balances</u>				
General Fund	1,947	1,689	2,129	2,569
HRA	6,832	9,079	7,079	5,079

#### *Source Document:*

Worksheet entitled: 'Reserves'

Spreadsheet entitled: 'Capital Reserves & Transition'

With an additional 'planned' £0.440m contribution in 2009/10, this would give a revised General Fund Balance as at the 1<sup>st</sup> April 2010 of £3.009m.

- 4.3 However, assuming that Norwich City Councils bid of unitary status is successful, as at the 1<sup>st</sup> April 2009 (Vesting Day) there will be a transfer of some Reserves and Balances to the unitary Norwich City Council from Norfolk County Council.

#### Estimated Transfer of Reserves and Balances

- 4.4 Norfolk County Council have provided a Reserves Statement that is also shown in the Worksheet noted above.
- 4.5 Norfolk County Council have estimated that the Reserves and Balances that would transfer are as follows:

Earmarked Reserves:	County Fund:	£0.929m
Earmarked Reserves:	LMS:	£0.621m
Balances: County Fund:		£1.586m
Balances: LMS:		£1.349m

- 4.6 For the purposes of the Financial Model, the amounts stated as Earmarked Reserves have been ‘taken as red’ and transferred to the Earmarked Reserves within Norwich City Council. However, the Balances for both the County Fund and LMS have been recalculated and the most prudent figure included within the financial model:

County Fund

- i. Norfolk County Council have stated that the balance as at 31<sup>st</sup> March 2009 is £10.245m and the amount to transfer as £1.586m..
- ii. Recalculation based on Council Tax Base (38,197/285,553) gives a revised transferable balance as at 31<sup>st</sup> March 2009 of £1.370m.
- iii. As the recalculated balance is less than the provided balance, the recalculated balance has been applied as the transfer to Norwich City Council.

LMS

- i. Norfolk County Council have stated that the balance as at 31<sup>st</sup> March 2009 is £12.535m and the amount to be transferred as £1.349m.
- ii. Recalculation based on the number of schools within the city boundary of Norwich (57/456) gives a revised balance as at 31<sup>st</sup> March 2009 of £1.567m.
- iii. As the recalculated balance is higher than the provided balance, the provided balance has been transferred to Norwich City Council.

- 4.7 Considering the above, the restated unitary Norwich City Councils Reserves Statement for the 1<sup>st</sup> April 2009 would be as follows:

	1 <sup>st</sup> April 2009 £'000
<u>Earmarked Reserves</u>	
General Fund	6,141
HRA	1,601
Capital	246
 <u>Reserves</u>	
HRA	0
Capital	3,103
 <u>Balances</u>	
General Fund	3,939
HRA	5,079
LMS	1,349

*Source Document*

Worksheet entitled: 'Reserves'

Spreadsheet entitled: 'Capital Reserves & Transition'

- 4.8 From April 2009 onwards, the only stated changes to Reserves are a further General Fund Balance contribution of £0.440m and a drawn-down from the HRA Balance of £2.0m in 2009/10. For the purposes of the bid, there are no further changes to Reserves and/or Balances (please note comments on LABGI later in this section).
- 4.9 A full reconciliation of 2006/07 Reserves and Balances to both Capital and Revenue is shown at the Reconciliations Section (13) of this report.

**Accounting Treatment of Transition Costs**

- 4.10 There are considered to be two main methodologies in the accounting treatment of transition cost. The first of these, and the preferred option is:

Provision for Transition

- 4.11 A separate provision within the balance sheet will be maintained to meet all costs and savings that accrue over the period of transition.
- 4.12 Financing of the provision will be met from ongoing temporary borrowing, which will decline over the period of transition and be replaced by efficiency savings until the provision is cleared. A 'cash flow-profile' is shown at paragraph 11.5.

- 4.13 The second and least preferred option is:

Set-off Transition Costs against Reserves

- 4.14 This would require the Council to offset the annual costs of transition against reserves and/or balances.
- 4.15 Considering the Council's external auditors opinion regarding the current Reserves position, there would be a delay in achieving a prudent general fund balance.
- 4.16 Further, this would negate the use of 'Local Authority Business Growth Initiative' (LABGI) funds to finance service development in priority areas (as noted in the 'Case for An Affordable Unitary Norwich City Council'). An estimated Reserves Statement follows which concentrates on:

- Balance as at 1<sup>st</sup> April 2007,
- Annual transition costs,
- LABGI funds, and
- Transferred Balances from Norfolk County Council:

<b>Year</b>	<b>Balances @ April 2007 £'m</b>	<b>Additions to Balances £'m</b>	<b>Transition (Costs)/Savings £'m</b>	<b>Revised Reserve Balance £'m</b>
Lead-Up Year 1	1.689	4.0	(0.492)	5.197
Lead-Up Year 2			(2.100)	3.097
Transferred Balances		1.370		4.467
Year 1			(3.286)	1.181
Year 2			1.306	2.487
Year 3			2.369	4.856
Year 4			2.506	7.362

4.17 The risks associated with this option are that:

- i. LABGI funds may not be as higher as shown above. If LABGI funds were less than the £4.0m indicated, this would reduce the 'end-of-year' balance and there would in-turn be a risk in 'Year 1' that there would be insufficient balances to finance the costs of transition.
- ii. Base on current estimates, Norwich City Council expects to recover the Reserves position by 1<sup>st</sup> April 2010. Assuming the City is successful in its bid for unitary status, this would delay recovery to a revised 'prudent' Reserves position of say £5.0m until 2011 to 2013.

**Likelihood of Occurrence:**

4.18 LABGI – At this time it is not known what level of 'block-funding' that the authority will receive. The above table shows the most optimistic option, but as noted within the 'Case For An Affordable Unitary Norwich City Council' (Section1) the most pessimistic option has been taken. Consequently, there is a 'medium' likelihood that the 'block-grant' will be less than planned.

4.19 Reduction in Reserves – If LABGI and the amount transferred from Norfolk County Council is reduced, there is a likelihood that this would leave the Council open to further comment by its external auditor on the level of its reserves.

**Mitigation:**

4.20 The main avenue for these risks to be mitigated would be through a more beneficial negotiation with the 'private sector supplier' of the timing of the costs involved with transition and transformation. However, the Council would incur higher 'interest' costs as such delay would need to be financed.

**5.0 ALIGNING COUNCIL TAX LEVELS AND RENT CHARGES**

- 5.1 There is no necessity for Norwich City Councils bid for Unitary Status to discuss Council Tax and Rent Charges alignment as there is no other District Council directly affected by this submission.
  
- 5.2 However, within Section 9: ‘Residual Two Tier Areas Affects by the Proposal’ of this report, there is discussion about the effects on the residual two-tier area for Norfolk.

## 6.0 ESTIMATES

### Transition Costs and Savings

6.1 Transition Costs have been considered as those that either Norwich City Council or Norfolk County Council will have to meet during the two-year period leading up to Vesting Day and for the 4-years beyond (Lead Up Year 1 to Unitary Year 4). These costs/savings will be a mix of either:

- 'one-off' transition costs/savings that will facilitate the establishment of a unitary Norwich City Council and/or
- 'ongoing' costs/savings that are a consequence of Norwich City Council becoming a unitary authority.

6.2 Excluding debt financing, the total gross and net estimated cost of transition to a unitary Norwich City Council over the 6-years required by the financial framework is £31.015m and (£1.062m) respectively.

6.3 A summary analysis of the transition costs and savings is shown below:

	<u>£'000</u>
<u>Costs</u>	
<u>One-Off</u> (this is the total between Lead Up Years 1 and 2)	
Staff Rationalisation	2,580
Relocation	424
Democracy – Norwich Shadow Authority	190
Democracy – Full Election: May 2008	20
Corporate Branding	50
Registration	75
Property	150
Information Technology – Transition	5,111
Transition Team (pre Vesting)	1,364
Transition Team (post Vesting)	970
Contingency	<u>500</u>
	11,434
<u>Ongoing</u> (this is the total between Years 1 to 4 inclusive)	
Pay Grade Harmonisation	2,296
Corporate Management	1,511
Democracy – Allowances Increase	592
Democracy – Local Budget	1,560
Information Technology – Transformation	12,822
Service Development: Education	<u>800</u>
	19,581

**Total ‘Gross’ Transition Costs: 31,015**

Efficiency Savings - Ongoing

Staff Rationalisation	9,028
Democracy – Change in Election Cycle	344
Democracy – Reduction in Councillors	444
Investment Income	84
Service Efficiency	22,177

**Total Efficiency Savings: 32,077**

**Cost/(Saving) based on Operations: (1,062)**

Debt Financing	758
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**Net Cost/(Saving) of Transition (304)**

*Source Document*

Worksheet entitled: ‘Transition Costs & Eff Savings’  
Spreadsheet entitled: ‘Capital Reserves & Transition’

6.4 The detailed costings and calculation assumptions for each of these estimates is shown in the attached Source Document:

- worksheet entitled ‘Transition Costs & Eff Savings’
- spreadsheet entitled ‘Capital Reserves & Transition’.

6.5 However, within this report a description of each Transition Cost has been given and where practical, the ‘costing’ calculations has also been shown.

**Risk Assessment and Sensitivity Analysis**

6.6 For each transition cost identified within this report; where it has been considered opportune to illustrate the cost due to sensitivity, this has been undertaken on a case-by-case basis.

6.7 However, to develop an overall cost of sensitivity to establish if such risks can be managed within current budgets the following rationale has been followed:

1. Based on the discussions of ‘likelihood of occurrence’ for each transition cost, a view has been made on whether the occurrence is considered:

Minimal – not likely to occur.

Medium – there is a possibility of occurrence.

High – is very likely to occur.

2. To assess the potential cost due to sensitivity, for each given transition cost the highest view of 'likelihood of occurrence' is taken and sensitivity is considered at the following rate:

Minimal – Sensitivity Rate of 0%

Medium – Sensitivity Rate of 10%

High – Sensitivity Rate of 25%

- 6.8 At the end of this section of the report, a summary analysis of 'Sensitivity' is given and whether the assessed sensitivity costs can be afforded within the 5-years required by DCLG.

### **General Commentary on Transition Costs/Savings; Risk and 'Case-by-Case' Sensitivity Analysis**

#### **Transition Costs – 'One-Off':**

##### **Staff Rationalization (Redundancy & Early Retirement)**

- 6.9 During the normal course of local government, on occasions an authority is faced with the need for staff rationalization. This can be due to a varying number of reasons, ranging from medium-term service efficiency to the discontinuation of a service.
- 6.10 For the purposes of LGR in Norwich, there will be a need for some element of staff rationalization. In the main, this will be due to service efficiency due to rationalization of 'back-office' support services for both transferred and current Norwich City Council staff.
- 6.11 The estimated cost for Staff Rationalization is £2.60m (Redundancy: £1.0m and Early Retirement: £1.6m). These costs are revenue in nature and will be met in 'Lead-Up' year 2, the year prior to commencement of the new unitary Norwich City Council.
- 6.12 The methodology that has been followed to calculate 'Staff Rationalisation' is as follows:
  - i. **Establishment of the Cost of Redundancy/Early Retirement per Post**

No information was available from Norfolk County Council on the number of recent redundancies/early retirements. However, over the past 18 months Norwich City Council has made 157 posts redundant (of which 151 received redundancy payments and 86 received early retirements payments). From this information has been calculated the average cost of redundancy/early retirement per post.

ii. Potential Redundancies/Early Retirements from the Transfer of Services

Norfolk County Council have provided information on the likely number of posts that would transfer to Norwich City Council following unitary status. This information has been applied to the costing information in (i) above.

6.13 The calculation methodology is as follows:

No. of staff at Norwich City =	912
No. of staff taken early retirement/redundancy last 18 months with applicable services=	151
No. of staff prior to early retirement/redundancy =	<u>1,063</u>
No. of staff who took early retirement =	86
No. of staff who took redundancy =	151
Of 151 leavers, the % that took early retirement =	57.0%
Average cost of redundancy =	10,747
Average cost of early retirement (strain) =	30,534
Average cost of redundancy per employee	10,747
Average cost of early retirement (VAR strain) per employee	30,534
% of staff taken early retirement/redundancy	14.2%

Total staff @ County Council (excluding schools & Fire)

	From County Estimate		151	Redundancy (revenue)	Early Retirements (revenue)	
	From Budget Book (page 27)	Estimate of Staff Transfer to Norwich	No. of Staff Estimated to be Rationalised	Estimated cost based on Norwich Redundancies £	Estimated number of posts subject to early retirement	Estimated cost based on Norwich Redundancies £
Schools	10,975.9	1,690.0	0.0	0	0	0
Education Other	432.0	0.0	0.0	0	0	0
Children Services	1,378.8	271.0	0.0	0	0	0
Adult Social Services	2,504.0	427.0	60.6	651,634	35	1,068,690
Planning & Transportation	790.5	17.0	2.4	25,943	1	30,534
Cultural Services	740.6	184.0	26.1	280,798	15	458,010
Chief Execs	836.9	17.0	2.4	25,943	1	30,534
Finance	169.7	5.0	0.7	7,630	0	0
	<u>17,828.4</u>	<u>2,611.0</u>	<u>92.3</u>	<u>991,948</u>	<u>52.0</u>	<u>1,587,768</u>
Reconciliation						
Fire		426.0	assume nil reduction in fire			
					<u>2,579,716</u>	

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.15 *Risk Assessment*

- i. **Risk:** The number of transferred staff and consequently, the number of posts made redundant, will be more that estimated.

**Negation:** The estimate of 2,611 staff stated as potentially transferring to a unitary Norwich City Council was provided by Norfolk County Council. Therefore, it is fair to assume that this is as representative as possible.

**Likelihood of Occurrence:** There is a chance that the estimated number of transferred staff may change as the time of actual vesting is at least two-years away.

At this time, it is considered that the likelihood of occurrence of a change in the number of staff that may transfer to a unitary Norwich City Council is 'fair'. The impact on the cost of staff rationalisation is considered 'minimal' as only 650 (24.9%) of those staff transferred have been included within the staff rationalisation estimate. However, in the interests of prudence, an overall 'likelihood of occurrence' risk assessment of 'medium' is given.

**Consequence of Impact:** If the number of posts transferring to a unitary Norwich City Council and the profile of posts between services did change, the consequence of this would be to increase or decrease the cost of staff rationalisation.

- ii. **Risk:** Staff Rationalisation will only concern higher graded posts and thus costs will be higher than anticipated.

**Negation:** Staff rationalisation will not be restricted to grade or seniority and will potentially impact on all County and City staff. The driver will be improvements in service efficiency, not cost reduction.

**Likelihood of Occurrence:** Using the pattern of redundancies/early retirements undertaken at Norwich City Council over the last 18 months (see the breakdown by posts below), the likelihood of staff rationalisation being only for higher graded posts is considered minimal.

	No. of Posts	%
Senior Management	5	3.2
Middle Management	31	19.7
Junior Management	56	35.7
Clerical/Other	65	41.4

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

**Consequence of Impact:** If staff rationalisation were only to be at higher graded posts, the one-off costs might actually reduce as the number of posts that would be redundant would be assumed to be less. However, as a consequence of this, the likely anticipated savings would reduce accordingly.

- iii. **Risk:** Staff Rationalisation will affect front-line services and there will be a reduction in service provision/efficiency.

**Negation:** There are no staff rationalisation targets. For the model, no staff rationalisation has been planned for Schools, Education and Children's Services to ensure that these prime areas are resourced to

as a maximum level as possible. Also, there has not been any compensating staff rationalisation in other services to maximise long-term cost savings.

**Likelihood of Occurrence:** Front-line services will not be affected, especially those that are a priority for a unitary Norwich Council (e.g. Education and Social Services) as they are deliberately excluded from the rationalisation model. As a result the expected overall risk is minimal.

**Consequence of Impact:** If front-line services were rationalised, this would have a detrimental effect on service provision.

iv. **Risk:** Applying a staff rationalisation of 14.2% to transferred services is too high .

**Negation:** The ratio of 14.2% represents the proportion of posts made redundant from Norwich City Council over the past 18 months and has only been applied to non-frontline transferred services. However, it is prudent to include a higher ratio to ensure that the maximum cost is included and funded within the model.

**Likelihood of Occurrence:** Considering that:

- in excess of 2,611 (County figures) FTE posts will be transferring to a unitary Norwich,
- not all unitary services are subject to staff rationalisation,
- rationalisation will be open to all unitary staff,

the overall net reduction in staff is 92.3 FTE posts which represents 2.6% of the total FTE of the new unitary authority.

	<b>FTE</b>
Current Norwich Establishment:	912
Transferred 'County' Staff	<u>2,611</u>
Total Unitary Establishment:	<u>3,523</u>
Staff Reduction:	92.3 = 2.6%

Consequently, this is a 'fair' indication of the proportion of likely redundancies/early retirements that will result from the formation of unitary Norwich Council and therefore the likelihood of occurrence of the ratio increasing is minimal.

**Consequence of Impact:** It is expected that 92.3 FTE staff will be rationalised across all services other than those considered to be 'front-line'. If the 14.2% staff rationalisation percentage was reduced, this would reduce the overall cost of transition.

- v. **Risk:** Actual costs may be higher than the averages used in this methodology.

**Negation:** Considering that the number of redundancies/early retirements was high for a normal 18-month period, as robust an estimate as possible is considered to have been built into the financial model.

**Likelihood of Occurrence:** As noted earlier, the sample period of 18 months was deliberately long to ensure that a wide a mix of grades was included. Therefore it is considered that the average applied to the model is robust and it is considered that there is a minimal chance that costs will be higher than that applied within the financial model.

**Consequence of Impact:** If costs were to be higher than planned then additional financing would be required. However, this would also have a consequential affect of achieving higher ‘on-going’ revenue savings.

- vi. **Risk:** Staff rationalisation will not be appropriately managed.

**Negation:** All staff rationalisation will be managed within the requirements of TUPE and relevant ‘management of change procedures’. Early discussions with trade union representatives have already been held. However, as noted in (i) above, such rationalisation will only be undertaken on the grounds of service efficiency. Further, there will be both member and corporate oversight of all staff rationalisation.

**Likelihood of Occurrence:** This is considered minimal as appropriate governance and statutory protection will be ‘inbuilt’ within the rationalisation process.

**Consequence of Impact:** This would leave the authority open to legal action and staff dispute, which would have a negative affect on service delivery and require the authority to incur additional financial cost with no ongoing financial saving.

### *Sensitivity Analysis*

- 6.16 The staff rationalisation model has established that up to a total of 92.3 posts would potentially be made redundant. As noted above, this is considered the maximum number of posts that could be rationalised before there is a direct impact on service provision. Consequently, it is not considered appropriate to increase the number of redundant posts. However, where the cost of staff rationalisation may increase is in the actual cost of redundancy and early retirement per post.

6.17 As noted earlier, redundancy information from Norwich City Council has been applied and the total cost; average cost per post and the numbers of staff applied within the Staff Rationalisation model are as follows:

	<b>Evaluated Total Cost For Model £'m</b>	<b>Norwich Average Cost per Post £</b>	<b>Norwich Numbers of Staff</b>
Redundancy:	0.992	10,747	151
Early-Retirement:	1.588	30,534	86

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

Redundancy:

6.18 The number of staff who received a redundancy payment over the past 18 months at Norwich City Council represents 96.1% of those staff made redundant (i.e. with more than 2 years continuous service). This is considered a robust 'base' upon which to calculate the average redundancy payment. The range of redundancy payments over management levels is as follows:

	<b>Lowest Payment £</b>	<b>Highest Payment £</b>	<b>Average £</b>
Senior Management	10,425	30,117	21,406
Middle Management	3,019	48,111	17,718
Junior Management	1,245	27,408	11,437
Clerical/Other	573	19,766	5,017

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.19 As can be seen the overall group average of £10,747 is less than the average of all management grades but higher than Clerical/Other.

Sensitivity – SR1

If the cost of redundancy increased to the average of the junior management grades, thus encompassing 77.1% of the posts previously made redundant at Norwich, this would increase the:

- transition redundancy cost per post to £11,437, an increase of £690 (6.4%).
- overall cost of redundancy by £63,687 to £1.055m.

6.20 This cost would have to be met from additional financing resources and would marginally extend the break-even period.

- 6.21 The table below shows that the grades with the lowest average length of service are within both the Junior Management and Clerical/Other.

	<b>Average Years Of Service</b>
Senior Management	22.4
Middle Management	23.4
Junior Management	16.8
Clerical/Other	9.7

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

- 6.22 An increase in cost per post of 6.4%, which reflects both the Junior Management and Clerical/Other grades, is considered to be a 'fair' possibility; especially if length of service is considered.

*Sensitivity – SR2*

- 6.23 If the cost of redundancy increased to the average of the middle management grades, thus encompassing 96.8% of the posts made redundant at Norwich, this would increase the transition redundancy cost per post to £17,718, an increase of £6,971 (64.9%). This would increase the overall cost of redundancy by £0.643m to £1.635m, an increase of 64.9%.
- 6.24 An increase in cost per post of 64.9% is however unlikely, especially when it is considered that the majority of posts (77.1%) included within this banding are junior and administrative posts and are likely to have limited service.

Early Retirement:

- 6.25 Of the 157 persons made redundant over the last 18 months at Norwich City, 86 (54.7%) of those persons took early retirement. In applying this rate to the staff rationalisation methodology, this is considered a 'pessimistic view' (i.e. highest cost). This high early retirement rate is further supported by the information provided by Norfolk County, whereby they have stated of the 2,611 staff that could potentially transfer to a unitary Norwich, 47.9% (1,251) would be over 50 years of age and thus eligible for early retirement.

6.26 The table below shows that 71.0% of grades with the lowest average length of service are within both the Junior Management and Clerical/Other.

	<b>People receiving early retirement payments</b>	<b>%</b>
Senior Management	5	5.8
Middle Management	20	23.3
Junior Management	34	39.5
Clerical/Other	<u>27</u>	<u>31.4</u>
	86	100.0

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.27 Based on the range of posts, the range of early-retirement payments is as follows:

	<b>Lowest Cost</b>	<b>Highest Cost</b>	<b>Average</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Senior Management	1,825	161,147	65,755
Middle Management	2,722	133,584	56,811
Junior Management	500	53,886	24,298
Clerical/Other	548	36,069	12,857

*Source Document*

Worksheet entitled: 'Early Ritr & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.28 Considering that the:

- highest proportion of persons receiving early retirement payments are the Junior Management and Clerical/Other grades, and the
- average payment applied within the methodology is higher than both of the individual averages for each of these grades,

it is considered that this confirms that the £30,534 early retirement average cost used within the methodology is a 'pessimistic view' and appropriate for this evaluation.

Sensitivity – ER1

6.29 If the cost of early retirement increased by 10.0%, this would increase the transition early retirement cost per post to £33,587 (£3,053) and the overall cost of redundancy by £0.158m to £1.746m. Overall, there is a 'fair' possibility that costs might increase by 10.0%, but these would have to be met from additional revenue resources and would extend the break-even period.

#### Sensitivity – ER2

- 6.30 If the cost of early retirement increased to the average of the middle management grades, thus encompassing 94.2% of the posts that took early retirement at Norwich, this would increase the transition redundancy cost per post to £56,811 (£26,277; 86.1%) and the overall cost of redundancy by £1.366m to £2.954m.
- 6.31 An increase in cost per post of 86.1% is unlikely, especially when it is considered that the majority of posts (70.9%) included within this banding are junior and clerical/other and that, as shown above, a higher average rate is being applied to all ‘potential’ transitional early retirement payments.
- 6.32 For both Redundancy and Early Retirements, no sensitivity analysis has been undertaken on ‘reduced’ costs as this would only be beneficial to the financial case for a unitary Norwich.

#### Implications for Norfolk County Council:

- 6.33 It will be expected that following Vesting Day that Norfolk County Council will have to undertake some form of its own staff rationalisation to ensure that the staffing resources that it has fairly represents the services that would be provided to a residual Norfolk.
- 6.34 Due to a lack of information, at this time it is not possible to evaluate what the likely costs of staff rationalisation would be for a residual Norfolk. However, it is fair to say that over the medium term, all costs associated with staff rationalisation would be covered by the potential for significant ongoing savings.

#### Relocation

- 6.35 For those staff that are required to move to new ‘base locations’ following the formation of a unitary Norwich City Council, there will be a requirement for such staff to be compensated in line with relevant TUPE regulations.
- 6.36 At this time, it is considered that such compensation will be only applicable to those staff who have transferred from Norfolk County Council and it is the understanding of Norwich City Council that in line with Norfolk’s ‘management of change’ procedures, such compensation would be applicable for 2-years.
- 6.37 As shown within ‘staff rationalisation’ above, it is estimated that 2,611 staff will transfer from Norfolk County Council. Currently, unlike all Norwich City Council staff where they have to pay for car parking, County Council staff receive free car parking. Consequently, for those staff who would be required to ‘relocate’ to a new base location and thus continue to receive ‘free’ entitlement for the use of a car park, they would be reimbursed for the cost of car parking for a period of 2-years. Considering Norwich City Council’s ‘green agenda’, it is proposed that reimbursement will be inline with the costs of Norfolk County Councils ‘Park and Ride’ scheme (£3.20

per day). This equates to a 'tax-adjusted' relocation allowance of £1,190 per annum per post.

- 6.38 The estimated number of posts that would be entitled to receive a relocation allowance would vary, but for the purposes of the financial model this has been estimated to be as follows on a service-by-service basis:

Schools & Cultural Services

- 6.39 Relocation allowances will not be applicable to these staff as their 'base location' is unlikely to change.

Planning & Transportation, Chief Execs and Finance

- 6.40 It has been assumed that these staff will move to City Hall and relocation allowance will be payable to all such staff. The total cost of compensation for two years will be £92,788.

Children's Services and Adult Social Services

- 6.41 Relocation allowances will only be applicable to certain staff who would be City Hall based as it is expected that the majority of staff will either be 'mobile' or located within other council property that will transfer to a unitary Norwich City Council (i.e. their 'base location' will not change). It is estimated that 20% of transferred staff within these two services will receive relocation compensation, giving a total cost of £0.331 over two years.
- 6.42 The calculation methodology is as follows:

<u>Services</u>	Estimate of Staff Transfer to Norwich	Affects of Relocation Reasoning	Estimated % of staff transferred	Estimated number of staff transferred	Cost per Transfer (per annum)	Cost per Annum	
					£	£	
Schools	1,690.0	No	Staff located at schools	0%	0	1,190	0
Education Other	0.0	n/a			0	1,190	0
Children Services	271.0	Partial	Social Services - yes/ others at current locations	20%	54	1,190	64,238
Adult Social Services	427.0	Partial	Social Services - yes/ others at current locations	20%	85	1,190	101,116
Planning & Transportation	17.0	Yes		100%	17	1,190	20,223
Cultural Services	184.0	No	Staff located at locations	0%	0	1,190	0
Chief Execs	17.0	Yes		100%	17	1,190	20,223
Finance	5.0	Yes		100%	5	1,190	5,948
	<u>2,611</u>				<u>178</u>		<u>211,749</u>
							For Y1 and Y2

Cost per Transfer (per annum)

	days
Number of Days in a Year	365
Weekends	(104)
Holidays per Annum	(30)
Bank Holidays	(8)
Days Available for Work	<u>223</u>
	£
Cost to Park per Day	<u>3.20</u>
Total Cost	<u>714</u>
Tax @ 40%	<u>476</u>
Total Payable	<u>1,190</u>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'  
Spreadsheet entitled: 'Capital Reserves & Transition'

6.43 *Risk Assessment*

- i. **Risk:** The percentage of staff subject to relocation compensation is higher than expected.

**Negation:** Wherever practical, a staff members 'base location' will not change to ensure that service continuity for both customers and service providers is maintained.

**Likelihood of Occurrence:** The split between 'City Hall' and 'non-City Hall' based staff is not known.

However, for both 'Corporate Services' (Chief Execs and Finance) and for 'Planning & Transportation Services', they will primarily be City Hall based functions. Consequently all transferred staff have been included within the Relocation estimate. However, considering that the number of staff is not exactly known, the assessed 'likelihood of occurrence' of the costs for these services being higher is 'medium'.

The aim of the new unitary is to ensure that 'direct service provision' for social services is as near to the customer as possible. Consequently, the change in 'base location' for staff within Children's Services and Adult Social Services should be minimal. However, to be prudent, an estimate of 20% of transferred staff has been made within these services has been made. The 'likelihood of occurrence' of this estimate being higher is considered minimal.

**Consequence of Impact:** If the number of staff affected by relocation compensation were to increase from the estimated 20%, then this cost would have to be met from additional revenue savings.

- ii. **Risk:** The percentage of staff transferred to Norwich City Council is more than expected.

**Negation:** The estimates have been based on the figures provided by Norfolk County Council and is thus based on their expertise and experience.

**Likelihood of Occurrence:** Norfolk County Council have stated that at this time these are the likely numbers of staff who would transfer to a unitary Norwich based on their 'service review'. However, of the 2,611 staff that would transfer, it is currently estimated that only 178 staff (6.8%) would receive compensation. However, excluding school staff (where teachers and admin staff would be located at the school) this leaves 921 staff who could be subject to relocation compensation, and the 178 staff represents 19.3% - a significant proportion of those staff. If the number of staff actually transferred to Norwich was higher, this would marginally increase the number per service and consequently the number applicable to relocation compensation. Therefore it is considered that the 'likelihood of occurrence' is minimal.

**Consequence of Impact:** If the number of staff affected by relocation compensation was to increase from the estimated 20%, then this cost would have to be met from additional revenue savings.

- iii. **Risk:** The relocation allowance of £1,190 is not sufficient.

**Negation:** As noted above, the relocation allowance of £1,190, based on a 40% tax rate, equates to £714, which is equivalent to the annual cost of car parking at a Norwich 'Park & Ride' car park.

**Likelihood of Occurrence:** The relocation allowance is based on the current cost of car parking at a Norwich 'Park & Ride' car park. The £3.20 per day cost is the current charge and based on the following variables, the £1,191 is a fixed cost. It is therefore considered that the likelihood of occurrence is minimal.

**Consequence of Impact:** Considering that the likelihood of occurrence is negligible and that the costs for car parking are fixed, it is unnecessary to assess the consequence of impact as this estimate is certain.

### *Sensitivity Analysis*

- 6.44 **Sensitivity – RC1**  
If there were a doubling of the number of staff within Children’s Services and Adult Social Services who were entitled to receive relocation compensation, then the overall relocation estimate would increase by £0.331m to £0.754m, an increase of 78.1%. However, as noted above, the information used for this estimate is based on that provided by Norfolk County Council and is thus as best an estimate as is possible at this time.
- 6.45 **Sensitivity – RC2**  
If there was an increase in the £1,190 compensation allowance, then this would have an ‘across the board’ effect directly in relation to the percentage change in the allowance i.e. a 50% increase would increase the estimated total budget of £0.423m by 50% to £0.635m.
- 6.46 In all respects, any such increase in relocation compensation would have to be met from the application of additional revenue resources or efficiency savings.
- Implications for Norfolk County Council:*
- 6.47 There will not be any direct implications for relocation costs for Norfolk County staff as their ‘base location’ will not change.
- 6.48 The Council may wish in the fullness of time to ‘rationalise assets’ which might consequently require some element of relocation compensation. However, the cost of relocation compensation could be more than offset by the capital receipt that may accrue from the sale of the asset or from ongoing savings from more effective service delivery.

### **Democracy – Norwich Shadow Authority**

- 6.49 Prior to the commencement of a unitary Norwich City Council, there will be the establishment of a ‘Shadow’ authority that would oversee all ‘unitary’ organizational arrangements.
- 6.50 It is assumed that a full council election will take place in May 2008, with the shadow authority commencing immediately thereafter. The allowances for ‘elected members’ will increase due to the additional responsibility of undertaking current ‘district’ functions and planning for the new ‘unitary’ functions.
- 6.51 In comparison with member’s allowances of a ‘unitary’ Slough Council (which are slightly higher), the proposed Basic and Special Responsibility Allowances for the new Norwich unitary Council are shown below. These are considered to be prudent considering the additional responsibilities of the authority.

	£
Basic Allowance	6,763
Leader	14,000
Deputy Leader	9,100
Executive	7,000
Chairs of Committees & Panels	2,800
Members of Planning	2,800

6.52 As well as the additional costs due to members allowances, provision is also included for additional 'travel & subsistence' and 'officer committee support' The total 'additional' cost of running the democratic element of the 'shadow' authority is estimated to be £0.190m.

£

6.53 *Risk Assessment*

- i. **Risk:** Shadow Authority responsibilities conflict with those of the remaining two-tier democratic process and responsibilities.

**Negation:** To ensure that there is an effective transition to a unitary authority it is essential that there is a lead-up democratic process. Consequently, to reflect the additional responsibility of taking on former County functions and to ensure that there is effective continuation of current district council functions, elected members should be appropriately recompensed to reflect this joint responsibility.

**Likelihood of Occurrence:** As members will be solely from the district 'Norwich City Council' their aim will be to see a better Norwich. However, through professional officer support of both the democratic processes and operational aspects of both the two-tier and shadow councils, the likelihood of occurrence would be 'minimal'.

**Consequence of Impact:** If there were a conflict in the elected members decision-making process, this would hinder the development of the shadow-authority and affect ongoing, and the close down, of the former district council.

- ii. **Risk:** A lead up period of 11 months is insufficient to ensure effective democratic 'operational/decision making' arrangements are in place for the commencement of the unitary authority in April 2009.

**Negation:** Officers will commence preparations immediately upon the initial announcement and there would be ongoing 'member' support of the 'transition' process until the formal Shadow Authority was established in May 2008.

**Likelihood of Occurrence:** In practical terms this is both the maximum and minimum period available. Therefore the assessed 'likelihood of occurrence' is considered 'minimal'.

**Consequence of Impact:** If 11-months is insufficient, then democratic and operational processes will be delayed that would affect the effective provision of unitary services. However, the April 'Vesting' date is a 'drop-dead date' thus the authority will 'go-live' regardless.

iii. **Risk:** A costs are higher than estimated.

**Negation:** Costs associated with member allowances will be subject to 'independent review' but these can be 'overruled' by members. The costs associated with officer support are considered firm.

**Likelihood of Occurrence:** There is a possibility that the cost of 'member allowances' might be higher than estimated; in this respect the 'likelihood of occurrence' is considered 'high'. For costs related to officer support, this is considered 'minimal'.

**Consequence of Impact:** Costs may be higher than estimated and will therefore have to be met by higher revenue contributions.

### *Sensitivity Analysis*

6.54 The main areas where costs could be sensitive with regard to Democracy and the establishment of the Shadow Authority are the costs:

- i. of the 'Member Allowances'
- ii. costs associated with Officer Support

6.55 Member Allowances

6.66 The chosen rates are higher than those currently paid to members at Norwich City, but are considerably less than rates paid at Norfolk County. They are broadly in-line (slightly less) than those of Slough Council (a unitary authority).

6.67 Considering that the members of the Shadow Authority will have responsibility for establishing the priorities for the future unitary, members may wish to increase the level or remuneration (although these will be set by an independent panel and agreed by members).

6.68 If all rates were increased by 20.0%, this would increase member allowance costs by £29,613 per annum (including oncosts). This is considered the maximum that such costs would increase by and would have to be met by additional revenue contributions.

### Officer Support

- 6.69 The estimate of £31,450 per annum for member support is based on current rates of pay at Norwich City Council for committee support. At this time it is expected that this service would be provided on an interim basis.
- 6.70 If this cost increased by 20.0%, this would increase Officer Support costs by £6,290. This is considered the maximum that such costs would increase by and would have to be met from additional revenue contributions.

### Implications for Norfolk County Council:

- 6.71 This will have no direct financial implications for Norfolk County Council.

### Democracy – Full Election – May 2008

- 6.72 Norwich City Council currently elects its Councillors on a 1/3 basis per annum. The intention is to move away from annual elections.
- 6.73 To facilitate a successful transition to a ‘unitary’ Norwich City Council, it is proposed that the election scheduled for May 2008 is for a ‘full-council’, thus establishing the ‘democratic’ Shadow Authority leading up to Vesting Day (April 2009).
- 6.74 The Costs of a 1/3 election are currently £97,000. However, these costs are primarily made-up of support costs, so it has been estimated that to hold a ‘full-council’ election, the estimated additional cost would be £20,000. This has been included within the Transition Costs for a unitary Norwich.
- 6.75 Due to the minimal ‘additional’ cost of funding a Full Election, it is considered de-minimus and thus no further commentary is necessary.

### Implications for Norfolk County Council:

- 6.76 This will have no direct financial implications for Norfolk County Council.

### Corporate Branding

- 6.77 The £50,000 included within the financial framework for Corporate Branding is a notional amount. It is expected that:
- Stationery and similar products will be ‘run-down’ in the lead-up to vesting. If supplies were to ‘run-out’, proforma letters heads would be printed as part of the ongoing printing process rather than use pre-printed stationery.
  - The £50,000 would in the main be used to finance the rebranding of former Norfolk County Council premises and equipment.

- 6.78 Due to the minimal cost of Corporate Branding, it is considered de-minimus and thus no further detailed commentary is necessary. However, as this cost could increase because the number of assets required 'rebranding' is not known, the 'likelihood of occurrence' is considered 'high'.

*Implications for Norfolk County Council:*

- 6.79 This will have no direct financial implications for Norfolk County Council.

**Registration**

- 6.80 The £75,000 included within the financial framework for Registration is a notional amount for the registration of transferred property and equipment from Norfolk County Council.

- 6.81 Due to the minimal cost of Registration, it is considered de-minimus and thus no further detailed commentary is necessary. However, as this cost could increase because the number of assets required 're-registering' is not known, the 'likelihood of occurrence' is considered 'high'.

*Implications for Norfolk County Council:*

- 6.82 This will have no direct financial implications for Norfolk County Council.

**Property**

- 6.83 This is a notional amount to meet the costs related to maintaining property assets previously owned by Norfolk County Council until a decision is taken on their use or disposal. £150,000 has been estimated for this cost and is considered a prudent estimate. It is considered that the 'likelihood of occurrence' of this cost increasing is 'minimal'.

*Implications for Norfolk County Council:*

- 6.84 This will have no direct financial implications for Norfolk County Council.

**Information Technology – Systems/Revenue - Transition**

- 6.85 As noted within this report, to ensure that a unitary Norwich City Council can provide the most cost effective services to the citizens of Norwich, the Council proposes to implement a process of ICT Transition and Transformation.

- 6.86 The process of Transition, is effectively the 'joining together' of the ICT systems currently employed at both Norwich City Council and Norfolk County Council. The 'operational' cost of transition is estimated to be £4.875m and will be undertaken in the two-years leading up to 'transition'.

6.87 The main areas that ICT transition will encompass include:

	Systems enhancement  £	Licence replacement and other transition support  £
Systems Rationalisation	1,200,000	300,000
Server rationalisation	500,000	125,000
Network Rationalisation	400,000	100,000
Desktop Rationalisation	500,000	125,000
Network Storage	300,000	75,000
Comms Rationalisation	300,000	75,000
EIS/MIS	250,000	62,500
Systems Integration	500,000	62,500
	<u>3,950,000</u>	<u>925,000</u>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'

Spreadsheet entitled: 'Capital Reserves & Transition'

- 6.88 System enhancement  
This is effectively the costs associated with 'joining' together of both District and County functions and includes all aspects of transition (i.e. Hard and Software and data transition, both electronic and hard-copy).
- 6.89 Licence enhancement and other transition support  
This includes the costs of new licences and 'staffing support'.
- 6.90 However, a unitary Norwich City Council proposes to undertake a medium/long term process of ICT Transformation with a private-sector partner (see Ongoing costs) and it is proposed that the Transition costs will be 'rolled into' this partnership arrangement but financed over 5 years; 'Lead-Up Year 1 to Year 4' (to ensure compliance with the DCLG requirement that all costs of transition are met within 5 years of Vesting Day). Due to this 'rolling effect', the private sector partners will recharge to Norwich City Council the cost of financing; over the life of Transition this will total £0.237m.

*Risk Assessment*

- i. **Risk:** Costs are higher than estimated.

**Negation:** Costs have been produced by an external 'private sector' provider who has extensive experience in the transition of ICT services within both the private and public sectors. In addition, this supplier currently provides the current ICT platform for Norwich

City Council so has a 'practical' knowledge of all aspects of ICT service provision at the authority.

**Likelihood of Occurrence:** There is a risk associated with the fact that these estimates are based on limited information from Norfolk County Council. However, this may to some extent be balanced by the fact that an independent body has produced these costs. However, in the interests of prudence the 'likelihood of occurrence' is considered to be 'medium'.

**Consequence of Impact:** Additional revenue funding would be required to meet this additional cost.

- ii. **Risk:** No external supplier is available to provide the services required

**Likelihood of Occurrence:** There are a large number of ICT providers in the Market Place who could provide the services that are required for the transition of services from Norfolk County Council to a unitary Norwich City Council. However, what is required is the procurement of 'quality' service provider to ensure that the best service is received both for the Council and the citizens of Norwich. The likelihood of occurrence is considered to be 'minimal'.

**Consequence of Impact:** The completion of ICT transition would be delayed to the detriment of the establishing an ICT efficient unitary Norwich City Council.

- iii. **Risk:** Insufficient Time for Procurement

**Likelihood of Occurrence:** The processes of transition and transformation are intrinsically linked and it is considered that to ensure the most effective transition to a unitary authority that both processes should be linked to ensure effective integration.

It is considered that to ensure an effective procurement for both transition and transformation, there will need to be an immediate review of the current ICT contract to see if the proposed contract can 'piggy-back'. If not, clear project management will be required to ensure that procurement can commence immediately following the announcement of the decision for the authorities who can go forward to become unitary to ensure that both transition and transformation can take place within the currently proposed unitary timetable. It is considered that procurement will be completed within the required timescale and is thus 'minimal'.

**Consequence of Impact:** The completion of ICT transition would be delayed to the detriment of the establishing an ICT efficient unitary Norwich City Council.

### *Sensitivity Analysis*

- 6.92 For illustration, the main risk area where sensitivity analysis is required is that actual costs may be higher than estimated. Excluding the costs related to financing as they are directly related to the cost of transition, if the costs of ICT transition did increase by 10%, this would increase the overall cost by £0.488m; giving a revised total of £5.363m - any such cost would have to be met from additional revenue resources.

#### *Implications for Norfolk County Council:*

- 6.93 The cost of ICT transition that is stated as the cost to ensure that there is an effective transition for both Norwich City Council and Norfolk County Council.

### **Transition Team (pre Vesting Day)**

- 6.94 There will be a need to establish a team of officers who will staff the ‘Shadow Authority’ to ensure that the new unitary Authority is established in the most effective way possible.

- 6.95 At this time it is envisaged that this will be a mix of Consultant and Seconded staff (the later are expected to be drawn from both Norwich City and Norfolk County Councils).

- 6.96 On a full-year cost basis the annual budget for the Transition Team (pre Vesting) is £0.909m (see sensitivity analysis for detail):

£629,000 – Salary Costs  
£250,000 – Consultancy  
£ 30,000 – General Supplies

- 6.97 It is envisaged that the Transition Team (pre Vesting) would operate for 6 months in LUP Y1 and 12 months in LUP Y2. Consequently the total estimated cost for the Transition Team (pre Vesting) is £1.364m and this would support the costs of a team for both Norwich City Council and Norfolk County Council.

### *Risk Assessment*

- i. **Risk:** Costs will be higher than originally planned.

#### **Negation:**

**1-** There will be proactive project management of the ‘Shadow Authority’, which will include two-monthly performance and budget reporting to both the Corporate Management Team and to the elected members who form the Norwich Shadow Authority.

**2-** The Chief Executive of Norwich City Council will be the lead officer for the officer team of the Shadow Authority thereby ensuring Corporate Governance.

**3-** Contracts for consultancy will be let in accordance with Norwich City Council’s Procurement Code of Practice to ensure that the most cost-effective consultancy service is obtained.

**Likelihood of Occurrence:** Considering the management processes that will oversee the ‘Shadow Authority’ process, the likelihood of occurrence is considered minimal.

**Consequence of Impact:** If costs are higher than planned, further financing will be required.

ii. **Risk:** Skills will not be available to support the development of the unitary authority

**Negation:**

- 1-** Resources from within Norwich City and Norfolk County Councils will be utilised so that local skills and knowledge are maximised to ensure that a best solution for Norwich is produced.
- 2-** Partnership agreements will be entered into between respective organisations to ensure that there is a ‘commitment for success’ for a unitary Norwich, including secondment opportunities wherever possible.
- 3-** Consultants will be used to ‘gap-fill’ where resources are not available.

**Likelihood of Occurrence:** Although a unitary Norwich will be taking on ‘new services’, by the Shadow Authority working in a participative way with Norfolk County Council and other Partner organisations, it is expected that the appropriate skills will be available and procured for the unitary Norwich authority. Therefore the likelihood of occurrence is considered to be minimal.

**Consequence of Impact:** If the skills were not available there would be a ‘skills-gap’ and the provision of efficient and effective services would be delayed.

*Sensitivity Analysis*

Staffing Costs

6.98 The estimated full-year cost for ‘dedicated’ staffing of the Transition Team (pre Vesting) is £0.629m.

<u>Full Year Cost</u> (including oncosts)	<b>No. of Staff</b>	<b>£’000</b>
Transition Co-ordinator	1	69
Service Specialists	5	283
Organisational Design/Policy	1	57

Human Resources	2	88
Communications	2	82
Administration:	2	50

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.99 These costs are 'firm' costs based on current rates of pay and no additional sensitivity analysis is considered necessary for this element of the support information.

6.100 However, with this cost extended over the expected 18-month transition period, this would equate to £0.944 for LUP Y1 and LUP Y2:

Consultancy

6.101 As noted above, Consultants for the Transition Team (pre Vesting) will be procured in line with the Councils Procurement Code of Practice so the most cost-effective price will be approved. As is the case with such contracts and the establishment of new services, specialist knowledge is 'expensive' and costs may exceed the £0.250m estimated per annum.

6.102 If costs increased by 50%, this would make the per annum cost £0.125m and the overall cost to the Council would be £1.489m. All such costs would be revenue in nature and would have to be met from additional resources.

Implications for Norfolk County Council:

6.103 The cost of the Transition Team (pre Vesting) stated above will assist both Norwich City Council and Norfolk County Council in the pre-Vesting transition phase of establishing a unitary Norwich City Council.

**Transition Team (post Vesting Day)**

6.104 Following vesting, there will be a period of transition whereby the new authority will have to develop very quickly to ensure that policy priorities are acted upon as soon as possible.

It is envisaged that the Transition Team (post Vesting) will:

- be led by the Chief Executive of the new unitary authority,
- will be operational for the first two years of the unitary authority, and
- will ultimately become part of the core Policy Team for the new council.

6.105 The total cost for the Transition Team (post Vesting) is estimated to be £0.970m (see sensitivity analysis for detail):

i. Policy Development/Continuation Team

The role of this team will be to ensure that the policy area priorities identified by the former Norwich Shadow Authority are enshrined within corporate policy and delivery processes of the new unitary authority.

This team will be lead by the Chief Executive and include Policy Officers, contracted Consultancy Support and a full-time Administrator.

ii. Operation/Service ‘Mechanics’ Development Team

The role of this team will be to ensure that operational and management procedures are ‘fit-for purpose’. This will potentially require significant business process reengineering to ensure that processes ‘best-fit’ with both policy and the requirements of the new unitary ‘way of working’.

This team will be lead by a Project Manager and supported by Business/Efficiency Analysts, contracted Consultancy Support and a full-time Administrator.

6.106 *Risk Analysis*

- i. **Risk:** Costs will be higher than originally planned.

**Negation:**

**1-** There will be proactive project management of the Transition Team (post Vesting) to both the Corporate Management Team and to the elected members of the unitary Norwich City Council.

**2-** The Chief Executive of Norwich City Council will be the lead officer for the Transition Team (post Vesting) thereby ensuring Corporate Governance.

**3-** Contracts for consultancy will be let in accordance with Norwich City Council’s Procurement Code of Practice to ensure that the most cost-effective consultancy service is obtained.

**Likelihood of Occurrence:** Considering the management processes that will oversee the transition team process, this is considered ‘fair’ mitigation of the estimated costs. However, because this will be the crucial stage in ‘bedding-down’ the new authority, it is considered prudent that the view that should be taken on the ‘likelihood of occurrence’ of costs increasing ‘medium’.

**Consequence of Impact:** If costs are higher than planned, further financing will be required.

- ii. **Risk:** Skills will not be available to support the development of the unitary authority

**Negation:**

**1-** Resources from within the unitary Norwich City Council will be utilised so that local skills and knowledge are maximised to ensure that a best solution for Norwich is produced.

**2-** Partnership agreements will be entered into between respective organisations to ensure that there is a ‘commitment for success’ for a unitary Norwich, including secondment opportunities wherever possible.

**3-** Consultants will be used to ‘gap-fill’ where resources are not available.

**Likelihood of Occurrence:** Considering that Norwich City Council will have successfully passed through transition, the Council will seek to develop partnerships with all relevant public, private and voluntary sector bodies to ensure that as it develops its policies and operational procedures that it achieves a ‘best-fit’ for Norwich. Consequently, it is expected that the appropriate skills will be available and procured for the unitary Norwich authority. Therefore the likelihood of occurrence is considered to be minimal.

**Consequence of Impact:** If the skills were not available there would be a ‘skills-gap’ and the provision of efficient and effective services would be delayed.

*Sensitivity Analysis*

Staff

- 6.107 The estimated annual costs for each of the teams is listed below:

Policy Development/Continuation Team

	<b>£'000</b>
Policy Officer x 2 @ £50,320 (including oncosts):	101
Administrator x 1 @ £31,450 (including oncosts) :	31
<b>Total</b>	<b>132</b>

### Operation/Service ‘Mechanics’ Development Team

	<b>£’000</b>
Project Manager x 1 @ £69,190 (including oncosts):	69
Administrator x 1 @ £31,450 (including oncosts) :	31
Business/Efficiency Analysts X 2 @ £62,900	126
<b>Total</b>	<b>226</b>

#### *Source Document*

Worksheet entitled: ‘Transition Costs & Eff Savings’

Spreadsheet entitled: ‘Capital Reserves & Transition’

- 6.108 These costs are ‘firm’ costs based on current rates of pay that reflect the skills required for this type of work. Consequently, no additional sensitivity analysis is considered necessary for this element of the support information.

#### Consultancy

- 6.109 As noted above, Consultants for the Transition Team (post Vesting) will be procured in line with the Councils Procurement Code of Practice so the most cost-effective price will be approved. As is the case with such contracts and the establishment of new services, specialist knowledge is ‘expensive’ and costs may exceed the £0.126m estimated per annum.
- 6.110 If costs increased by 50%, this would make the cost £0.189m per annum and the overall cost to the Council would be £0.548m. All such costs would be revenue in nature and would have to be met from additional resources.

#### Implications for Norfolk County Council:

The cost of the Transition Team (post Vesting) stated above will assist both Norwich City Council and Norfolk County Council in the post-Vesting transition phase of establishing a unitary Norwich City Council. However, it must be noted that the main thrust of this team will be for the unitary Norwich City Council.

#### Contingency

- 6.111 It is prudent to include an element of Contingency for the unitary ‘transition’ process. These funds would be ‘held in reserve’ to meet ‘unforeseen costs’ or ‘price/estimate inflation’ that have not been recognised within this model.
- 6.112 Taking into account all ‘one-off’ costs that are estimated to occur between LUP1 and Year 2, the £0.500m for Contingency represents 4.4%. It is considered that this is sufficient to meet these costs. Sensitivity Analysis for this element of the transition costs is considered ‘unnecessary’ as the purpose of this estimate is to meet potential estimate ‘shortfalls’.

Implications for Norfolk County Council:

There are no direct financial implications for Norfolk County Council.

**Transition Costs - 'Ongoing Costs':**

- 6.113 Through the transfer of services to a unitary Norwich City Council, there will inevitably be some 'ongoing' additional revenue costs.

**Pay Grade Harmonisation**

- 6.114 By the end of March 2007, all single status negotiations will have been completed. However, it is assumed that there will have to be some element of grade equalization between current Norwich City and transferred staff (former Norfolk County Council employees).
- 6.115 The cost of Pay Grade Harmonization is estimated to be £0.574m per annum and this will be met in Year 1 and subsequent years following the establishment of a unitary Norwich City Council. The total cost over the 4-years of the financial model is estimated to be £2.296m.

No. of staff at Norwich City		912
Estimated No. of Persons Affected		25.0%
Estimated pay differential between City and County Staff	£	2,000
+ National Insurance @	7.5%	
+ Superannuation @	18.3%	117,648
Funding Support for PG Harmonisation	£	<b>573,648</b>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'  
Spreadsheet entitled: 'Capital Reserves & Transition'

- 6.116 Please note that this ignores Corporate Management which is addressed separately both within the financial model and later in this report.

*Risk Assessment*

- i. **Risk:** Costs will be higher than estimated.

**Negation:** By applying a ratio of 25% (230 FTE) against the current establishment for Norwich, this is considered a high proportion of staff to be considered for salary uplift. Therefore costs have been estimated at the most pessimistic level. This is further supported by the fact that the costings for Pay

Harmonisation have included all staff but Corporate Management Team costs (salaries) have been separately costed and included within the financial framework.

**Likelihood of Occurrence:** Although the 25% ratio for staff who might receive relocation compensation is considered 'fair', in the interests of prudence the 'likelihood of occurrence' of costs being higher than estimated is considered to be 'medium'.

**Consequence of Impact:** Additional revenue finding would have to be sought.

ii. **Risk:** £2,000 per post uplift is insufficient

**Negation:** No comparable salary data has been available from Norfolk County Council. However, the ratio of 25% for the number of staff to have their salary uplifted is considered high and this is a 'fair' compensatory variable.

**Likelihood of Occurrence:** It is considered a medium possibility that the £2,000 additional cost per post is insufficient. However, the overall cost is negated by the higher staff ratio.

**Consequence of Impact:** Additional revenue finding would have to be sought.

iii. **Risk:** The staffing establishment of Norwich City Council will increase over the two-lead-up years and thus the 25% ratio will increase.

**Negation:** Norwich City Council has over recent years been undertaking a comprehensive review of its establishment. Considering:

- in the last 18 months there have been 157 posts deleted from the establishment
- that the authority is currently undertaking an efficiency regime to ensure that reserves are reinstated,

it is unlikely that the establishment will increase other than where there are posts which will be funded entirely from external sources.

**Likelihood of Occurrence:** This is considered minimal (see negation above)

**Consequence of Impact:** Additional revenue finding would have to be sought.

### *Sensitivity Analysis*

- 6.117 The two main cost drivers that may increase the cost of pay-grade harmonisation are:
- i. Pay differential is higher than the £2,000 estimated.
  - ii. Norwich's establishment increases beyond the current establishment of 912 employees.

#### Pay Differential

- 6.118 The estimated pay differential is £2,000 per post (excluding oncosts). As noted above there is a 'medium' possibility that actual pay differentials will be more than the £2,000 allowed for.
- 6.119 Sensitivity – PGH1  
If the pay differential doubled, this would double the ongoing annual cost and make it £1.147m. Such an increase would have to be met by ongoing revenue savings

#### Increase in Establishment

- 6.120 If the establishment did increase, higher costs for Pay Harmonisation could potentially be incurred if the establishment increases were in those services where service integration took place. If the establishment increased by 10% to 1,003, the consequential impact would be an increase in pay harmonisation costs of £57,868.

#### Implications for Norfolk County Council:

- 6.121 This will have no direct financial implications for Norfolk County Council.

### Corporate Management

- 6.122 To support the new responsibilities of a unitary Norwich City Council, there would be the requirement for revised 'corporate management' structure. In this respect, this would affect the first three-tiers of the authority, each of which will be looked at in isolation:
- 6.123 Chief Executive:  
The current Chief Executive post would be disestablished in the first six-months of 2008 with a new Chief Executive post being established immediately thereafter. Appointment to this new post is expected to be in September 2008.

6.124 Directors:  
The current four 'district' Directors posts would be disestablished in the autumn of 2008 with the five 'unitary' Directors posts being established immediately thereafter. The delay between the appointments of the Chief Executive and the Directors allows will allow the Chief Executive to 'influence' the Director roles prior to appointment. Actual appointment of Directors is expected to take place in November/December 2008.

6.125 Heads of Service:  
Currently, Norwich City Council has 14 Heads of Service posts and these would be disestablished the day before vesting. On the day of vesting, 20 Heads of Service posts would be established.

6.126 It is assumed that most of the Heads of Service posts would be occupied by either current Norwich City or TUPE transferred Norfolk County staff. However, for estimating purposes, costings have been based on the additional 6 new posts.

6.127 Based on the scenario noted above, the additional costs for Corporate Management:

- Prior to Vesting: £0.151m
- For the four-years Post Vesting: £1.360m.

#### *Risk Analysis*

6.128 These costs are based on current:

- structure costs for similar posts within local government
- employer oncost rates

6.129 Consequently, these estimates are based on robust variables and therefore the 'likelihood of occurrence' of these costs increasing is 'minimal'.

#### *Sensitivity Analysis*

6.130 As noted above, these estimates are based on robust variables and therefore it is considered unnecessary to undertake further sensitivity analysis.

#### *Implications for Norfolk County Council:*

6.131 Through the process of staff rationalisation, it will be expected that there will be some form of rationalisation at the Corporate Management level of the Council. At this time it is not possible to estimate the cost of the revised Corporate Management structure as the revised 'organisational structure' of the authority is not known.

- 6.132 However, considering that the Council will be ‘down-sizing’, over the medium term the costs of rationalisation and Corporate restructuring should be offset by ongoing savings.

### **Democracy – Allowances Increase**

- 6.133 A unitary Norwich City Council will be a significant increase in service responsibility and delivery. Consequently, members will have an increased ‘elected responsibility’ and thus there should be an upward shift in the level of member allowance paid to reflect this.
- 6.134 At this time, the proposed amounts are to be similar to those to be paid to Shadow Authority members (please see earlier commentary) and this would give a total cost of £0.592m over the 4-year period of the model (£0.148m per annum).

### *Risk Analysis*

- 6.135 The main risk is that the finally agreed allowances may be more than those proposed above. The final decision on the level of allowances would be evaluated by an Independent Panel and agreed by Norwich City Council members. As for ‘Democracy – Norwich Shadow Authority’ there is a possibility that members may increase the rate of members allowances. In the interests of prudence, the ‘likelihood of occurrence’ is considered ‘high’.

### *Sensitivity Analysis*

- 6.136 Sensitivity analysis of this estimate is considered unnecessary because it would only reflect a proportionate rise in the cost of each allowance paid as the number of councillors is fixed. Any such increase would have to be met from additional revenue resources. If this were to be the case, then additional savings would have to be found to finance the additional cost.

### *Implications for Norfolk County Council:*

- 6.137 This will have no direct financial implications for Norfolk County Council.

### **Democracy – Local Budget**

- 6.138 As noted in Chapter 4 of the main bid document, Councillors are to be responsible for a £10,000 ‘local budget’ for which they can utilise to support local projects and initiatives. Based on the 39 unitary authority councillors, this equates to an annual budget of £0.390m and over the four-year period of the financial framework, this gives a total cost of £1.560m.

*Risk and Sensitivity Analysis*

- 6.139 Both the number of councillors and the amount of ‘budget’ are both fixed. Therefore, as costs will not increase it is considered unnecessary to undertake a risk and sensitivity analysis and the ‘likelihood of occurrence’ is considered ‘minimal’.

*Implications for Norfolk County Council:*

- 6.140 This will have no direct financial implications for Norfolk County Council.

**Information Technology – Systems/Revenue - Transformation**

- 6.141 As noted earlier within this report within ‘Costs – One-off’, to ensure that a unitary Norwich City Council can provide the most cost effective services to the citizens of Norwich, it proposes to implement a process of ICT Transition and Transformation.
- 6.142 The process of Transformation, is a long-term process of reviewing and improving the employment of ICT resources to ensure that they are employed in the most cost-effective way possible without negating the provision of services.
- 6.143 As noted earlier, a unitary Norwich City Council proposes to undertake a 10-year process of ICT Transformation with a private-sector partner. Norwich City Council has had experience of this type of transformation in the past and following becoming a unitary Council it is expected that further ‘innovative’ and ‘efficient’ service developments can be provided to the citizens of Norwich.
- 6.144 The transformation proposals in the Norwich bid have been developed by Steria UK Ltd, based on their experience of the ‘Norwich Connect’ partnership with Norwich City Council, and on their other Council partnerships at authorities such as the London Boroughs of Bexley and Sutton. These proposals are therefore based on reasonable working assumptions but clearly the new unitary council would need to procure a transformation partner, and the resulting transformation model might be different from the Steria model used here.
- 6.145 Using the Steria model, we estimated that the total cost of transformation over the 10 years will total £32.728m and will cover the following ICT service development areas:

	Initial Investment	Year 1	Year 2 and onwards (per annum)
	Systems enhancement £	Service Development £	Service Development £
Corporate Governance	0	230,000	230,000
Portfolio Management	560,000	140,000	140,000
Programme Management	0		
Project Management	570,000	142,500	142,500
Transformation Strategy Team	0	169,425	169,425
BPR Team	0	131,775	131,775
Workflow	1,400,000	175,000	350,000
Electronic Document & Records management	2,040,000	255,000	510,000
Location Independent Working	1,652,000	206,520	413,036
Document Output Management	790,000	197,500	197,500
Customer Services Alignment	1,040,000	130,000	260,000
	<b>8,052,000</b>	<b>1,777,720</b>	<b>2,544,236</b>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'

Spreadsheet entitled: 'Capital Reserves & Transition'

- 6.146 However, for the purposes of Norwich City Council's bid for unitary status, the costs associated with ICT Transformation have been included for the 4 years following Vesting Day. The costs included total £12.630m:

Systems Development:	4/10 x £8.052m =	£3.220m
Service Development:	Year 1 =	£1.777m
Service Development:	Years 2 to 4 =	£7.633m

- 6.147 In addition to these costs, the private sector partner will recharge to Norwich City Council the cost of financing the System Enhancement costs; over the period of Transformation included within the unitary financial model, this will total £0.193m (the service development costs will be a direct annual charge to the Council).

*Risk Assessment*

- 6.148 It is considered that the risks discussed earlier under 'Information Technology – Systems/Revenue – Transition' are similar to those associated with Transformation. This gives an overall risk assessment of 'medium'.
- 6.149 However, it must be noted that the major risk involved with transformation is that the systems implemented are not implemented as expected – this risk will have been externalised and this removed from a unitary Norwich City Council.

### *Sensitivity Analysis*

- 6.150 For illustration, the main risk area where sensitivity analysis is required is that actual costs may be higher than estimated. Excluding the costs related to financing as they are directly related to the cost of transition, if the costs of ICT transformation did increase by 10%, this would increase the overall cost within the 4-years of the financial model by £1.263m; giving a revised total of £13.893m - any such cost would have to be met from additional revenue resources.

#### *Implications for Norfolk County Council:*

- 6.151 This costs of ICT Transformation are for Norwich City Council as it is not possible to estimate the costs that would be applicable for Norfolk County Council.
- 6.152 However, it would be expected, as has been proven for a unitary Norwich City Council, that any post-Vesting ICT transformation should allow improved service delivery and thus accrue improvements in both service and cost-effectiveness.

### **Service Development**

- 6.153 Service Development Plans have provided for a £0.200m annual contribution for at least the first 5 years post Vesting Day. This funding will be used to undertake:
- Research into ‘inherited’ service provision,
  - Research to identify areas where future development should be targeted,
  - Ad-hoc service support

- 6.154 for Education.

#### Risk Assessment/Sensitivity Analysis

- 6.155 This is a confirmed contribution and there is considered to be no likelihood of this contribution being amended at this time – assessed as Minimal. Consequently, no further Risk discussion or Sensitivity Analysis is required.
- 6.156 As noted in the ‘Case For An Affordable Unitary ‘Norwich City Council’ (Section 1), Norwich City Council is expecting to receive a ‘block-grant’ of something between £3.0m and£4.0m for the ‘Local Authority Business Growth Initiative’ (LABGI). It is the Council’s intention that up to £3.0m will be invested over the initial 4-years post Vesting Day in direct service development over and above the £0.200m mentioned earlier.
- 6.157 However, for the purposes of Norwich City Council’s bid for unitary status, LABGI funding has not been included as it was considered that a prudent

position should be taken because the actual amount and timing of the ‘block-grant’ that the Council will receive is not known.

- 6.158 Consequently, no amount for LABGI is included in the accompanying Reserves Statement and Transition Costs spreadsheets.

**Transition Savings:**

**Staff Rationalisation**

- 6.159 It is anticipated that if a unitary Norwich Council achieves staff rationalisation of 92.3 FTE’s, the expected annual savings, based on the average earnings for those posts made redundant at Norwich City over the past 18 month is £1.612m. The detailed costings are shown below:

Based on Norwich County estimated early retirements/redundancies:

No. of early retirements\redundancies =	92.3
Total cost of redundancy =	991,948
Total cost of Pension Strain =	<u>1,587,768</u>
Total cost of early retirement/redundancy =	<u>2,579,716</u>
Average cost per employee =	27,949

Based on Norwich City early retirements/redundancies over past 18 months:

Average salary of employee left employment=	24,449
Annual savings on salaries	<u>2,256,643</u>
<u>Salary savings years 2 to 5 (4 years)</u>	<u>9,026,572</u>
<u>Estimated savings on redundancy over 4 years</u>	<u>6,446,856</u>

*Source Document*

Worksheet entitled: ‘Transition Costs & Eff Savings’

Spreadsheet entitled: ‘Capital Reserves & Transition’

- 6.160 *Risk Assessment*

In the main, many of the risks identified for the costs of staff rationalisation are similar to those for savings. However, please note the following:

**Risk:** Savings do not accrue to the level as expected

**Likelihood of Occurrence:** The savings will be wholly dependent on the salaries of posts that have been made redundant. For the model, the average salary that was applied was the average of all posts that were made redundant at Norwich City Council over the past 18 months (£24,449).

The average salary applied within the financial model is only marginally (£1,013, 4.1%) less than the average for junior management (see table below).

**Average Salary**  
**£**

Senior Management	66,977
Middle Management	37,500
Junior Management	25,462
Clerical/Other	18,802

*Source Document*

Worksheet entitled: 'Early Retir & Redundancy'

Spreadsheet entitled: 'Capital Reserves & Transition'

As noted earlier, 77.1% of the previous staff rationalisation exercise carried-out at Norwich City involved the grades of Junior Management and Clerical/Other. Therefore by applying an average salary cost of £24,449 to the financial model, this is considered 'fair' and the savings estimated are likely to accrue. As staff rationalisation will be open to both City and transferred staff (barring front-line services), this further supports the conclusion that the average salary applied to this savings model is representative. However, in the interests of 'prudence' the saving could be less, therefore the 'likelihood of occurrence' is considered 'medium'.

**Consequence of Impact:** If the average salary applied is lower, then the estimated savings will be lower and payback will be extended

*Sensitivity Analysis*

- 6.161 If the average salary was 10% less than anticipated, the consequential affect is that the amount of savings over the 4-year period would decline to £8.124m. However, this would still achieve break-even for the cost of staff rationalisation within the four-year period, but the payback period of the transition cost would be longer.

**Democracy – Change in Election Cycle**

- 6.162 Currently Norwich City Council operates a 1/3 per annum election cycle and the proposal is that this would change to a whole council election every four-years.
- 6.163 The estimated saving that would accrue from changing the election cycle over the four-year period of the financial framework is £0.344m and on an equated per annum basis this is £85,750. This saving would be entirely applicable to the unitary Norwich City Council.

6.164 The detailed costings for this saving on Democracy are shown below:

<u>Saving on Election Cycle</u>	
Cost per annum of 1/3 elections	97,000
Total cost over 4 years	<u>388,000</u>
Cost for a 4 yearly election (assume held at same time as parliamentary election)	<u>(45,000)</u>
Saving over 4 years	<u>343,000</u>
Equated annual saving:	<u><b>85,750</b></u>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.165 *Risk Assessment*

**Risk:** Cost reductions are not achieved.

**Likelihood of Occurrence:** A change in election cycle is seen as an ideal way of improving the political stability and direction of the unitary City Council. This will also allow for more effective and sustainable policy implementation. The majority of Norwich City Council members support a change to a four-yearly cycle. However, one political party would prefer a change to a 'two-yearly' cycle and therefore in the interests of prudence the 'likelihood of occurrence' is considered 'medium'.

**Consequence of Impact:** Assuming Norwich City achieves unitary status, this saving will accrue. However, if unitary status is not achieved the duplication of costs associated with an annual election cycle will have to be met.

*Sensitivity Analysis*

6.166 For the Norwich City Unitary bid, no sensitivity analysis is needed in this regard because these savings are 'certain' to be achieved.

**Democracy – Reduction in Elected Members**

6.167 A unitary Norwich City Council is not intending to increase the number of Elected Members from the current 39; consequently the 13 County Council members who cover Norwich will be 'redundant'.

6.168 The estimated saving that would accrue by reducing the number of councillors over the four-year period of the financial framework is £0.444m; equating to £0.111m per annum.

6.169 The detailed costings for this saving on Democracy are shown below:

<u>Saving of Elected Members (per annum)</u>		
The current number of elected county councillors covering the Norwich area =		13
Basis Allowance (per annum)		6,763
National Insurance	7.5%	507
Superannuation	18.3%	1,238
Total savings per annum		<u>110,604</u>

*Source Document*

Worksheet entitled: 'Transition Costs & Eff Savings'  
 Spreadsheet entitled: 'Capital Reserves & Transition'

6.170 *Risk Assessment*

**Risk:** Cost reductions are not achieved.

**Likelihood of Occurrence:** There is not considered to be any advantage, either politically or operationally, for a change in ward boundaries within the city of Norwich or an increase in the number of elected members. Therefore if Norwich City Council does become a unitary authority, it is 'certain' that there will be this direct saving to Norfolk County Council. The 'Likelihood of Occurrence' is considered 'minimal'.

**Consequence of Impact:** Assuming Norwich City achieves unitary status, this saving will accrue. However, if unitary status is not achieved the current 'inefficiencies' of duplicate democratic management of Norwich will continue.

*Sensitivity Analysis*

6.171 For the Norwich City Unitary bid, no sensitivity analysis is needed in this regard because these savings are 'certain' to be achieved.

*Implications for Norfolk County Council:*

6.172 It will be expected that following Vesting Day that Norfolk County Council will have to undertake some form of its own staff rationalisation to ensure that the staffing resources that it has fairly represents the services that would be provided to a residual Norfolk.

6.173 Due to a lack of information, at this time it is not possible for to evaluate what the likely costs of staff rationalisation would be for a residual Norfolk. However, it is fair to say that over the medium term, ongoing savings would cover all costs associated with staff rationalisation.

**Investment Interest - Transferred Reserves and Balances**

6.174 As a consequence of the formation of a unitary Norwich City Council, there will be the transfer of some 'Reserves and Balances'. Norfolk County Council

have estimated the Reserves and Balances that would transfer to a unitary Norwich City Council. However, following some flexing of these estimated transfers to reflect the:

- Council Tax Base and the Number of Schools in Norwich,
- most Pessimistic position

the following amounts are the anticipated Reserves and Balances that would transfer to a unitary Norwich City Council:

	£'m
General Fund – Earmarked Reserves:	1.550
General Fund – General Balances:	1.370
LMS Balances:	<u>1.349</u>
Total:	4.269

*Source Document*

Worksheet entitled: 'Reserves'

Spreadsheet entitled: 'Capital Reserves & Transition'

6.175 The current investment rate is 4.5% and in two years time it is expected that investment rates would be around 5.0%. Although the bid is to be based on 2006/07 estimates, there is a clear benefit to be accrued to a unitary Norwich from potential additional investment income and this is estimated to be approximately £21,000 per annum.

6.176 *Risk Assessment*

**Risk:** Transferred balances are less than expected.

**Likelihood of Occurrence:** There is a possibility that the transferred balances are less than currently estimated by Norfolk County Council. Therefore, the 'likelihood of occurrence' is considered 'medium'.

**Consequence of Impact:** This would mean that less investment income would be able to be generated by a unitary Norwich City Council.

*Sensitivity Analysis*

6.177 A 10% reduction in the amount of reserves transferred to Norwich City Council would result in a loss of investment income of £2,100 per annum.

*Implications for Norfolk County Council:*

6.178 There would be a reduction in the investment income that would be due to Norfolk County Council. However, this would be offset by the eventual disaggregation of the Norfolk County Council budget and the transfer of any potential debt.

6.179 The only potential loss to the public purse would be if Norfolk County Council was able to invest its balances at a higher rate than Norwich City Council was able to invest at the time following Vesting Day. At this time however, this is not possible to substantiate.

**Investment Income – Service Efficiencies**

6.180 Considering that the framework is only concerned with the implications of restructuring only, there will be additional investment income due when service efficiencies exceed the costs of transition and transformation.

6.181 As noted in the cash flow profile at paragraph 11.5, the expected surplus at the end of Year 4 post Vesting is £1.059m, Based on an investment income rate of 5%, this would give an additional revenue income of £52,976.

*Risk Assessment/Sensitivity Analysis*

6.182 This additional investment income may not be achieved if both the estimated transition and transformation costs/savings vary. However, as this income is considered de minimus, no further commentary is required.

*Implications for Norfolk County Council:*

6.183 There are no direct financial implications for Norfolk County Council.

**Service Efficiency – Transition/Transformation**

6.184 the ICT processes of transition and transformation are intrinsically linked to the overall process of developing an efficient and effective unitary Norwich City Council, the service efficiencies identified for transition and transformation will be considered together.

6.185 It is important to note that the estimates used here are based on the detailed analysis by one private sector provider, and the final outcomes would depend on detailed work by a transformation partner procured after a full selection process (see paragraph 6.144 above). Steria UK Ltd has estimated that the likely service efficiencies that would result from the processes of transition and transformation would total £22.177m per annum over the 5 years from ‘Lead Up Year 1’ to ‘Year 4’. The split between transition and transformation is as follows:

	£
Transition:	4.500m
Transformation:	17.677m

6.186 However, it must be noted that these efficiency savings are ‘ongoing’.

## 6.187 *Risk Assessment*

**Risk:** Service Efficiencies are less than anticipated

**Likelihood of Occurrence:** It is considered unlikely that service efficiencies will not accrue as estimated. This conclusion is drawn from the facts that:

- the private sector partner will be a ‘quality assured’ company with extensive experience of this type of work,
- Norwich City Council has extensive previous experience of service rationalisation/efficiency.
- these service efficiencies have been produced by an external supplier who has:
  - a good track record of undertaking such reviews both within both the private and public sectors, and
  - undertaken a similar transformation process at Norwich City Council,

The model that Steria has used to produce the Transition and Transformation Costs, as well as the Service Efficiency saving is based on ‘actual transformation’ contracts undertaken by the supplier itself. As well as previously with Norwich City Council, other Local Authority customers include:

- London Borough of Bexley
- London Borough of Sutton
- Wiltshire County Council

Also, considering that the costs of ICT transition/transformation have been included in the overall cost sensitivity analysis, it could be ‘viewed’ that an ‘overly prudent’ position would be being taken if reduced ‘service efficiencies’ were also taken into account. Consequently, the assessed risk in relation to the ‘likelihood of occurrence’ is ‘minimal’.

**Consequence of Impact:** That service efficiencies are not accrued as expected and this would have a direct impact on the cost-effectiveness of service provision.

### *Sensitivity Analysis*

- 6.188 For illustration, the main risk area where sensitivity analysis is required is that service efficiencies may be lower than estimated. If these savings were lower by 10%, this would reduce saving within the 4-years of the financial model by £2.218m; giving a revised total of £19.959m. If this was the only ‘negative affect’, this would extend the costs of unitary transition to Year 5 and the ongoing saving would similarly reduce.

Implications for Norfolk County Council:

- 6.189 It is not possible at this time to estimate what savings Norfolk County Council will be able to generate from alternative 'service delivery' mechanisms.

**Overall Sensitivity Analysis**

- 6.190 As will be noted above, all Transition Costs would be met within the 4-years following 'Vesting Day' with an overall saving of £1.062m. Based on annual costs, the ongoing saving from Year 5 onwards would be £3.348m (excluding investment income).

- 6.191 Following:

- the detailed Risk Assessment for each Transition Cost above, and
- based on the highest risk assessment for the 'likelihood of occurrence' for each transition cost,

an assessment has been made of the potential sensitivity cost if costs rose above the transition estimates (the detailed analysis is shown overleaf). In summary, the costs of transition would increase by £3.946m and break-even would then move to within Year 5 post Vesting Day with a consequential overall saving of £0.464m.

- 6.192 For Year 5, the 'One-off' costs would have finally 'dropped-away' but the higher 'ongoing' costs would continue thereafter. Based on annual costs, the resulting annual saving (excluding financing) would be £2.698m.
- 6.193 It is therefore fair to assume that on a 'worse-case' scenario, the transition costs of a unitary Norwich City Council would still be met within the required 5 years post Vesting.

**Sensitivity Analysis**

		<b>Sensitivity Rate</b>
Risk Assessment =	Minimal	0%
	Medium	10%
	High	25%

<b>COSTS</b>	Overall Risk Assessment Likelihood of Occurrence	Total £'000	Total £'000
<b>One-Off</b>			
Staff Rationalisation	Medium	258	
Relocation	Medium	42	
1. Democracy - Norwich SA	High	48	
2. Democracy - Full Election - May 2008	Medium	2	
Corporate Branding	High	13	
Registration	High	19	
Property	Minimal	0	
Information Technology - Systems	Transition	395	
Interest	Transition	24	
Information Technology - Revenue	Transition	93	
Transition Team (pre Vesting)	Medium	136	
Transition Team (post Vesting)	Medium	97	
Contingency	N/a	0	
<b>Total One-Off Costs</b>		<b>1,126</b>	
<b>Ongoing</b>			
Pay Grade Harmonisation	Medium	230 for 4 years ----> per annum	57
Corporate Management	Minimal	0 for 4 years ----> per annum	0
3. Democracy - Norwich	High	148 for 4 years ----> per annum	37
4. Democracy - Local Budget	Minimal	0 for 4 years ----> per annum	0
Information Technology - Systems	Transformation	322 for 4 years ----> per annum	81
Interest	Transformation	19 for 4 years ----> per annum	5
Information Technology - Revenue	Transformation	941 for 4 years ----> per annum	235
Service Development	Minimal	0 for 4 years ----> per annum	0
<b>Total Ongoing Costs</b>		<b>1,660</b>	<b>415</b>
<b>TOTAL COSTS</b>		<b>2,785</b>	
<b>SAVINGS - resulting from move to a Unitary Authority</b>			
Staff Rationalisation	Medium	903 for 4 years ----> per annum	226
5. Democracy - Change in Election Cycle	Medium	34 for 4 years ----> per annum	9
6. Democracy - Reduction in Councillors	Minimal	0 for 4 years ----> per annum	0
Investment Income	Minimal	0 for 4 years ----> per annum	0
Service Efficiency - resulting from Transition - Savings	Minimal	0 for 4 years ----> per annum	0
Service Efficiency - resulting from Transformation - Savings	Minimal	0 for 4 years ----> per annum	0
<b>TOTAL SAVINGS</b>		<b>937</b>	<b>235</b>
<b>TOTAL COSTS DUE TO SENSITIVITY ANALYSIS (PRE FINANCING)</b>		<b>3,723</b>	<b>650</b>

	£'000	£'000	£'000
<b>Cumulative Saving b/f from Year 4</b>		(1,062)	
<b>Year 5</b>			
Currently Expected 'One-Off' Costs that are expected to occur in Year 5 post Vesting		0	
Currently Expected 'Ongoing' Costs that are expected to occur in Year 5 post Vesting	5,049		
Currently Expected 'Ongoing' Savings that are expected to occur in Year 5 post Vesting	(8,397)	(3,348)	(3,348)
Overall accrued saving based on currently estimates of Transition Costs:		<b>(4,410)</b>	<b>(3,348)</b>
Additional 'One-Off' Costs due to Sensitivity Analysis		1,126	
Additional 'Ongoing' Costs due to Sensitivity Analysis		1,660	415
Additional 'Savings' Costs due to Sensitivity Analysis		937	235
Additional Financing Cost @ 6.0% per annum		223	
Total Additional Sensitivity Costs		<b>3,946</b>	<b>650</b>
<b>Total 'Head-Room' (Expected Savings V Additional Cost - Year 5)</b>		<b>(464)</b>	<b>(2,698)</b>

*Source Document*

Worksheet entitled: 'Sensitivity Analysis'

Spreadsheet entitled: 'Capital Reserves &amp; Transition'

## 7.0 **ASSUMPTIONS**

7.1 Some of the key assumptions that have been used within the financial framework for Norwich City Council have been applied and illustrated within the Estimates noted above. However, for clarity, further assumptions have been noted separately below.

### 7.2 **Overall Assumptions**

- In the assessment of risk and sensitivity, where the total cost of an estimate is less than £100,000, then this is considered de-minimus. However, where costs have are more than £10,000, they have been included in the financial model.
- Vesting Day is 1<sup>st</sup> April 2009.
- Pessimistic Cost position has been taken
- For the DCLG Framework model – only the costs of transition have been shown – it does not include any ‘budget disaggregation’ (this was confirmed with PWC in November 2006).
- For the DCLG Framework model – costs and savings have been allocated against where the respective cost was originally incurred. For example – Staff Rationalisation: Redundancy/Early Retirement costs are shown under the County column with Savings being shown there as well. Even though in reality, following Vesting Day and budget disaggregation, the cost will pass to the unitary with the consequential saving. This affects the following transition costs/savings:
  - Staff Rationalisation
  - Democracy – Reduction in Councillors
- For the DCLG Framework model, there is no line to show ‘temporary borrowing’. Please see Section 4 ‘Analysis of Reserves’, that discusses how the additional cost of transition is to be accounted for as there is not to be any additional cost to the Council Tax payer.

### **Transition Costs – ‘One-Off’**

#### 7.3 **Staff Rationalization (Redundancy & Early Retirement)**

The assumptions that have been used to determine the cost of staff rationalisation are as follows:

- No reduction in staff numbers to ‘front-line’ services.
- Staff rationalization is not restricted to those over 50 who would be applicable for early retirement but open to all levels of staff.
- The number of transferred staff is an estimate of Norfolk County staff whose work is involved within the City boundary (provided by Norfolk County Council). However, it must be noted that these estimates are not considered representative of the number of staff who would transfer to a unitary Norwich City Council as the number

of 'Corporate Staff' who are shown as transferring appear to be considerably low.

- The estimate of numbers and cost of staff made redundant or taking early retirement has been based on an earlier staff rationalization that has taken place at Norwich City Council between April 2005 and September 2006.
- The establishment for Norwich City Council remains at 912 FTE's.

The costs of Staff Rationalisation have been allocated within the financial model as follows:

- Estimated costs for staff rationalisation have been charged against restructuring as the action of LGR restructuring has resulted in this cost.
- The benefit accrued due to staff rationalisation has been charged against the 'employee' subjective heading as this is where the ongoing benefit would be charged.

#### 7.4 Relocation

The assumptions that have been used to determine the cost of relocation are as follows:

- The number of transferred staff is an estimate of Norfolk County staff whose work is involved within the City boundary (provided by Norfolk County Council). However, it must be noted that these estimates are not considered representative of the number of staff who would transfer to a unitary Norwich City Council as the number of 'Corporate Staff' who are shown as transferring appear to be considerably low.
- The relocation compensation amount of £1,190 is the gross tax amount per person based on the costs of using a Norwich 'Park & Ride' car park for 223 working days per annum.
- The costs of physical relocation are considered minimal as additional IT provision would be included in the IT costs and potential manual file etc disaggregation is considered de minimus at this time.

The costs of Relocation have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.5 Democracy – Norwich Shadow Authority

The assumptions that have been used to determine the cost of democracy (Norwich Shadow Authority) are as follows:

- The shadow authority will commence in May 2008 and run until 31 March 2009.
- There would have to be a new schedule of 'Special Responsibility Allowances' specifically for shadow authority councillors. The

allowances applied within the costings are considered reasonable in light of allowances paid by other unitary authorities.

- Allowances will be subject to assessment by an Independent Panel and agreement by members.
- Employers oncost rates remain as at present.
- A block estimate of £10,000 per annum for all 39 members travel and subsistence whilst undertaking Shadow Authority duties.
- The appointment of one additional officer to support the Shadow Authority due to an increase in the number of committee meetings in that year

The costs of Democracy for the Norwich Shadow Authority have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.6 Democracy – Full Election: May 2008

There would be a marginal increase in costs for holding a full-council election compared to holding a 1/3 election.

The costs of Democracy associated with a Full Election in May 2008 have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.7 Corporate Branding

This is a nominal amount to meet the costs related to rebranding assets previously owned by Norfolk County Council

The costs of Corporate Branding have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.8 Registration

This is a nominal amount to meet the costs related to registering assets previously owned by Norfolk County Council

The costs of Registration have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.9 Property

This is a nominal amount to meet the costs related to maintaining property assets previously owned by Norfolk County Council until a decision is taken on their use or disposal.

The costs of Property have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.10 Information Technology – Systems/Revenue - Transition

- System enhancement - This will include ICT transition primarily for Norwich City Council but also includes support of Norfolk County Council.
- Licences - It is assumed that there will only be an initial 'duplication of cost' for licences as both Norwich and Norfolk County run 'similar systems'. However, following transition this cost will become neutral., as new licences are taken on at unitary Norwich City Council and licences are relinquished at Norfolk County Council.
- The supplier who provided these costs are undertaken the previous ICT transformation exercise at Norwich City Council and at a number of other local authorities, including London Boroughs and County's.

The costs of Information Technology – Systems/Revenue - Transition have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

Please note:

1. that the 'modelling' spreadsheet has not been supplied with the bid documentation due to commercial sensitivity.
2. if a copy is required, the external supplier will need to be contacted.
3. what has been listed above are all the areas that the efficiency model addressed to achieve the efficiencies stated within the financial model.
4. external supplier received no detailed information from Norfolk County Council to support either the costs or service efficiencies.
5. due to the time allowed for cost/service efficiency estimates preparation, costs/service efficiencies are only 'rough estimates' but are based on extensive experience.

#### 7.11 Transition Team (pre Vesting)

The assumptions that have been used to determine the cost of the 'in-house' Transition Team (pre Vesting) are as follows:

- The development of a team to assist the transition process for both Norwich City and Norfolk County Councils.
- Salaries based on 'best-estimates' of salaries applicable for relevant specialisms.
- Employers oncost rates remain as at present.
- Block estimate for consultancy support.

- Block estimate for general supplies for the transition/shadow authority.
- 18-months duration of the Transition Team (pre-Vesting)

The costs of the Transition Team (pre Vesting) have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.12 Transition Team (post Vesting)

The assumptions that have been used to determine the cost of the ‘in-house’ Transition Team (post Vesting) are as follows:

- The establishment of a two-teams to assist in the ‘post Vesting’ transition of Norwich City Council. The two teams are will have responsibility for:
  - Operation/Service ‘Mechanics’ Development
  - Policy Development/Continuation
- Salaries based on ‘best-estimates’ of salaries applicable for relevant specialisms.
- Employers oncost rates remain as at present.
- Block estimate for consultancy support.
- 2 years duration of the Transition Team (pre-Vesting)

The costs of the Transition Team (post Vesting) have been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.13 Contingency

This is a nominal amount to meet ‘unforeseen’ expenditure. This will be rolled-forward as necessary.

The cost of Contingency has been allocated within the financial model against restructuring as the action of LGR restructuring has resulted in this cost.

### **Transition Costs – ‘Ongoing’**

#### 7.14 Pay Grade Harmonization

The assumptions that have been used to determine the cost of pay grade harmonization are as follows:

- Norfolk County staffs are on higher pay grades than Norwich City staff.
- That Norwich City staff will be ‘uplifted’ to a salary on par with transferred staff.

- That there is an average salary differential of £2,000 between similar posts (it has not been possible to compare grades between Norfolk County and Norwich City, but £2,000, as an average uplift, is considered reasonable).
- The current establishment at Norwich City Council is 912 full time equivalents (FTE's) and this has been taken as the base.
- Following discussions with the HR Manager at Norwich City Council, it is anticipated that around 25% could be subject to 'salary uplift'.
- Employers oncosts will remain as at present.

The costs of Pay Grade Harmonization have been allocated within the financial model against:

- Corporate Services because at this time it is not known which Objective Service would incur this cost.
- restructuring as the action of LGR restructuring has resulted in this cost.

#### 7.15 Corporate Management

The assumptions that have been used to determine the cost of pay grade harmonization are as follows:

- Salaries for the Chief Executive, Directors and Heads of Service reflect the level of responsibility for a similar sized unitary authority.
- Chief Executive appointed September 2008.
- Directors appointed between November and December 2008.
- At this time there are not any detailed structure charts for a unitary Norwich City Council. However, 20 Heads of Service is comparable to other similar sized unitary Councils (e.g. Slough, Hartlepool).
- A block estimate for recruitment.
- Oncost rates based on those currently applied at Norwich City Council.

The costs of Corporate Management have been allocated within the financial model as follows:

- Estimated costs for Corporate Management have been charged against restructuring as the action of LGR restructuring has resulted in this cost.
- The ongoing costs of Corporate Management have been charged against the 'employee' subjective heading as this is where the ongoing cost would be charged.

#### 7.16 Democracy – Allowances Increase

Allowances:

- for a unitary Norwich City Council will be in line with those of the Shadow Authority.
- will be subject to assessment by an Independent Panel and agreement by members.
- will be approved by the appointed members.

The costs of Democracy associated with Allowances Increases have been allocated within the financial model against the ‘employee’ subjective analysis as this is an ongoing cost.

#### 7.17 Democracy – Local Budget

- Each member of the unitary Norwich City Council will have an annual £10,000 allocation that can be used to support local (ward) projects and initiatives.
- The use of the local budget will be subject to financial regulations.

The costs of Democracy associated with Local Budget have been allocated within the financial model against the ‘supplies & services’ subjective analysis as this is an ongoing cost.

#### 7.18 Information Technology – Systems/Revenue - Transformation

- ICT Transformation will only take place if Norwich City Councils bid for unitary status is successful.
- ICT Transformation only involves the transformation of services within a unitary Norwich City Council.
- Costs are best estimates based on the timescale of the bid preparation process.
- The supplier who provided these costs are undertaken the previous ICT transformation exercise at Norwich City Council and at a number of other local authorities, including London Boroughs and County’s.

Please note:

1. that the ‘modelling’ spreadsheet has not been supplied with the bid documentation due to commercial sensitivity.
2. if a copy is required, the external supplier will need to be contacted.
3. what has been listed above are all the areas that the efficiency model addressed to achieve the efficiencies stated within the financial model.
4. external supplier received no detailed information from Norfolk County Council to support either the costs or service efficiencies.

5. due to the time allowed for cost/service efficiency estimates preparation, costs/service efficiencies are only 'rough estimates' but are based on extensive experience.

### **Efficiency Savings – 'Ongoing'**

#### 7.19 Staff Rationalisation

The assumptions regarding Staff Rationalisation with regard to Efficiency Savings are broadly similar to those that are mentioned in Transition Costs: One-off above.

The saving that would be accrued from Staff Rationalisation have been allocated against the 'employees' subjective analysis as this is an ongoing saving.

#### 7.20 Democracy – Reduction in Elected Members

- The number of elected members for a unitary Norwich City Council would remain as 39, as at present for 'District' functions. Consequently, the 13 County Council members who represent divisions within Norwich (none of whom currently serve on the Council's Cabinet) would be redundant.
- As following 'Vesting Day' there would be a 'fair and equitable' disaggregation of Norfolk County Council's, the saving that would accrue from the redundancy of these posts would be applicable to the unitary Norwich City Council.

The saving that would be accrued from Democracy for the Reduction in Elected Members have been allocated within the financial model against the 'employees' subjective analysis as this is an ongoing saving.

#### 7.21 Democracy – Election Cycle

- The 4-yearly local election is held at the same time as a Parliamentary Election.

The saving that would be accrued from Democracy for the Change in Election Cycle has been allocated within the financial model against the 'supplies and services' subjective analysis as this is an ongoing cost.

## 7.22 Investment Interest

### Transferred Reserves and Balances

There will be additional Investment Interest payable to a unitary Norwich City Council following the transfer of Reserves and Balances from Norfolk County Council. The assumed variables are:

- Funds transferred at Vesting Day: £4.269m
- Current Investment Rate: 4.5%
- Expected Investment Rate: 5.0%

### Efficiency Savings

There will be investment income due to the service efficiencies that will be generated that exceed the transition/transformation costs. Following the profile-profile noted at paragraph 11.5, the investment interest rate applied to the surplus is 5.0%

## 7.23 Service Efficiency

The Service Efficiency savings have been produced based on the extensive experience of an external ICT supplier who has had experience of undertaken similar transition and transformation initiatives at other local authorities (paragraphs: 6.179 to 6.186; 7.10; 7.18).

The methodology that has been followed includes efficiency costings based on various operations e.g.:

#### Enterprise Document & Records Management:

- Time retrieval and storage
- Paper storage and size

#### Location Independent Working:

- FTE Lost Time
- Staff Ratio per Desk

#### Corporate Workflow:

- Performance Improvement

#### Document Output Management

- Paper Waste
- Toner/Ink Use
- Cost of Print reducing
- Lower Hardware Costs

#### Customer Services Alignment

- Citizen Transaction per Annum

Areas where no savings have been calculated but further savings may possible in the future:

- Governance
- Project Portfolio Management
- Programme Management
- Project Management
- Transformation Strategy Team
- BPR Team

Please note:

1. that the 'modelling' spreadsheet has not been supplied with the bid documentation due to commercial sensitivity.
2. if a copy is required, the external supplier will need to be contacted.
3. what has been listed above are all the areas that the efficiency model addressed to achieve the efficiencies stated within the financial model.
4. external supplier received no detailed information from Norfolk County Council to support either the costs or service efficiencies.
5. due to the time allowed for cost/service efficiency estimates preparation, costs/service efficiencies are only 'rough estimates' but are based on extensive experience.

#### 7.24 Interest on Borrowing

The costs of temporary borrowing have been calculated based on a rate of 6.0%.

#### 7.25 Reserves

- i. Norwich City Council figures as at 1<sup>st</sup> April 2006 – are as per Statement of Accounts 2005/06.
- ii. The 2006/07 estimates has a General Fund balance as at 31 March 2006 of £1.261m and a HRA balance of £6.956m. However, as per the 2005/06 Statement of Accounts, the actual balance at the 31 March 2006 for the General Fund is £1.947m and for the HRA is £6.832m. It is considered that a more complete picture of reserves is to be given if the 'actual' balances are shown rather than the estimates.
- iii. For 2006/07, there was no HRA balances report. However, there was a report for 2005/06 which states that balances should be at £3.0m over the medium term. Considering that estimated balances as at 31<sup>st</sup> March 2007 will be £9.079m, a draw-down of £3.0m per annum has been shown to assist the authority in achieving its 'Decent Homes' requirement by 2010.

- iv. The timing of spend from Earmarked Reserves is not known with any accuracy at this time.

#### 7.25 Accounting for Transition Costs

As noted in the section for 'Analysis of Reserves' (4), the assumption is that a Provision for Transition Costs will be established that will be financed from borrowing and savings generated in the period. As the process of transition and transformation continues, borrowing will be repaid and the provision will be financed from the savings that accrue from service developments/efficiencies.

#### 7.26 Financial Case

The assumptions applied to the financial case noted in Section 10: 'Residual Two Tier Areas Affects By The Proposal' is a reassessment and updating of work previously undertaken by Rita Hale Associates.

The disaggregated budget of Norfolk County Council used by Norwich City Council has been produced based on relative variables for each objective cost, for example: Schools: number of schools in area; Social Services: a mix of 2004 Income Deprivation, 2001 Census and Housing Benefits.

This detailed information can be provided on request.

## **8.0 SERVICE LEVELS & IMPACT OF PLANNED SERVICE DEVELOPMENTS**

8.1 There will be an increased service investment in Education and School Improvement. The currently estimated service development costs total £0.2m per annum and are intended to be split as following:

### Educational Attainment and School Improvement

Nursery & Primary: £ 60,000

Secondary & Special: £140,000

8.2 The details are illustrated below:

- Annex Q shows the City Council's commitments to improving delivery in a range of key service areas
- Education and School Improvement is a key area of concern, and the new council will make this its highest priority for the future
- Our financial plans therefore include a dedicated commitment of an additional £200,000 per annum investment in Education – at first this will be used to carry out a full assessment of the local picture, so that remaining resources can be targeted onto the highest areas of need and potential impact
- In addition to this, Norwich City Council is expecting to receive a block-grant of somewhere between £3.0m and £4.0m from the 'Local Authority Business Growth Initiative' (LABGI). Although we cannot commit the new authority, as an example, if say the authority receives £3.0m, it could then invest an additional £750,000 in each of the first 4 years of becoming a unitary authority to directly develop the key priority areas
- This money would be spent directly on improving educational attainment, school performance and aspiration levels – proposed actions would include:
  - More intensive support for catch-up tuition particularly in primaries - could also include support for summer school catch-ups for secondary age pupils
  - In certain areas work with families through family learning to raise aspiration and get the whole family/community committed to education
  - Basing education welfare officer with groups of schools with support/resources to tackle truanting and school attendance
  - Support for 14-19 learning partnership (employing a director of learning and support to coordinate work placements) to help the Partnership deliver 14-19 diplomas effectively
  - Improved data training for school staff e.g. providing high quality training at no cost to schools and follow it up with coaching for schools or senior managers needing it
  - Provide learning mentors for secondary pupils, linked into target setting
  - Take a rigorous approach to school improvement e.g. buy in inspectors to conduct in-depth school reviews where

standards are low, ensure the inspectors work alongside senior managers to train them in effective classroom observation, identify weak teachers and formulate an improvement plan

- More intensive work with individual teachers and schools that are struggling in order to embed effective classroom practice
- Employ or buy in literacy experts to look at primary schools with poor English standards, such as an additional teacher to work in these schools with the sole brief of raising literacy standards.
- Provide incentives in order to recruit the best head teachers so that we have the right people at the helm.

## **9.0 RESIDUAL TWO TIER AREAS AFFECTED BY THE PROPOSAL:**

### **FUTURE FUNDING:- EFFECTS OF NORWICH CITY COUNCIL BECOMING A UNITARY AUTHORITY**

#### **Introduction**

- 9.1 The purpose of this section of the 'Financial Case for a Unitary Norwich City Council' report is to pick up in summary form the detailed work carried out
- on the likely costs of a Unitary Norwich on the existing City Council boundary:
  - the likely level of central financial support
  - a judgement of the likely financial position for the new authority and
  - the impact at Council Taxpayer level.
- 9.2 It is also necessary to look at the likely position of Norfolk County Council in the event of Norwich becoming Unitary and to briefly look at the position for the remaining District Councils in Norfolk
- 9.3 In order not to re-invent the wheel and to maintain some continuity much of the information used in this summary comes from the study "Potential Fiscal Effects of a Unitary Norwich" prepared by Anna Capaldi of Rita Hale & Associates Ltd (February 2006). This organisation is rightly very highly respected and the analysis in that report will be of the highest quality.
- 9.4 However, the report was prepared before the grant arrangements for 2006-2007 came in and as we shall see the changes made for that year present some difficulties in terms of forecasting.
- 9.5 Nevertheless I have taken Anna Capaldi's figures and tested them against the new grant regime.
- 9.6 For the purposes of this report I have taken the forecast expenditure for a Unitary Norwich which has come from work on the disaggregation of the County budget. This includes a net figure for schools, as we shall see taking into account the effects of Dedicated Schools Grant.

#### **The Grant System.**

- 9.7 There are currently three different types of grant coming from Central Government. These are:

##### **Formula Grant**

- 9.8 Distributed by formula to all local authorities. There are no restrictions on how this money may be used.

### Specific Formula Grants

- 9.9 Distributed outside the main settlement. These are normally ring fenced and are intended for particular services or initiatives that are a national priority. The largest example is the Dedicated Schools Grant which is larger than the whole of formula grant (£26,576m as against £24,814m in 2006-2007 )

### Targeted Grants

- 9.10 These are distributed outside the main formula grant as the formula is not appropriate to them. They are not ring fenced . The examples of these might be Neighbourhood Renewal Fund, Planning Delivery Grant, Children's Services Grant etc. Several of these will be relevant to a Unitary Authority but in overall terms they are fairly small.

### Formula Grant

- 9.11 It is necessary for the record to summarise the grant arrangements for Formula Grant from 2006-2007.
- 9.12 The new system means that the distribution of grant is entirely determined by the Relative Needs Formulae, the Relative Resource Amount and the Central Allocation. There is then applied a floor damping scheme to minimise losses.

### Relative Needs Formula

- 9.13 This is an entirely mathematical formula based on population ,social structure and other characteristics of each authority. There are a number of specific service areas:

- Children's Services
- Adult Personal Social Services
- Police
- Fire
- Highway Maintenance
- Environmental Protective and Cultural Services
- Capital Financing

- 9.14 Unlike the old grant system the formula calculates the relative needs of individual authorities. They do not measure the actual monetary amount of grant needed by the Authority to run it's services. The formula for each service is based on a basic amount per client plus additional top ups to reflect local circumstances, the most important of these for Norwich is the factor for deprivation.

- 9.15 The change to a Unitary Authority means that Norwich move from the lower tier to upper tier group to reflect the provision of Unitary services.

### Relative Resource Amount

- 9.16 This is a negative figure. It takes account of the fact that areas that can raise more resources locally need less support from Central Government. Thus this part looks at the potential of each local authority to raise money locally. Thus each authorities tax base is compared against a minimum tax base per head. This is done in categories of authorities. Thus Norwich again will move to an Upper Tier Category once it becomes a Unitary Authority.

#### Central Allocation

- 9.17 This is the amount left undistributed after the above two categories. It is distributed on a per capita basis. These are based on the minimum amounts used in the first two blocks.

#### Floor Damping

- 9.18 This is to ensure that year on year every authority receive a reasonable year on year increase in grant.
- 9.19 Previous to 2006-2007 Local Authorities received support from Central Government from two un-hypothecated forms of general grant. These were redistributed national non-domestic rates and Revenue Support Grant. NNDR was distributed to all authorities on a per capita basis depending on the type of authority. Thus in 2005-2006 it was distributed on the basis of £28.88 per capita for Shire Districts and £333.24 for Unitary Authorities without a fire service. Norfolk would have received the County rate of £315.91 per head.
- 9.20 Thus it would be easy to calculate the change in resource from becoming a Unitary Authority. The figure would have been £304.36 x population a total of around £38m.
- 9.21 Norfolk would have lost a similar amount. However under the new system the amount of resource is not so apparent.
- 9.22 From 2006-2007 the two streams have been brought together in one system as described above. To meet statutory requirements each authority has to be given a figure for re-distribution of NNDR so that it can be shown that for instance the whole amount available of £17,500m for 2006-2007 has been distributed but this means that the figure supplied to local authorities is part of their total formula grant allocation.

#### Formula Grant Figures

- 9.23 To illustrate the point, the 2006-2007 figures in the settlement were as follows;

#### **NORWICH**

2005-2006 Under old system      £14.155m

2006-2007

Relative Needs Assessment	£ 8.326m
Relative Resource Amount	£-1.547m
Central Allocation	£ 7.997m
Damping	£-0.101m

**TOTAL** **£14.676m**

Of which;

NNDR £12.301m

Formula Grant £ 2.375m

This represented an increase year on year of 5.5%.

The average for all Shire Districts was 4.9%

The average for all Unitaries was 3.2%

### **NORFOLK**

Relative Needs Assessment £142.072m

Relative Resource Amount £ -55.821m

Central Allocation £100.275m

Floor Damping £ -19.026m

**TOTAL** **£167.500m**

Of which;

NNDR £140.200m

Formula Grant £ 27.300m

- 9.24 Norfolk subsequently got £1.5m more in the final settlement giving an increase year on year of 4.8%
- 9.25 The average for all Counties was 2.8%
- 9.26 However the new system shows Dedicated Schools Grant as a ring fenced grant outside formula grant and this was not so in 2005-6 . In 2006-7 the Dedicated Schools Grant payable to Norfolk was in excess of £400m.
- 9.27 This shows that apart from all other considerations the amount of money available by formula grant to the two authorities following any re organisation is fairly small. The total formula grant receivable by Norwich being £27m.

### Figures In Settlement For 2007-2008

#### **NORFOLK**

Relative Needs Amount £157.102m

Relative Resource Amount £-56.243m

Central allocation £102.006m

Floor Damping £-20.962m

**TOTAL** **£181.902m**

An increase year on year of 8.5%

The average Shire Increase is 4.5%

Although not announced the total increase in NNDR seems to be in the order of 5.7% Thus the County Split would be;

NNDR	£149.77m
Formula Grant	£ 32.132m

#### **NORWICH**

Relative Needs Amount	£ 8.433m
Relative Resource Amount	£- 1.685m
Central allocation	£ 8.481m
Floor Damping	£-0.080m

<b>TOTAL</b>	<b>£15.150m</b>
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An increase year on year of 3.6%

Average for Districts	4.7%
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Average for Unitaries	4.1%
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Using the NNDR increase that gives;

NNDR	£13.002m
Formula Grant	£ 2.148m

#### **Overall Grant Figures**

- 9.28 Thorough examination of the announced grant figures for 2006-7 and 2007-8 shows that although the way that Central support is calculated has changed, the changes have been calculated to disrupt the levels of grant paid as little as possible. Thus it is perfectly reasonable to look at the 2005-2006 position and move this forward.
- 9.29 Rita Hale suggested that the grant for a Unitary Norwich in 2005-6 would have been £101.873m with the average unitary uplift for 2006-7 this would give a figure of £105.133m.
- 9.30 This includes Dedicated Schools Grant which by its nature forms the total schools budget. The guaranteed amount per pupil for 2006-2007 is £3423.32. On the basis of 15919 pupils (figures calculated from the Dfes Schools website) in Norwich that gives a schools budget and grant of £54.495m.
- 9.31 There are also some additional grants within the Dedicated Schools Grant. For Norfolk these total around £6.0m . Assuming a proportion of these come to Norwich on a population basis (15.5%) that would be around £0.95m. Again these would have to go direct to Schools.
- 9.32 The total Schools budget would therefore be around £55.445m.

### **Schools Funding**

- 9.33 The basis of Schools funding is that the Dedicated Schools Grant comes to the Authority but has to be passed on in entirety to the schools but how this is done is largely a matter for the Local Education authority. The Fair Funding formula has to be agreed by the Schools Forum and must include per capita amounts, premises costs, recognition of deprivation, possibly split sites, vocational training etc. They tend generally to be quite complicated and are a matter of great discussion and contention within schools. Public Sector Consultants has designed and reviewed several Authorities formulae. There is no specific requirement to differentiate between rural and urban schools for instance. This is a matter for the formulae and the Schools Forum. I understand that Norfolk do operate such a discretionary system, but the allocation formulae for the new Norwich unitary would start from scratch and have it's own factors included in it.

### **Deprivation**

- 9.34 The position on Deprivation is worth noting. 8.4% of the Dedicated Schools Grant reflects deprivation and it is an important factor in the grant distribution itself.
- 9.35 The current deprivation indices give Norwich an average score of 28.33 and a ranking amongst all authorities of 61. Norfolk as a whole scores 17.93 and is ranked 97<sup>th</sup> in upper tier authorities.
- 9.36 The fact that Norwich have a higher deprivation score will affect the amount of grant received. In other words the grant received will not be equal to the grant lost from Norfolk. Of course in the end the creation of further Unitary Authorities will depress marginally the grants of all authorities given that they come from a finite pot.

### **Expenditure Levels**

- 9.37 The disaggregation of the County budget has not been a simple matter. A range of figures have been calculated.
- 9.38 In the Rita Hale and Associates report the estimate for the budget was given as £148.544m. This was on a 2005-6 basis which if uplifted to 2006-7 would give a gross budget requirement of £153.297m.
- 9.39 Norfolk County Council in their calculation of the disaggregated Norwich Budget (which presumably they will be using in their own submission) was £56.015m. This was a net budget and after adding back the Dedicated Schools Grant the total becomes £111.460m. Our calculations show the figure to be £78.290m net which with the Schools expenditure becomes £133.735.

- 9.40 We believe the County figure to be demonstrably too low and the Rita Hale figure was a calculation at early stages. The £133.735m is a refined figure although by no means definitive.
- 9.41 However for the purposes of this report I have used it as being the best information currently available.

### **Other Grant Income**

- 9.42 Obviously the current grants paid to Norwich for Neighbourhood Renewal, Planning Delivery, Homelessness and Waste performance will continue. These are in any case very small in magnitude. They currently total around £2.281m.
- 9.43 Norfolk CC receives a number of grants for Children's Services, School Development, Older People, and Supporting People etc. Without specifically contacting the County about each of these it is not possible to know how many are scheme or area specific and may or may not be relevant to Norwich in the future. They total £58.765m (based on a population and likely user basis) of which perhaps £6m would be relevant to Norwich.

### **COUNCIL TAX**

- 9.44 Nothing changes here except that no precept will be payable to the County and the figure of £38,364,846 becomes usable by residents of Norwich at current tax levels. On this years figures although the Police Precept will still be payable 89% of Council tax collected will be available for the City.

### **SUMMARY OF VIABILITY FOR A NORWICH UNITARY BASED ON THE CURRENT CITY COUNCIL BOUNDARY**

Current Norwich expenditure (per budget summary)	£ 22.478m
Disaggregated County Budget	£133.735m
<b>TOTAL expenditure</b> (to be financed from Grants and Council Tax that is to say net of fees and charges)	<b>£156.213m</b>
Financed By;	
Dedicated Schools Grant	£55.445m
Grants	£57.788m
Current Council Tax	£45.848m
<b>TOTAL RESOURCES</b>	<b>£159.081m</b>

## Conclusion

- 9.45 On the figures calculated by Rita Hale Associates and up dated here the level of forecast expenditure is affordable. There is a margin for contingency on expenditure levels of 1.8%.

## **SUMMARY OF VIABILITY FOR THE RESIDUAL NORFOLK COUNTY COUNCIL**

### 2006-7 BUDGET

Transferred to Norwich	£ 78.290m
Less:	
Norwich	£ 38.364m
Grant (see note)	£ 39.452m

**TOTAL** **£ 0.474m**

- 9.46 This is broadly cost neutral, and indeed is minimal compared with the likely significant budget for the new Norfolk County Council. .
- 9.47 The loss of grant figure is calculated by taking the grant for Norfolk for 2005-6 at £512.079m and deducting the figure calculated by Rita Hale Associates as due to Norfolk after Norwich become Unitary and also at 2005-6 prices of £472.627m

## **PRECEPTS FOR REMAINING DISTRICTS**

- 9.48 The net expenditure to be raised by precept is forecast to be broadly the same but the proportions payable by each District will alter.
- 9.49 In total the amount raised by Precept for the County will be £248.4m together with the Police Precept of £44.434m giving an average Band D Council Tax of £1192.23. The current average is £1,238 so there is marginally a beneficial effect on the remaining districts.

Richard Harbord  
Public Sector Consultants

## **10.0 PARTNERSHIP ARRANGEMENT**

### **Norwich Connect**

- 10.1 In April 2002 Norwich City Council entered into a Partnership Arrangement with a Steria UK Ltd to provide ICT and Business Improvement Services. Since the commencement of this arrangement the Council has generated in excess of £2.5m savings per annum.

This project addressed the following four areas:

- i. ICT infrastructure.
- ii. Business Process Re-engineering
- iii. New Customer Relation Systems
- iv. TUPE transfer of Norwich City Councils IT Team to the private sector supplier.

### **Unitary Services for Norwich**

- 10.2 If Norwich City Council is successful in becoming a unitary authority it is envisaged that there will be two distinct phases of transforming ICT provision within the Council.
- 10.3 The first phase will be ICT transition. This is effectively:
- the joining together of ICT services currently provided by Norwich City Council and Norfolk County Council;
  - rationalisation of current technologies; and
  - further streamlining of ICT services.
- 10.4 The second phase will be the transformation of services following Vesting Day by using 'innovative' ICT technologies. This will entail the development of:
- Document and records management
  - Location independent working
  - Workflow
  - Document output management
  - Customer service alignment
- 10.5 Such transformation will allow a unitary Norwich city council to provided innovative and cost-effective services to the citizens of Norwich.
- 10.6 However, it must be noted that for a unitary Norwich City Council to be successful in the provision of cost-effective services, transformation is an essential requirement of the overall unitary process. Chapter 8 of the main bid documents sets out more details of the proposed transformation work.

## **11.0 CAPITAL PROGRAMME**

### **Norwich City Council**

Source document:      Worksheet entitled 'Capital'  
                                 Spreadsheet 'Capital Reserves & Transition'

- 11.1    In the worksheet noted above is the combined 'currently approved' capital programme for both Norwich City Council and Norfolk County Council.
- 11.2    In respects of both authorities, baring some capital projects within Education and Highways, Roads and Transportation Services, their capital programmes cease at the end of 'Lead Up Year 2'. However, all capital projects have been previously reported to their respective Councillors and available to review by external audit and the electorate; further they have been produced in light of appropriate financing and the requirements of the prudential framework.
- 11.3    For Norwich's bid for unitary status:
- i.        For those projects within the County Council's capital programme that progress into Years 1 to 4, the assumption has been taken that the projects will continue on the proviso that appropriate financial resources are provided by the County at the point of Vesting and that the requirements of a 'unitary Norwich City Councils' prudential code can be met. At this time, their financial impact has been ignored from the Reserves Analysis.
  - ii.      No capital projects have been included following Vesting Day. The reason for this is because it is not practical to 'guess' what new developments or enhancement work is required to assets transferred from Norfolk County Council.
- However, there will inevitably be a programme of asset enhancement/development, but until there is a definitive list of what assets will be transferred to a unitary Norwich City Council on Vesting Day, the estimated capital costs of such enhancement/development is not known.

### **Prudential Code**

- 11.4    As shown within the framework, there is financing of £0.810m of transition costs within the Transition Review period.
- 11.5    The 'cash flow' profile of this investment is as follows:

#### Cashflow Analysis of Transition Costs/Savings

	LUP1	LUP2	Y1	Y2	Y3	Y4	Temporary Borrowing/Investment Interest £'000	Y5
	£	£	£	£	£	£		£
b/f	0	464,500	2,419,500	5,382,283	3,845,866	1,393,170		(1,060)
Expenditure	464,500	2,855,000	8,947,780	6,859,580	5,943,301	5,943,301		5,049
Income	0	(900,000)	(5,984,997)	(8,395,997)	(8,395,997)	(8,395,997)		(8,397)
c/f	464,500	2,419,500	5,382,283	3,845,866	1,393,170	(1,059,526)		(4,408)
Cost of Borrowing	6%	27,870	145,170	322,937	230,752	83,590	810,319	
Cost of Investment	5%					(52,976)	(52,976)	(220)
							<u>757,343</u>	

#### *Source Document*

Worksheet entitled: 'Cashflow-Transi Costs-Interest'

Spreadsheet entitled: 'Capital Reserves & Transition'

#### Affordability Indicator

11.6 The key Prudential Indicator to be applied in respect of the costs of Transition is the 'Ratio of Financing Costs to the Net Revenue Stream'. Based on 2006/07 original estimates, this ratio is as follows:

<u>2007/08</u>	<u>2008/09</u>
9.14%	11.31%

11.7 Considering the additional 'financing costs' noted above for Lead-Up Years 1 and 2, the respective Prudential Indicator of 'Ratio of Financing Costs to the Net Revenue Stream' would be:

<u>2007/08</u>	
9.26%	- an actual increase of 0.12%
	- proportionate increase of 1.3%

<u>2008/09</u>	
11.92	- an actual increase of 0.61%
	- proportionate increase of 5.4%

11.8 This is considered to be reasonable in light of the fact that over the 4-years post Vesting Day that all costs will be fully recovered.

#### Authorised Limit

11.9 For 2006/07 the Authorised Borrowing Limit is currently set at £106.0m with current borrowing totalling £83.7m. Considering that the highest net temporary borrowing in any one-year for Transition Costs is estimated to be £5.4m, this would give a revised total borrowing of £89.1m – which is well-within the Authorised Limit.

### **Capitalisation of ICT Costs**

- 11.10 It is understood that it may be possible to 'capitalise' ICT costs. However, as ICT provision at Norwich City Council has been previously externalised, any new ICT hardware/software would be similarly externalised and thus would be a 'revenue' cost.

## **12.0 RECONCILIATIONS**

- 12.1 As noted in 'Analysis of Reserves' (4) section of this report, a reconciliation of the 2006/07 balances for both Norwich City Council and Norfolk County Council follows.
- 12.2 It is not necessary to undertake any further reconciliation as the supporting Source Document (Worksheet entitled 'Reserves' / Spreadsheet entitled 'Capital Reserves & Transition) shows the movements and balances for each financial year of the Financial Model.

### **NORWICH COUNTY COUNCIL**

#### **12.3 Capital .v. Reserves**

##### **12.3.1 Capital**

Source document: Worksheet entitled 'Capital'  
Spreadsheet 'Capital Reserves & Transition'

Within this worksheet is shown a total Capital Receipts b/f of £5.450m for the Base Year (2006/07). This is broken down as follows:

HRA:	£ 2.657m
Non-HRA:	£ 2.793m

##### **12.3.2 Reserves**

Source document: Worksheet entitled 'Reserves'  
Spreadsheet 'Capital Reserves & Transition'

Within this worksheet is shown a total a total Capital Reserves balance of £8.553m for the Base Year (2006/07). This is broken down as follows:

Usable Capital Receipts:	£5.450m
Unapplied Capital Grants & Contributions:	£3.103m

As the Capital Programme at Norwich City Council is for 3-years, the actual profile of capital receipts b/f over the period is as follows:

Base Year:	£5.450m
Lead-Up Year 1:	£2.857m
Lead-Up Year 2:	£0.567m

The Reserves at Norwich City Council show the same profile (see relevant source document).

Considering the above, this therefore shows that the Capital Receipts shown within the Capital Programme – Financing are consistent with the Reserves for the duration of the programme.

## 12.4 **Revenue .v. Reserves**

### 12.4.1 **Revenue – General Fund**

*Source document:*

Worksheet entitled: ‘Final Subj – Framework Format’

Spreadsheet entitled: ‘Norwich City-Gen Fund-2006.07 budget’

Worksheet entitled: ‘Base Year’

Spreadsheet entitled: ‘Framework form partial county area – Norwich’

These two documents show that the Revenue contributions from Reserves is £0.258m

### 12.4.2 **Reserves**

Source document: Worksheet entitled ‘Reserves’

Spreadsheet ‘Capital Reserves & Transition’

Within this document can be seen the transfer from Reserves within the ‘Estimated Movements in Year (2006/07)’ of £0.258m.

Considering the above, this therefore shows that the Transfer from Reserves shown within the Reserves is consistent with the General Fund Financing section of Norwich City Councils budget and the bid submission Framework document.

### 12.4.3 **Revenue – HRA**

*Source document:*

Worksheet entitled: ‘Summary’

Spreadsheet entitled: ‘Norwich City-HRA-2006.07 budget’

Worksheet entitled: ‘Base Year’

Spreadsheet entitled: ‘Framework form HRA – Norwich’

These two documents show that the Revenue contributions to Reserves is £2.247m

### 12.4.4 **Reserves**

*Source document:*

Worksheet entitled ‘Reserves’

Spreadsheet ‘Capital Reserves & Transition’

Within this document can be seen the transfer to Reserves within the ‘Estimated Movements in Year (2006/07)’ of £2.247m.

Considering the above, this therefore shows that the Transfer to Reserves shown within the Reserves is consistent with both the HRA Financing

section of Norwich City Councils budget and the bid submission Framework document.

Future years contributions to or from Reserves for both the General Fund and HRA are shown within the Reserves worksheet (see relevant Source Document). However, for the purposes of the 'bid' Framework documents there is no impact on restructuring so further reconciliation is not necessary.

## 12.5 **Revenue .v. Capital**

*Source document:*

Worksheet entitled 'Capital'

Spreadsheet 'Capital Reserves & Transition'

As will be seen within the Financing section of the 'Capital' worksheet, at the time of the original 2006/07 budget there was no planned revenue contributions to capital for either General Fund or HRA. Therefore, no further reconciliation is necessary.

## **NORFOLK COUNTY COUNCIL**

### 12.6 **Capital .v. Reserves**

#### 12.6.1 **Capital**

*Source document:*

Worksheet entitled 'Capital'

Spreadsheet 'Capital Reserves & Transition'

Within this worksheet, for the Base Year, is shown for Capital Financing the following application of capital receipts and reserves and balances.

	£
Capital Receipts b/f:	1.777m
Use of Reserves & Balances:	<u>47.209m</u>
Total:	48.986m

There is no breakdown for HRA as the County Council has no HRA responsibility.

#### 12.6.2 **Reserves**

*Source document:*

Worksheet entitled 'Reserves'

Spreadsheet 'Capital Reserves & Transition'

Within this worksheet is shown a total a total Capital Reserves balance of £37.669m for the Base Year (2006/07). This is broken down as follows:

	£
Usable Capital Receipts:	1.777m
Unapplied Capital Grants & Contributions:	<u>35.892m</u>
Capital Reserve Balance:	37.669m

Capital Funding Reserve:	8.123m
LMS Balance:	<u>3.194m</u>
Total:	48.986m

Considering the above, this therefore shows that the Capital Receipts & Contributions from Reserves shown within the Capital Programme (Financing) are consistent with the application of Reserves.

## 12.7 Revenue .v. Reserves

### 12.7.1 Revenue – General Fund

*Source document:*

Worksheet entitled: 'Final Subj – Framework Format'

Spreadsheet entitled: 'Norwich City-Gen Fund-2006.07 budget'

Worksheet entitled: 'Base Year'

Spreadsheet entitled: 'Framework form partial county area – Norwich'

These two documents show that the Revenue contributions from Reserves is £1.999m

### Reserves

*Source document:*

Worksheet entitled 'Reserves'

Spreadsheet 'Capital Reserves & Transition'

Within this document can be seen the transfer from Reserves is 1.999m. This is made-up of the following transfers:

	£'m
Capital Financing Reserve	1.801
Waste Management Partnership Fund	0.170
Historic Building Reserve	(0.001)
IT Reserve	<u>0.029</u>
Total	1.999

Considering the above, this therefore shows that the Transfer from Reserves is consistent with the General Fund Financing section of Norfolk County Councils budget and the bid submission Framework document.

12.8 **Revenue .v. Capital**

*Source document:*

Worksheet entitled 'Capital'

Spreadsheet 'Capital Reserves & Transition'

- 12.8.1 As will be seen within the Financing section of the 'Capital' worksheet, at the time of the original 2006/07 budget there was no planned revenue contributions to capital for either General Fund. Therefore, no further reconciliation is necessary.

## **13.0 FINANCIAL MANAGEMENT**

13.1 As will be noted from the [Annual Audit & Inspection Letter 2004/05](#), Norwich has over the past two-years faced some serious financial management issues.

13.2 However, following the appointment of a new Chief Executive in January 2006, Norwich City Council put in place a 'programme of recovery' to ensure that effective financial management and control was reinstated at Norwich City Council. Such action has included the:

- i. Appointment of interim financial management (Public Sector Consultants) to provide 'short-term' Section 151 responsibility.

The purpose of this action was to ensure that:

- strategic financial control was reinstated as soon as possible to ensure that a balanced budget for 2006/07 was approved,
- the closing of the 2005/06 accounts was commenced as soon as possible, and
- there was a smooth transition between the previous in-house Section 151 officer and the appointment of the next Section 151 officer.

- ii. Appointment of a fully employed Section 151 officer to 'take-forward' the financial management and budget preparation process

The purpose of this action was to;

- reinstate a 151 officer to ensure that there was 'in-house' financial management and control of the finances of the authority,
- ensure that the 2007/08 budget preparation process was completed in line with internal deadlines.

- iii. Appointment of interim day-to-day financial management to support both the interim and fully employed 'Section 151' responsibility.

The purpose of this action was to:

- ensure that day-to-day financial management and control was introduced within the in-house finance team and operational services.
- manage the closer of the 2005/06 accounts process.
- undertake the production of the 2007/08 budget.
- review and introduce improved budget monitoring processes.
- review and introduce improved financial management by reviewing all aspects of the council's financial management system.
- Substantially modify, in association with iTrain Education Limited, the coding structure within the general ledger to enable improved financial control and management reporting.

- iv. Develop a 'robust' medium term financial plan that includes appropriate financial recovery of reserves.

At this time the above actions have resulted in the following successes:

- Closure of the 2005/06 accounts by the revised deadline of 31<sup>st</sup> August 2006 (completion of audit anticipated 31<sup>st</sup> January 2007).
- Validation of the 2006/07 budget process and that the budget set was balanced.
- Production of the draft 2007/08 budget in line with in-house deadlines and revised medium term financial plan.
- A comprehensive review of the budget monitoring process.
- A review of the financial management system.

- 13.3 Although it is recognised that the 2004/05 Annual Audit and Inspection Letter identified quite serious financial management and control issues, the authority has taken firm action to ensure an effective recovery process in introduced within a very tight timescale. Consequently, robust financial management and control systems are now introduced, or being introduced, that will put the authority in the best position possible for the transition to a unitary authority for the citizens of Norwich.

## **14.0 CASE FOR AN AFFORDABLE UNITARY ‘GREATER NORWICH CITY COUNCIL’**

### **Introduction**

- 14.1 Although a unitary bid for a ‘Greater Norwich City Council’ is non-compliant, there is a clear ‘strategic’ case that should be considered as there are potential benefits to the citizens of Norwich and the surrounding parishes of ‘extending’ the current City boundary to include currently identified future ‘economic-growth’ areas.

### **The Revised City Boundary**

- 14.2 The revision of the city boundary and the associated benefits are discussed within the main bid document. However, for the purposes of the ‘strategic’ financial case, we are using an illustrative new boundary which includes all of the current City Council area, plus the parishes below. This boundary is notional and for calculation purposes only – the fully independent Boundary Commission would make any final decision about a boundary change.

- 14.3 Parishes Currently within the District of Broadland:

- Beeston St.Andrew
- Drayton
- Great and Little Plumstead
- Hellesdon
- Horsford
- Horsham & Newton St Faiths
- Old Catton
- Postwick with Witton
- Rackheath
- Spixworth
- Sprowston
- Taverham
- Thorpe St Andrew

- 14.4 Parishes Currently within the District of South Norfolk:

- Bawburgh
- Colney
- Costessey
- Cringleford
- Easton
- Trowse with Newton

- 14.5 Overall, this would increase the current population of Norwich by 89,915 (75,395 from Broadland and 14,520 from South Norfolk).

## **ESTIMATES OF TRANSITION**

- 14.6 Based on the estimates used for the current 'City Boundary' case noted earlier, it is estimated that the Gross Costs of Transition would be £2.966m but would generate, ignoring service efficiencies, savings of £3.860m – thus giving a net saving (excluding financing costs) of £0.894m. A summary breakdown of these costs over 4-years is shown below:

One-Off:	£1.694m
Ongoing:	£1.272m
<b>Total Costs:</b>	<b>£2.966m</b>
Savings:	(£3.860m)
<b>Net Cost/(Saving):</b>	<b>(£0.894m)</b>

### **Conclusion:**

- 14.7 This shows that in financial terms, the costs of transition for a Greater Norwich could be met within 4-years of Vesting Day.

## **A GREATER NORWICH UNITARY COUNCIL – AN OUTLINE FINANCIAL CASE**

- 14.8 It is important to stress that this Greater Norwich proposal represents an Addendum to the core Norwich City case for Unitary Status. The figures are presented at this stage as an outline case. In the event that the outline submission for the extended Greater Norwich boundary was sympathetically received the figures would need further attention.
- 14.9 The proposal is to take a large part of Broadland District Council and a relatively small part of South Norfolk into a Greater Norwich. On a population basis the outline plan would be to take around 62.3% of Broadland and 12.6% of South Norfolk.
- 14.10 In terms of effect on other Authorities we envisage that South Norfolk would remain a viable District Council, but would see the remainder of Broadland being absorbed by other District Councils in Norfolk.

## **Characteristics Of The Two Districts, Norwich City and Norfolk**

- 14.11 Although overall the two other Districts are different from Norwich in terms of resources, grant and spend per Band D equivalent property; those differences will be far less marked in the area we propose for Greater Norwich where there is no real noticeable boundary in terms of socio-economic factors. In other words, the overall position for the two Districts is distorted by the high rural content, which we would not propose to be taken into the proposed Greater Norwich council area.
- 14.12 In summary:

- i. Norwich has 307 Band D properties per 1000 population compared with Broadland 368 and South Norfolk have 376 thus Broadland and South Norfolk have much higher resource bases.
- ii. Norwich receives a higher grant per Band D property indicating a higher level of deprivation. In the latest Deprivation Indices produced by DCLG Norwich have an average score of 28.33 and are ranked 61 against South Norfolk, average score 10.66 ranked 281 and Broadland with an average score of 9.63 ranked 302.
- iii. Norwich has high need and comparatively low resource. The other two Districts have high resource and low need .
- iv. Norwich has a much higher budget requirement per Band D property reflecting its position as a City.

### **2006-2007 Council Tax Position**

#### 14.13 Band D

Norwich	£1,354.50
Broadland	£1,308.14
South Norfolk	£1,326.80

#### 14.14 Formula Grant Position 2006-2007

Norwich	£14.677m
Broadland	£ 7.415m
South Norfolk	£ 7.475m

#### 14.15 Population

Norwich	127,600
Broadland	121,100
South Norfolk	115,300
Norfolk	824,200

#### 14.16 Population Likely To Be Effected

Norwich	127,600
Broadland	75,395
South Norfolk	14,520
Greater Norwich	217,515
Norfolk	824,200

#### 14.17 Precepts Payable 2006-2007

Norwich	£38.365m
Broadland	£44.518m

South Norfolk	£43.379m
Total For Norfolk	£286.800m

14.18 Council Tax Base

Norwich	38,196
Broadland	44,323
South Norfolk	43,190

14.19 Without considerable additional work in:

- identifying actual properties,
- understanding the pattern of expenditure in the Districts, and
- the position of Schools and other establishments,

it is only possible to give an outline of the possible financial effect of major structural change.

14.20 However, Rita Hale and Associates did some preliminary work on the various options for a Norwich Unitary authority in May 2006. The financial papers and technical assessment were extremely detailed, although again they came with the caveat that the actual position depended on identifying individual properties and areas to include in a Greater Norwich. The figures in this analysis were for 2005-2006 and unfortunately prior to the major changes in Formula Grant instituted in 2006-7. However for the purposes of this outline study we have used those figures and up rated them to 2006-7.

**Calculation Of Formula Grant For Greater Norwich**

14.21 Calculations including the Broadland area (i.e. Norwich plus 62.3% of Broadland).

Formula Grant calculated by Rita Hale	£177.978m
Up rated to 2006-7 (3.2%)	£ 5.695m
<b>Total</b>	<b>£183.673m</b>
Less Dedicated Schools Grant	
31335 pupils at £3423.32 per pupil	£107.338m
<b>Total after Schools grant</b>	<b>£ 76.335m</b>
Total previously calculated for Norwich	£ 57.788m
Additional Grant	£ 18.547m
<b>62.3%</b>	<b>£ 11.554m</b>

14.22 Calculations including the Broadland and South Norfolk Area (i.e. Norwich plus 62.3% of Broadland and 12.6% of South Norfolk)

Formula Grant as per Rita Hale	£251.111m
Up rated to 2006-7 (3.2%)	£ 8.068m
<b>Revised total</b>	<b>£259.179m</b>
Less Dedicated schools Grant	
47359 pupils at £3423.32 per pupil	£162.125m
<b>Total after Schools Grant</b>	<b>£97.054m</b>
Less grant calculated for Norwich/Broadland	£76.335m
Additional Grant for this option	£20.619m
<b>12.6%</b>	<b>£ 2.598m</b>

14.23 The total additional Grant is therefore calculated as:

Broadland	11.554m
South Norfolk	2.598m
<b>Total</b>	<b>14.152m</b>

#### **Other Grants**

14.24 The Grants payable to the other two District Councils in total amount to:

Planning Delivery Grant	£0.466m
Homelessness	£0.199m
Waste Efficiency Grant	£0.191m
<b>Total</b>	<b>£0.856m</b>

14.25 The maximum Grant to transfer to Greater Norwich is £0.297m

#### **Council Tax**

14.26 As this is purely an outline calculation and the exact properties etc are not identified, we have merely taken the relevant proportion of the current tax bases and multiplied them by the Band D current tax charge.

Thus for Broadland:

Tax Base	44,323
62.3%	27,613
2006-7 Council Tax	£1308.14
Total Income	£36,121,670

14.27 Thus for South Norfolk:

Tax Base	43,190
12.6%	5,442
2006-7 Council tax	£1326.80
Total Income	£7,220,446

14.28 However Council Tax would have to be equalised and we show the effect of that in the next paragraphs.

Expenditure

14.29 The outline budget disaggregation for the Greater Norwich Authority shows:

Net Expenditure	
before Grants and Council tax	£315.857m
Less Dedicated schools Grant	£162.125m
Net total	£153732m

Financed By;	
Formula Grant	£ 71.940m
Other Grants	£ 0.297m

Net Total to be funded by local tax £81.595m

Council Tax Base 71,251

Giving a Band D Tax of £1145.18  
Plus possible Parish Costs 50.00

Say £1195.18

14.30 This compares with current Council tax levels at Band D of £1308.14 in Broadland £1354.50 in Norwich and £1326.80 in South Norfolk.

**FUTURE VIABILITY OF THE RESIDUAL NORFOLK COUNTY COUNCIL**

14.31 For 2006/07, Expenditure transferred to Greater Norwich £131.254m

Precepts lost:

Norwich		38.364	
Broadland	62.3%	27.735	
South Norfolk	12.6%	5.466	£ 71.565m

Loss of Grant £ 55.496m

**Benefit to County £ 4.193m**

Loss Of Grant

- 14.32 For the purposes of this outline, this is a crude calculation. It takes the 2005-6 formula grant up-rated to 2006-7 and deducts the Rita Hale and Associates figure for a Norwich Unitary; from which has been deducted the transfer of grants for a Greater Norwich.
- 14.33 This obviously needs refining once detailed data is available.

**CONCLUSIONS**

- 14.34 The summary shows that a Greater Norwich and the Residual Norfolk would remain viable. The margins are fairly small given the crude calculations but the data seems to indicate that an in depth study of a Greater Norwich may be worth instigating.
- 14.35 Although it is very difficult to be certain about the effects on the other District Councils the indications are from the outline presented here that they will be positive. In the case of south Norfolk the changes are sufficiently small to leave them as a Viable District and for North Norfolk and Great Yarmouth there could be the opportunity for benefits of scale. The whole of the bureaucratic costs of Broadland will be lost and the detailed calculations for our main case shows that this can only save costs and benefit the Council Tax payer.

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