Essex County Council

Greater Essex LGR Financial Analysis

V. Final 14th August 2025

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Essex County Council

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Strategic Context

National Context | Local Government Challenges

*The national **relationship with local government is evolving**, with councils being challenged to align to a **single tier of governance** and increased regional collaboration and incentives. Government is **pursuing LGR** to create **simpler**, more **efficient local structures**, which pave the way for **greater devolution**. While local authorities have adapted to local challenges to date, the **pace of change necessitates reform**…*

1 FINANCIAL PRESSURE

Local governments in the UK is facing significant **financial challenge**. The LGA estimates a **£4 billion funding gap** over the next two years.[1]

Despite **additional funding**, many councils must make **substantial cost savings** after a prolonged period of **austerity,** and increases in **council tax** to **balance budgets** are inevitable.

This **financial strain** impacts **delivery of local services,** the ability of **councils to plan for the future** and **living standards for residents**.

2 DEMAND FOR SERVICES

Population growth, **ageing demographics**, and **increasingly complex community needs** are driving **increased demand** for **higher-cost services.**

This is particularly the case for **special educational needs and disabilities**, where **deficits** in the **Dedicated Schools Grant** are affecting general funding and may in the future become the **responsibility** of local authorities.

3 SOCIAL CARE COSTS

The rising costs of **commissioning and delivering social care** for **adults and children** are a **significant financial pressure**.

Over the past five years, **adult social care costs** have **increased by 9%** in real terms, while **children's social care** costs have **risen by 18%**.[2]

These services are **heavily regulated by central government**, leaving local authorities with **limited options to reduce costs and demands** whilst still **meeting the expected standards**.

***Sources**: (1) LGA - Local Government Finances, (2) CCN - The Forgotten Story of Social Care*

National Context | Devolution and Reorganisation

Devolution & reorganisation

The Devolution White Paper, launched by Government in late 2024 marks a distinct shift in the approach to re-organising local government in England. The paper signals a move away from the 'devolution deal' required by previous administrations, towards a new approach founded on the premise that significant change is required country wide to improve local services and fundamentally change how they are funded to underpin future sustainability. It adopts a benefits-orientated approach aimed at fundamentally transforming the funding and delivery of local services into unitary and strategic authorities, with aim to simplify governance and enhance efficiency.

*The **Devolution White Paper** is driven by **three primary objectives**…*

- *Enhancing the powers vested in local and regional governments*
- *New entities that cover larger geographic areas whilst respecting local identifies*
- *Implementing changes at pace, in order to support swift benefit realisation for all*

*To realise these, the **White Paper** provides **two routes to the consolidation of governance**…*

Reorganisation

This approach involves creation of new unitary authorities to replace the existing ‘two tier’ delivery model. This may involve the creation of a new unitary council which amalgamates or mergers a current county council and districts into a single ‘county unitary’ council, or creation new unitary authorities to replace counties, which brings together groups of districts with disaggregated or shared county services.

Devolution

This focuses on establishing Strategic Authorities with or without a Mayor, which coordinate and commission services at a regional level. This could include collaboration of multiple unitary authorities to provide a strategic regional authority. The white paper includes specific ambitions and incentives for these authorities to drive economic growth and lead intra- & inter-regional transport initiatives.

National Context | Summary of LGR Drivers

In response to complex and evolving challenges, three main drivers have been identified as central to the case for LGR and devolution. These include the need to improve financial efficiency through scale, enhance transparency in local governance, and create the conditions for long-term economic growth. Each of these drivers reflects both the practical realities and the strategic ambitions of local and national government.

*In summary, there are **three primary drivers** for **LGR and devolution**…*

1 EFFICIENCY

It is clear that many local authorities, following the **challenges of austerity** and **Covid-19**, are **facing critical financial challenges**.

Delivery of services at scale may be the only way to **find the efficiencies needed** to **stabilise finances**, and to shape a **more sustainable future**.

Reorganisation to generate **increased scale** can **drive greater efficiencies** by **consolidating resources** and **eliminating redundancies**, to **reduce costs** and enhance service delivery.

2 TRANSPARENCY

The **diverse & complex structures** of local government make it **challenging for citizens to understand** how their **council taxes are spent**, how **effectively** services are performing and how to **access support** they need

A **simplified structure for local government** offers an opportunity to **strengthen the connection** between **communities, councils, and elected officials**.

3 GROWTH & PROSPERITY

To achieve **recovery and rapid growth**, a strategy that aligns with **regional priorities, aspirations and opportunities** is essential.

Future prosperity will be shaped by **new infrastructure** and **investment** which necessitates a **broader scope beyond individual councils**

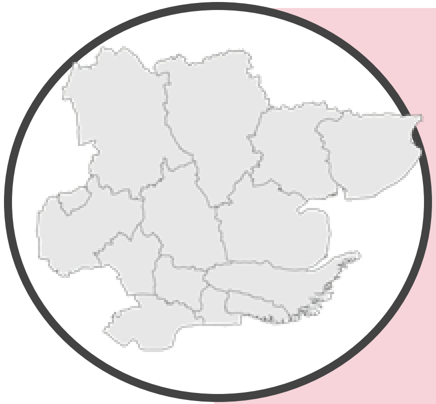
Unitaries may have **improved capacity** to **maximise growth opportunities** - both **locally and via devolution** - to **foster a more sustainable future**.

National Context | Greater Essex Local Context

Area overview

Greater Essex is a diverse and economically important region, combining coastal, urban and rural areas. Its proximity to London, two international airports, and major ports like Harwich and Tilbury makes it a strategic hub for trade and connectivity. With a skilled workforce, strong education, and thriving sectors such as logistics, and advanced manufacturing, the region plays a key role in the East of England's economy. However, challenges remain, including inequalities in health, education, and access to services — particularly in coastal and deprived areas. Local Government Reorganisation (LGR) offers a chance to address these issues, improve efficiency, and create a more sustainable governance model.

Local context



Greater Essex *is home to over* ***1.9 million residents*** *across* ***15 local authorities****, including the* ***two unitary authorities*** *of* ***Southend-on-Sea*** *and* ***Thurrock****, and* ***12 district, city and borough councils*** *operating within the wider* ***Essex County Council*** *area.*

Greater Essex has a ***two-tier system****, with* ***Essex County Council*** *delivering county-wide services and* ***district, city, and borough councils*** *handling local functions.* ***Southend-on-Sea*** *and* ***Thurrock*** *are* ***unitary authorities****, providing all services independently. While this supports* ***local needs****, it also leads to* ***duplication****,* ***inefficiencies****, and fragmented coordination.* ***Reorganisation*** *offers an opportunity to* ***streamline governance****, align services, and create a more* ***sustainable future model****.*

The councils are dedicated to fostering growth, innovation and inclusivity…

Greater Essex contributes over £40 billion in GVA annually*, with strong transport links, international airports, and major ports making it a key* ***gateway for trade*** *in the East of England. While the region has a diverse and growing economy,* ***challenges such as deprivation, inequality, and health disparities*** *persist — particularly in coastal areas.* ***Reorganisation offers an opportunity*** *to tackle these issues more effectively, improve connectivity, and build a fairer, more resilient future.*

Major economic sectors:

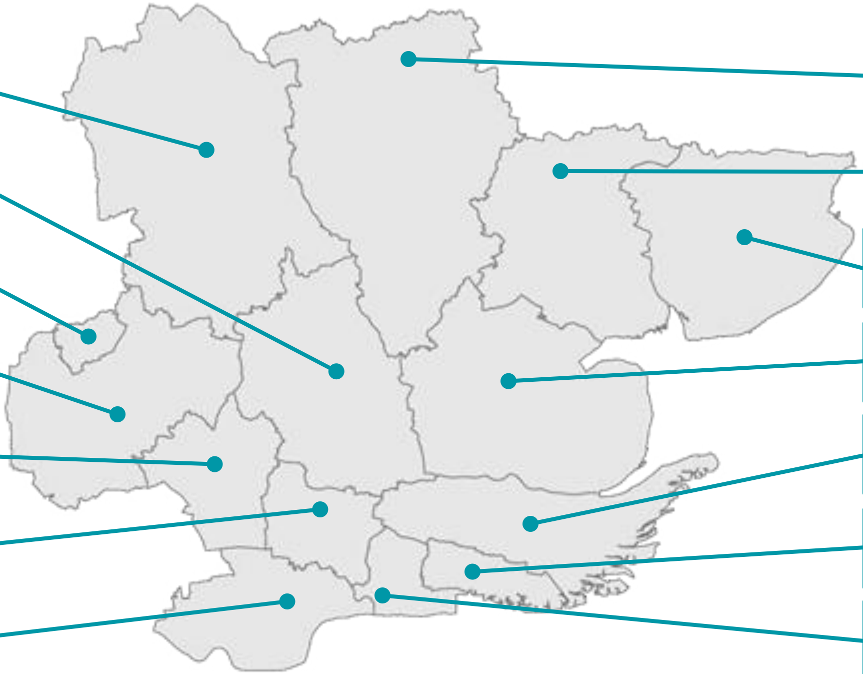
- Logistics and Trade
- Construction
- Professional Services
- Health
- Advanced Manufacturing

Sources: Essex Development Strategy, Greater Essex Trends 2024

National Context | Greater Essex Geographic Overview

*The **current two-tier local authority structure** includes **15 Councils** that encompass **two unitary councils** - **Thurrock** and **Southend-on-Sea** - as well as **12 District, City and Borough Councils**, and a **County Council**. Below provides a view of the **geographic breakdown** of these.*

Essex County Council
Net Revenue Expenditure: £1,016,304,000



Uttlesford
Population: 93,594
Net Revenue Expenditure: £11,621,000

Chelmsford
Population: 185,278
Net Revenue Expenditure: £28,928,000

Harlow
Population: 96,040
Net Revenue Expenditure: £13,935,000

Epping Forest
Population: 135,975
Net Revenue Expenditure: £18,667,000

Brentwood
Population: 78,152
Net Revenue Expenditure: £8,196,000

Basildon
Population: 190,544
Net Revenue Expenditure: £38,002,000

Thurrock
Population: 178,201
Net Revenue Expenditure: £123,802,000

Braintree
Population: 159,957
Net Revenue Expenditure: £19,536,000

Colchester
Population: 196,998
Net Revenue Expenditure: £15,292,000

Tendring
Population: 153,207
Net Revenue Expenditure: £21,715,000

Maldon
Population: 68,327
Net Revenue Expenditure: £10,653,000

Rochford
Population: 88,188
Net Revenue Expenditure: £11,440,000

Southend-on-Sea
Population: 182,271
Net Revenue Expenditure: £156,737,000

Castle Point
Population: 89,858
Net Revenue Expenditure: £4,220,000

***Sources**:Revenue outturn summary (RS) 2022 to 2023 for Brentwood, Castle Point and Colchester, Population*

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Financial Analysis

Financial Analysis | Key Model Drivers

	Aggregation Benefits - from reducing the number of local authorities, leading to efficiency savings and reduced costs	**Transition Costs -** non-recurring costs arise from creating or changing local authorities, including ICT and program management	**Disaggregation Costs -** costs increase with more UAs, reflecting additional leadership and democracy expenses
2 Unitary Authorities	Provides the **greatest scope for aggregation benefits**. It maximises potential for streamlining services, **eliminating duplicate functions** and **realising economies of scale**.They can better leverage shared systems, negotiate bulk contracts, and **operate with reduced overheads.**	**Lower overall costs** are involved as the reorganisation is more streamlined. Fewer systems and structures need to be merged or reconfigured, and change management can be focused and efficient.	The need for additional democratic structures, leadership teams, and administration is **limited**. The overhead associated with governance is **kept to a minimum**, and **fewer democratic processes** need to be managed.
3 Unitary Authorities	Offers **strong aggregation benefits**. Although not as streamlined as the 2-UA model, it still **significantly reduces duplication**. Shared service delivery, aligned policies, and reduced administrative layers would **drive considerable efficiencies**.	**Moderate expenses** would be required to realign services and governance. While less intensive than a full reorganisation, the scale of change is broader than with two authorities, requiring more coordination.	The increase from two to three authorities introduces some **extra costs in terms of leadership teams**, democratic services, and administration. While not excessive, these costs **begin to erode the net savings** achieved through aggregation.
4 Unitary Authorities	Efficiency gains begin to diminish as the **scope for eliminating duplication is reduced.** Some economies of scale may be possible, particularly in back-office functions, but **operational fragmentation and inconsistencies** in service delivery may remain.	**Costs begin to rise as more authorities are introduced.** Structural changes become more complex, and integration of systems and services across four units increases the need for ICT, HR, and project management.	Requires a **significant increase in democratic infrastructure**, including separate leadership teams, committees, and administrative support. This **drives up costs and could lead to inefficiencies**, such as inconsistent decision-making and service duplication at a regional level.
5 Unitary Authorities	Offers **minimal aggregation benefits**. With five authorities, most duplicated services and overheads would remain in place, **limiting opportunities for meaningful efficiency savings** or simplification of governance.	**High overall costs** are incurred due to the scale of reorganisation. Significant structural changes, system mergers, and realignment of governance and staffing are needed. The complexity and breadth of the change drive up transition expenditure.	Significantly **increases disaggregation costs**. Each authority needs its own leadership, councillors, administrative teams, and democratic processes. These costs scale with the number of authorities, **reducing value for money** and increasing the complexity of regional coordination.

Financial Analysis | Our Approach

Our approach to the financial case for reorganisation assesses the benefits, costs and payback period for the four selected options. This enables us to understand the length of time for savings to cover the costs of reorganisation and transformation across the three options. Detailed baseline data has been used, and assumptions and calculations to support cost and benefit drivers can be found in the appendices. Wherever an actual figure was available via a local or publicly available source, this has been used in preference to a generalisation. Details of the approach and assumptions can be found in the appendices.

1 Financial calculations consider costs and benefits of the following scenarios:

1. Transition from two unitary authorities plus 12 districts to a two unitary authority model
2. Transition from two unitary authorities plus 12 districts to a three unitary authority model
3. Transition from two unitary authorities plus 12 districts to a four unitary authority model
4. Transition from two unitary authorities plus 12 districts to a five unitary authority model

2 The following costs and benefits are considered:

1. **Aggregation Benefits:** Weightings applied to three types of spend, with percentage reductions then applied. Democracy benefits use the number of districts multiplied by an average cost.
2. **Transition Costs:** Fixed cost and proportional redundancy costs incurred (excluding disaggregation). These are one off costs of reorganisation.
3. **Disaggregation Costs:** This is the additional recurring cost of splitting county-wide services into multiple unitaries. This would also include the reduction in benefit from reorganisation to multiple unitaries, as opposed to a single unitary option.

3 Data sources and assumptions applied

The data sources and assumptions that are applied are a combination of publicly available data, some benchmarking, data from Essex County Council and experience of completing similar work on local government reform business cases in other areas. The assumptions have been refined and validated with representatives from Essex County Council.

Greater Essex LGR Configurations

Following a review of available data and the published MHCLG guidance, five reorganisation options have been discussed by leaders across Greater Essex. These are set out below,which have been incorporated in the the modelling.

2UA Two unitary authorities	**3UA** Three unitary authorities	**4UA Rochford** Four unitary authorities	**4UA Thurrock** Four unitary authorities	**Option 4** Five unitary authorities
1. The **North** conurbation to include Uttlesford, Braintree Colchester, Tendring, Harlow, Epping Forest, Chelmsford and Maldon. 2. The **South** conurbation to include Brentwood, Basildon, Thurrock, Southend-on-Sea, Rochford and Castle Point.	1. The **North** conurbation to include Uttlesford, Braintree, Colchester and Tendring. 2. The **Mid** conurbation to include Harlow, Epping Forest, Brentwood, Chelmsford and Maldon. 3. The **South** conurbation to include Basildon, Thurrock, Southend-on-Sea, Rochford and Castle Point.	1. The Rochford 4UA1 conurbation to include Braintree, Colchester and Tendring 2. The Rochford 4UA2 conurbation to include Uttlesford, Harlow and Epping Forest 3. The Rochford 4UA3 conurbation to include Brentwood, Chelmsford, Rochford and Maldon. 4. The Rochford 4UA4 conurbation to include Basildon, Castle Point, Thurrock and Southend-on-Sea	1. The Thurrock 4UA1 conurbation to include Braintree, Chelmsford, and Uttlesford. 2. The Thurrock 4UA2 conurbation to include Colchester, Maldon and Tendring. 3. The Thurrock 4UA3 conurbation to include Brentwood, Epping Forest, Harlow and Thurrock . 4. The Thurrock 4UA4 conurbation to include Basildon, Castle Point, Rochford and Southend-on-Sea.	1. The **North West** conurbation to include Uttlesford, Harlow, Epping Forest. 2. The **North East** conurbation to include Braintree, Colchester and Tendring. 3. The **Central** conurbation to include Brentwood, Chelmsford and Maldon. 4. The **South West** conurbation to include Basildon and Thurrock. 5. The **South East** conurbation to include Rochford, Southend-on-Sea and Castle Point.

Financial Analysis | Summary

Our **analysis** of the **financial costs and benefits** of the **four options (this includes 2 x variants of a 4UA option) considered** has focused on the **expenditure in the 2023/24 outturn figures** for all **District, Borough, City, Unitary and County authorities** in the **Greater Essex footprint**. The financial model then takes into account the **impact of factors faced** in some options (e.g. disaggregation of services, costs of potential redundancies, etc.) alongside **common assumptions** around **changes in senior leadership**, **potential savings** in **cost categories**, and **properties in use** by the councils.

Option	Year 1 Net Benefit/(costs)	Cumulative Net Benefit/(cost) after 5 years	One-off transition costs	Annual Disaggregation benefit/(costs)	Payback Period	Analysis of option
A. Two Unitary Authorities	(£33.0m)	£167.3m	(£59.7m)	(£12.7m)	1.8 years	Also delivers **strong efficiency gains** with low transition costs, minimal disaggregation, and a short payback period. Based on moving from **three to two UTLAs**. However, delivery could be complex, and both populations **exceed MHCLG size criteria**.
B. Three Unitary Authorities	(£54.8m)	£86.2m	(£73.6m)	0m	2.7 years	Offers strong but lesser benefits than the two UA model. Combines the two existing UAs together and creates two new UA's - net gain of 0 UTLA's. This results in **moderate transition costs.** Payback period is 2.7 years and net benefits are reduced compared to the two-authority option.
C. Four Unitary Authorities*	(£86.6m)	(£21.0m)	(£89.4m)	(£12.7m)	6.1 years	The five year cumulative net benefit is lower than either the two or three Unitary option, with payback not until year 6. **Aggregation benefits are limited**, with more duplication and fewer efficiencies.
D. Five Unitary Authorities	(£117.0m)	(£114.5m)	(£105.5m)	(£25.4m)	Does Not Pay Back	The five Unitary model provides a negative cumulative benefit over five years and does not pay back over 10 years.

** Variant 4UA options provided by Thurrock and Rochford do not differ in terms of overall benefits and costs*

Note: These figures represent potential benefits and the estimated payback period, which are subject to change based on various influencing factors. There will also be additional transformation benefits which have not been factored into the figures above.

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3 Appendix

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Financial Approach

Financial Analysis | Our Approach

Our approach to the financial case for reorganisation assesses the benefits, costs and payback period for the four selected options. This enables us to understand the length of time for savings to cover the costs of reorganisation and transformation across the three options. Detailed baseline data has been used, and assumptions and calculations to support cost and benefit drivers can be found in the appendices. Wherever an actual figure was available via a local or publicly available source, this has been used in preference to a generalisation. Details of the approach and assumptions can be found in the appendices.

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3. **Disaggregation Costs:** This is the additional recurring cost of splitting county-wide services into multiple unitaries. This would also include the reduction in benefit from reorganisation to multiple unitaries, as opposed to a single unitary option.

3 Data sources and assumptions applied

The data sources and assumptions that are applied are a combination of publicly available data, some benchmarking, data from Essex County Council and experience of completing similar work on local government reform business cases in other areas. The assumptions have been refined and validated with representatives from Essex County Council.

Financial Model Review | Approach Overview (1/2)

The ***financial model*** *used to determine the* ***relative benefits*** *of potential models, and to understand the* ***period over which costs would be recovered*** *via benefits is mapped below. A distinction is made between* ***Reorganisation****, which delivers the new governance model and* ***Transformation*** *which calculates additional benefits unlocked by the new arrangements when in place:*

Inputs

- **Council data**
- **Modelling assumptions**

Benefits

- **Staff**: Senior leadership; Front office FTE; District service delivery FTE; Back office FTE
- **Third party spend**: Non-addressable; Addressable
- **Property**
- **Democracy**: Councillor allowances; Election costs
- **Increased benefits across Staff and Third Party Spend**

Costs

- **Redundancy costs**
- **Programme transition costs**
- **Transformation costs**
- Reduced benefits for multiple unitary transition
- Increased costs for multiple unitary transition
- **Disaggregation Costs** Duplicated delivery and structures

Outputs

- **Net benefits over time**
- **Payback period**

Inputs
Include data supplied by County and District councils, public data and assumptions based on prior LGR activity

Benefits of Reorganisation
Weightings applied to three types of spend, with proportionate percentage reductions applied. Democracy benefits are based on the number of district councils involved in the analysis, and the cost per vote cast in most recent elections

Benefits of Transformation
Increased leverage of the above benefits available through transformation beyond vesting day for new councils.

Costs of Disaggregation
Assumed costs of providing county-wide services including public health, children's services and adult social care for scenarios resulting in multiple unitaries.

Outputs
Projected benefits from different re-organisation scenarios

Financial Model Review | Approach Overview (2/2)

*The financial analysis model includes a number of **assumptions**. The majority are based on calculations using **publicly available outturn data**, information from each **council's own transparency data**, or by applying changes which have been demonstrated across **previous LGR business cases** and through research undertaken for the **County Council's Network**:*

Third party spend relates to all payments for goods and services, and excludes grants, taxation and other charges. The **addressable element** is a percentage based on the elements which can be influenced by procurement or commissioning.

Property expenditure relates to the cost of maintaining and operating the premises from which council services are delivered. It does not include housing stock or capital expenditure or investment in property for other purpose.

Member allowances are based on rates of Basic and Special Responsibility payments published in transparency reporting. These costs are used to determine the likely cost of one or more new democratic structures in new authorities

FTE is calculated as a proportion of spend as supplied in public spending data. **Net revenue expenditure** is used to avoid double-counting any income or grant transfers. **Senior leadership** salaries are calculated across the top three organisational tiers as per transparency reporting.

Staff	Third party spend	Property	Democracy
Senior leadership	Non-addressable		Councillor allowances
Front office FTE	Addressable		Election costs
District service delivery FTE			
Back office FTE			

Increased benefits across Staff and Third Party Spend

Redundancy costs | **Programme transition costs** | **Transformation costs**

Reduced benefits for multiple unitary transition | Increased costs for multiple unitary transition | **Disaggregation Costs** Duplicated delivery and structures

Election costs use a total of votes cast in a previous election cycle across district and county elections, and a cost-per-vote of £3 calculated by the Electoral Commission

Benefits are profiled to be fully effective in Year 3, to account for the need to complete staff changes and undertake contract renegotiations.

Redundancy costs do not include actuarial strain as this is highly individualised. A figure of 43% of salary to cover this has been provided by ECC.

Costs such as creation of new councils, marketing, ICT and consultation are increased proportionately where more than one new council is to be formed. Similarly, fixed **benefits of transition** are shared across all new bodies.

Transition costs include anticipated redundancies due to duplicated leadership structures, and elements of one-off spending relating to creating, marketing and programme managing transition to a new council.

Disaggregation Costs are incurred where an option involves dividing a county level authority into two or more unitaries, and represents the ongoing cost of duplicating management and operations of statutory services, including social care, education and public health.

An element of disaggregated costs therefore recur each year in options with more than one unitary authority

Costs and Benefits

The following sets out how Benefits, Transition Costs and Disaggregation Costs have been phased in the model.

*In modelling the impact of both costs and benefits, assumptions have been made as to the **relative phasing**. This allows the impact of **'one-off' costs** to be incorporated, along with **ongoing longer term costs** which occur in the two, three and four unitary authority models. Benefits are modelled over three years to account for the period of transition and the complexities of achieving some aspects of cost reduction and efficiencies.*

Benefits are phased over three years to indicate the relative timescales over which some aspects of delivery will occur (eg. ongoing programme of cost reductions, next election date, various contract end dates for third party spend)

Transition costs occur predominantly in the first year of the new council's existence and are thus profiled entirely against Year 0

	Year 1	Year 2	Year 3	Year 4 - Year 10
Benefits	50%	75%	100%	
Transition Costs	100%			
Disaggregation Costs	100% ongoing			

Disaggregation costs are incurred where county services are split into new councils, and are an ongoing cost of duplicating leadership and operational delivery, but do not include the cost of services delivered.

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Financial Assumptions

Reorganisation Benefit | Staff

Note: where local data has been provided this has been used in the model, rather than the assumption.

Financial Analysis Element

Staff

- Senior leadership
- Front office FTE
- District service delivery FTE
- Back office FTE

Benefit Driver & Methodology

1	Staff expenditure has been estimated and categorised into front office, service delivery, and back office functions, using local authority averages as a baseline, to be refined based on Essex-specific knowledge to ensure assumptions reflect local operational structures.
2	Efficiency-driven percentage reductions have been applied to front office, district service delivery, and back office FTE to reflect savings from eliminating duplicate roles and streamlining operations.
3	Greater economies of scale are expected in the two or three-unitary model, leading to higher percentage reductions, whereas the four or five-unitary model achieves fewer efficiencies due to a more fragmented structure.
4	Senior leadership reductions, including the removal of duplicated posts and associated on-costs, contribute to additional financial benefits.

Assumptions applied

Area	Key figures				Rationale
	2UA	3UA	4 UA	5UA	
Proportion of net revenue expenditure spent on staff	21.3%				*ECC data used in the model.* Assumption calculated through publicly available RO forms.
Front Office* FTE	36.0%				Average proportions of effort, previously calculated by PwC through unitary authority activity analysis, this work conducted across 60+ local authorities.
Service Delivery FTE**	37.0%				
Back Office FTE	27.0%				

** **Front office staff** refers to staff who serve as the first point of contact for the public, handling inquiries, processing requests, and managing complaints. Their roles focus on customer service, including application processing, administrative procedures, and general support to ensure smooth communication between the council and residents.*

*** **Service delivery staff** refers to staff who are responsible for maintaining and executing council services such as waste collection, road maintenance, park services, and community safety. While they have limited direct interaction with the public, their work is essential to delivering effective and high-quality local services.*

Reorganisation Benefit | Staff

Note: where local data has been provided this has been used in the model, rather than the assumption.

Financial Analysis Element

Staff

- Senior leadership
- Front office FTE
- District service delivery FTE
- Back office FTE

Benefit Driver & Methodology

1	Staff expenditure has been estimated and categorised into front office, service delivery, and back office functions, using local authority averages as a baseline, to be refined based on Essex-specific knowledge to ensure assumptions reflect local operational structures.
2	Efficiency-driven percentage reductions have been applied to front office, district service delivery, and back office FTE to reflect savings from eliminating duplicate roles and streamlining operations.
3	Greater economies of scale are expected in the two and three-unitary model, leading to higher percentage reductions, whereas the four and five -unitary models achieve fewer efficiencies due to a more fragmented structure.
4	Senior leadership reductions, including the removal of duplicated posts and associated on-costs, contribute to additional financial benefits. To be confirmed.

Assumptions applied

Area	Key figures				Rationale
	2UA	3UA	4 UA	5 UA	
Reduction in front office FTE	4.0%	3%	2.0%	1%	Percentage reductions in line with previous work undertaken for the County Councils Network and applied only to District staff spend as it is assumed that County services will not experience a significant benefit from consolidation. An additional cost for pension strain has been included in the redundancy calculation based on other LAs allowance.
Reduction in service delivery FTE	1.5%	1.0%	0.5%	0.2%	
Reduction in back office FTE	3.0%	2.0%	1.0%	0.5%	
Senior management team costs	£100k (inc. Unitaries) £94k (exc. Unitaries)				Calculated using an average of the higher band of the top three tier senior salaries for each individual district and Unitary.

Reorganisation Benefit | Property

Note: where local data has been provided this has been used in the model, rather than the assumption.

Financial Analysis Element

Property

Benefit Driver & Methodology

1	Net Expenditure is based on national averages, to be updated based on Essex-specific circumstances.
2	This is spend relating to the ongoing running costs of office spaces such as energy, cleaning and repairs rather than from the one-off sale of capital assets, or rental income from available office space. Any council-owned housing stock has also been excluded from this calculation.
3	A percentage reduction has been applied to the property baseline to provide the estimated benefit of a consolidated property portfolio through shared occupation, reduced duplication of office locations and more efficient use of space.
4	The potential to rationalise and use office spaces more effectively and innovatively is increased in a two or three unitary authority scenario compare to a four or five unitary authority scenario.

Assumptions applied

Area	Key figures				Rationale
	2UA	3 UA	4 UA	5 UA	
Proportion of net expenditure spent on property	1.7%				ECC data used in the model. Assumption based on a average of available national figures was 2%.
Reduction in property spend	12.5%	10%	7.5%	5.0%	This percentage has been calculated using the England average from revenue outturns submitted to the Ministry of Housing, Communities & Local Government 2018 - 2019.

Reorganisation Benefit | Democracy

Note: where local data has been provided this has been used in the model, rather than the assumption.

Financial Analysis Element

Democracy

- Councillor allowances
- Election costs

Benefit Driver & Methodology

1	A two to five unitary council model will require fewer councillors, therefore a saving can be made in terms of the base and special responsibility allowances paid to elected Members.
2	Fewer councils will also mean fewer elections, reducing the administrative costs of running local elections. However, some of these savings may be offset by the need for alternative local decision-making arrangements, such as area committees or devolved governance models.

Assumptions applied

Area	Key figures				Rationale
	2UA	3 UA	4 UA	5 UA	
Annual savings against elections	£1.75m				This has been calculated using data from the election turnout and the cost per vote during an election. *NOTE: this is used within the broader Democracy calculations but accounts for the net change to the number of UTLA's. Savings against elections does not form the total of the Democracy calculations.* ***If there is a requirement to hold additional shadow elections in 2026 then an additional cost will be incurred (not currently factored into calculations). This will be in line with the annual savings figure.***
Cost per vote during an election	£3.00				The cost per vote used to calculate the cost of an election has been estimated at £3 by HM Government based on previous General Elections.

Transition Costs| One-off Costs

Financial Analysis Element

- Redundancy costs
- Programme transition costs

Cost Driver & Methodology

Note: where ECC data has been provided this has been used in the model, rather than the assumption.

1	One-off redundancy costs will be incurred as part of restructuring local authorities. These have been calculated as a proportion of savings from FTE reductions. Due to the variability among individual cases, using a general proxy for pension strain is not sufficiently reliable and has therefore been omitted from the analysis.
2	Transition costs will arise from closing down existing local authorities and establishing new unitary authorities. While efficiencies will be gained, the process requires investment in legal, financial, and administrative restructuring, with the majority of these costs impacting all new unitary authorities.
3	To enable transformation while maintaining service continuity, one-off costs will be incurred for external support and internal programme management. These will provide capacity and expertise for change management, governance structures, and operational transformation.
4	Further costs will relate to the safe and secure migration of information and consolidation of systems in order to maintain operational delivery. As transformation relies on technology to enable efficiencies, this requires substantial investment.

Assumptions applied

Area	Key figures				Rationale
	2UA	3 UA	4 UA	5 UA	
Contingency	£5.9m	£7.8m	£9.7m	£11.6m	Provision for extra expenses potentially incurred through reorganisation, uplifted by inflation in line with the Bank of England CPI.
Organisation Closedown	£0.6m	£0.9m	£1.2m	£1.5m	Costs involved with legally and financially closing down councils and create sound budgetary control systems, estimated through averages of similar costs for other councils.
Public consultation	£0.4m	£0.5m	£0.7m	£0.9m	Assuming costs for adverts in local media and surveys to consult public on proposed changes.
ICT costs	£30.0m	£40.0m	£50.0m	£60.0m	Costs reflect phased system migration, past LGR cases, and scaling complexity, factoring in reporting changes, security, licences, data migration, and cloud transition cost increases. Additional costs assumed based on other LA cases.
Shadow Chief Exec/Member costs	£0.6m	£0.9m	£1.2m	£1.6m	This refers to the costs of establishing and running a shadow leadership team ahead of a new unitary authority taking control, with figures aligned to previous local government reorganisations
External support	£8.1mm	£11.6mm	£13.9m	£16.5m	Assuming costs for external Comms, branding, external implementation support, creation of the new council. Note: Assumption amended to increase the external support costs to the next UA option band with an additional 5% included. This is for Implementation, reorganisation and Transition only.
Internal Programme Management Costs	£2.9m	£3.8m	£4.8m	£5.7m	Aligned with previous local government reorganisations, uplifted for inflation and long-term programme management requirements.
Redundancy and Pension Strain	£11.2m	£8.6m	£7.8m	£7.3m	Surrey County Council's model has assumed an additional 43% of salary to cover pension strain which has been used here.

Disaggregation Costs

Financial Analysis Element

- Duplicated Senior Leadership
- Duplicated County Service Delivery
- Duplicated Democratic Structures

Cost Driver & Methodology

1	Disaggregation costs apply only where multiple unitary authorities are created, arising from the need to replicate county-level services, such as Social Care, Education, and Public Health, across separate unitary areas. They reflect the cost of providing the structures needed to safely and legally deliver these services, but not the cost of commissioned or provided services.
2	Additional senior leadership teams will be required to manage the new unitary authorities. These costs will be estimated using Essex County Council senior leadership salaries, based on the top three tiers of management in existing District Councils.
3	Disaggregating services currently provided at county level will require additional FTE to effectively lead and support high quality outcomes. The amount of effort used in service delivery management & supervision has been used as a proxy to estimate the size of the increase required under the new unitary authorities.
4	The cost of a representative democratic structure has been estimated as an additional requirement in the new unitary authorities.

Assumptions applied

Area	Key figures				Rationale
	2UA	3 UA	4 UA	5 UA	
Senior management cost for additional unitaries	£3.31m	£0	-£3.31m	-£6.62m	Additional FTE will be required in new unitary authorities when disaggregating services currently delivered by the County council. Proportion of effort spent on management and supervision has been used as a proxy to estimate this cost. This percentage has been taken as the average effort recorded against front line management and supervision across unitary authority activity analyses conducted by PwC. Note: this has been calculated based on the net change to the number of UTLA's i.e. for 2 Unitaries one Management Cost has been added as a benefit.
Benefit/(cost) of SRA and base allowances incurred as part of the democratic structure	£445,300	£0	-£445,900	-£890,600	This is calculated by identifying the difference between current and future unitary local authorities which is multiplied by the structure cost per unitary. A reduced SRA increases annual benefit. This takes into account the final configuration of existing upper-tier councils in new authority areas. Note: In the 2UA model there is a reduction of 1 Upper Tier Local Authority (UTLA) and as such there is a negative cost. In the 3UA model there is a net gain of 0 UTLA's and as such the option is cost neutral. In the 4UA, and 5UA model there are additional costs for adding additional UTLA.
Members across all unitaries	359				This assumption has been made based on previous work around local government reform, which has indicated that the number of members across new unitaries would be similar to the number of current county divisions.
Average district members base allowance	£0.23m				Publicly available data. Average of base allowances paid in total by each District Council.
Total SRA costs	£1.23m				Total of SRAs paid by all district councils.

Essex County Council

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Impact of Phased Costs and Benefits

Impact of phased costs and benefits

Impact of one-off transition and annual disaggregation costs in Year 1, while benefits are only partially realised

Annual disaggregation costs offset by full impact of recurring benefits from Year 3 onwards

Payback period determined by scale and phasing of benefits vs costs

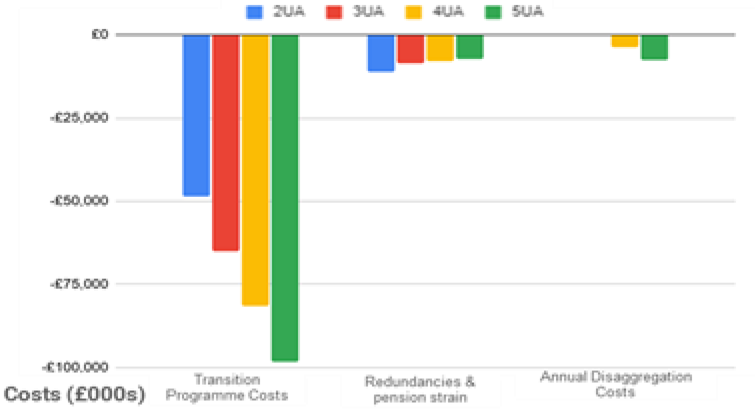
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2UA	Annual Benefit	£26,703,849	£40,055,773	£53,407,697	£53,407,697	£53,407,697	£53,407,697	£53,407,697
	Annual Cost	£59,712,807	£0	£0	£0	£0	£0	£0
	Cumulative Net Benefit	-£33,008,959	£7,046,814	£60,454,511	£113,862,208	£167,269,905	£220,677,602	£274,085,299
3UA	Annual Benefit	£18,796,669	£28,195,004	£37,593,338	£37,593,338	£37,593,338	£37,593,338	£37,593,338
	Annual Cost	£73,619,158	£0	£0	£0	£0	£0	£0
	Cumulative Net Benefit	-£54,822,489	-£26,627,486	£10,965,853	£48,559,191	£86,152,529	£123,745,867	£161,339,205
4UA	Annual Benefit	£15,522,998	£23,284,496	£31,045,995	£31,045,995	£31,045,995	£31,045,995	£31,045,995
	Annual Cost	£102,147,656	£12,707,100	£12,707,100	£12,707,100	£12,707,100	£12,707,100	£12,707,100
	Cumulative Net Benefit	-£86,624,658	-£76,047,262	-£57,708,367	-£39,369,472	-£21,030,577	-£2,691,682	£15,647,213
5UA	Annual Benefit	£13,892,382	£20,838,573	£27,784,764	£27,784,764	£27,784,764	£27,784,764	£27,784,764
	Annual Cost	£130,880,578	£25,414,200	£25,414,200	£25,414,200	£25,414,200	£25,414,200	£25,414,200
	Cumulative Net Benefit	-£116,988,196	-£121,563,823	-£119,193,259	-£116,822,695	-£114,452,131	-£112,081,568	-£109,711,004

Impact of phased costs and benefits

The following illustrates the Annual Benefits, One Off Transition Costs and Annual Disaggregation costs for each unitary configuration - **however it is not a reconciliation of the model's assessment of total costs and benefits**. The model uses these individual data points and assumptions at multiple points, throughout the calculations, to form a view of the total potential costs and benefits of LGR.

Annual Benefits - Recurring each year. Phased from 50-100% of total benefit over first three years of operation.

	Staffing	Contracted Spend	Property Costs	Democracy & Disaggregation
2UA	£22,931,939	£14,685,909	£3,082,749	£12,707,100 *
3UA	£19,933,064	£9,790,606	£2,050,256	£5,819,412
4UA	£18,348,288	£4,895,303	£1,537,692	£5,819,412
5UA	£17,112,442	£2,937,182	£1,025,128	£5,819,412



One-off transition costs - occurring in Year 1
Annual Disaggregation costs - ongoing, occurring annually

	One-off transition costs		Annual Disaggregation Costs
	Transition Programme Costs	Redundancies & Pension Strain	
2UA	(£48,530,730)	(£11,182,077)	*
3UA	(£65,061,820)	(£8,557,338)	£0
4UA	(£81,592,910)	(£7,847,646)	(£12,707,100)
5UA	(£98,124,000)	(£7,342,378)	(£25,414,200)

** disaggregation provides a benefit, which is applied to table above*

Recalculated expenditure and benefit assumptions

ECC have supplied detailed work which calculates the apportionment of county spend in district areas. This has been used to calculate a revised expenditure figure for calculation of benefits from scale in contracted spend. Additionally this has been assumed to decrease as more, smaller unitaries are created, based on work undertaken by PwC for the County Councils Network in 2020 and 2025 . Benefits are phased over four years to reflect the complexities of releasing contracted spend.

Option	Share of ECC Spend	District + Unitary Spend	Total Spend
2UA North	£876,294,624	£140,347,000	£1,016,641,624
2UA South	£336,304,416	£342,397,000	£678,701,416
3UA North	£502,063,833	£68,164,000	£570,227,833
3UA Mid	£428,687,623	£80,379,000	£509,066,623
3 UA South	£281,847,584	£334,201,000	£616,048,584
Thurrock 4UA 1	£342,236,288	£60,085,000	£402,321,288
Thurrock 4UA 2	£357,635,622	£47,660,000	£405,295,622
Thurrock 4UA 3	£230,879,546	£164,600,000	£395,479,546
Thurrock 4UA 4	£281,847,584	£210,399,000	£492,246,584
Rochford 4UA1	£394,982,883	£71,525,000	£466,507,883
Rochford 4UA2	£357,635,622	£47,660,000	£405,295,622
Rochford 4UA3	£230,879,546	£164,600,000	£395,479,546
Rochford 4UA4	£229,100,989	£198,959,000	£428,059,989

Option	Share of ECC Spend	District + Unitary Spend	Total Spend
5UA NW	£247,502,341	£44,223,000	£291,725,341
5UA NE	£430,984,206	£56,543,000	£487,527,206
5UA Central	£252,264,909	£47,777,000	£300,041,909
5UA SW	£155,559,870	£161,804,000	£317,363,870
5UA SE	£126,287,714	£172,397,000	£298,684,714

Source: District and existing unitary spend sourced from MHCLG Revenue Outturn tables, ECC spend apportioned across districts supplied by ECC Finance Team. CCN website: New unitary councils to be created must cover 'at least' 500,000 people to save billions and free up investment into local services, report reveals - County Councils Network