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Financial option appraisal

Cambridgeshire and Peterborough LGR



04 September

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1

Introduction



Introduction

Background

- Alongside on-going work by the region to submit a detailed proposal for local government re-organisation (LGR) to MHCLG by the end of November this year, Huntingdonshire District Council (HDC) has commissioned separate analysis from ourselves to provide an independent perspective on the short-list of options being considered by the aforementioned regional work. These options are as follows:

Option A

Unitary 1
Peterborough
Fenland
Huntingdonshire

Unitary 2

East Cambridgeshire
South Cambridgeshire
Cambridge City

Option B

Unitary 1
Peterborough
Fenland
Huntingdonshire
East Cambridgeshire

Unitary 2

South Cambridgeshire
Cambridge City

Option C

Unitary 1
Peterborough
Fenland
East Cambridgeshire

Unitary 2

South Cambridgeshire
Cambridge City
Huntingdonshire

Option D

Unitary 1
Peterborough
Huntingdonshire

Unitary 2

Fenland
East Cambridgeshire
Huntingdonshire

Unitary 3

South Cambridgeshire
Cambridge City

- The analysis is focussing on the financial and economic implications of each of the short-listed options, providing an assessment of the impact for HDC residents and determining whether a unitary model that merges HDC with South Cambridgeshire District Council (SCDC) and Cambridge City Council (CCC) is fundamentally viable for Cambridgeshire and Peterborough as a whole.
- Our work has been structured into two parts. The first part focusses on the financial implications and is the subject of this report. The second part, focussing on the economic aspects, is now being undertaken with the intention to report back by the 26th August.



Introduction - continued

Our approach - establishing a baseline

- Each year, every council in the country updates its Medium Term Financial Plan (MTFP). This is an important feature of the financial management regime across local government, with councils setting out their best estimates of the likely funding and resources relative to the costs they expect to face over the subsequent three to five years.
- We have used the figures in the latest published* MTFPs of each council as the basis of our assessment of the financial sustainability of the different short-listed options.
- This has been achieved by consolidating the MTFP figures for each council based on the combinations in each of the options.
- This produces an MTFP for each of the unitary options which represents a baseline from which potential savings and costs from consolidation can be assessed against**.
- In each case, the revenue and expenditure of the county council has to be ‘disaggregated’ i.e. apportioned across the unitary options, as it does for Huntingdonshire under Option D. The process for doing so is explained within this report pack.

* These were published as part of budget setting documents in Q4 2024/25

** The work differs in approach from that which has been undertaken to date on behalf of the region’s councils by Pixel Financial Management. That work has primarily focussed on the core spending power of the different unitary options.





Introduction - continued

Our approach - savings and costs

- There are expected to be cash savings from reducing the number of local authorities in the area and our analysis has focussed on those that are more readily apparent and deliverable i.e. reduction in management posts, reduction in the number of ward councillors and cash efficiencies in third party spend. There will also be a need to increase spending on management resources as a result of splitting county level services across two or three new unitary councils and our assessments of savings are presented on a net basis.
- We have not considered the potential savings that may be achievable from the opportunity that LGR presents to change the way services are delivered. These are far less certain and more recent examples of LGR have struggled to realise these within 3 years post re-organisation. Such changes will come with costs associated with investments in new IT hardware and software for example. The costs of these have been similarly excluded from our analysis at this stage.
- The costs of change that have been included are the costs of redundancies and retirements that will arise as a result of reducing management positions. We have also provided for the costs of recruitment, costs of running a shadow council for a year, costs of programme management and critical system transitions. The bulk of these costs will be incurred in the run up and shorter-term period following re-organisation.
- It is important to note however, that whatever savings are generated from LGR, they are unlikely to be sufficient to mitigate against the structural funding issues in local government and the cost pressures that aspects of provision in children, adult and housing in particular, are presenting. This will mean a continual need for efficiencies and savings across the new councils, irrespective of the chosen option.
- Further detail on both the savings and costs calculations are provided in this report pack.





Introduction - continued

Our approach – points to note

- The MTFPs do not offer a complete picture of the financial status of each council. The MTFP is, essentially, a projection of future income and costs. The existing and future levels of debt are taken account of by virtue of the projected costs of debt interest and repayments being within it. However, other aspects of the balance sheet i.e. reserve levels, other liabilities and asset base have not been considered at this stage.
- Those are important considerations from a financial strength and resilience perspective, less so from an on-going sustainability perspective, as systematic or structural mismatches in funding and expenditure can only be supported for a limited length of time, irrespective of the balance sheet position.
- In projecting forward, each council makes its own assessment of expenditure pressures which are likely to reflect different perspectives on, for example; risk, service demand and cost inflation.
- The level of detail in each council's published MTFP is also variable such that the net revenue expenditure (NRE) may include, for example, provisions or reserve transfers which do not represent expected expenditure in the year.
- We have not undertaken an assessment of the comparability of each council's MTFP and the assumptions upon which they have been put together.
- The assessments of future income are also complicated by the Government's Fair Funding Review.
- The review is likely to mean that the income that councils have assumed in their MTFP, for 2026/27 onwards, is going to be materially different in reality for a large number of councils.
- This is as a result of Government's attempts to redistribute resources to places experiencing demand pressures that are not reflected in the current funding system.



2

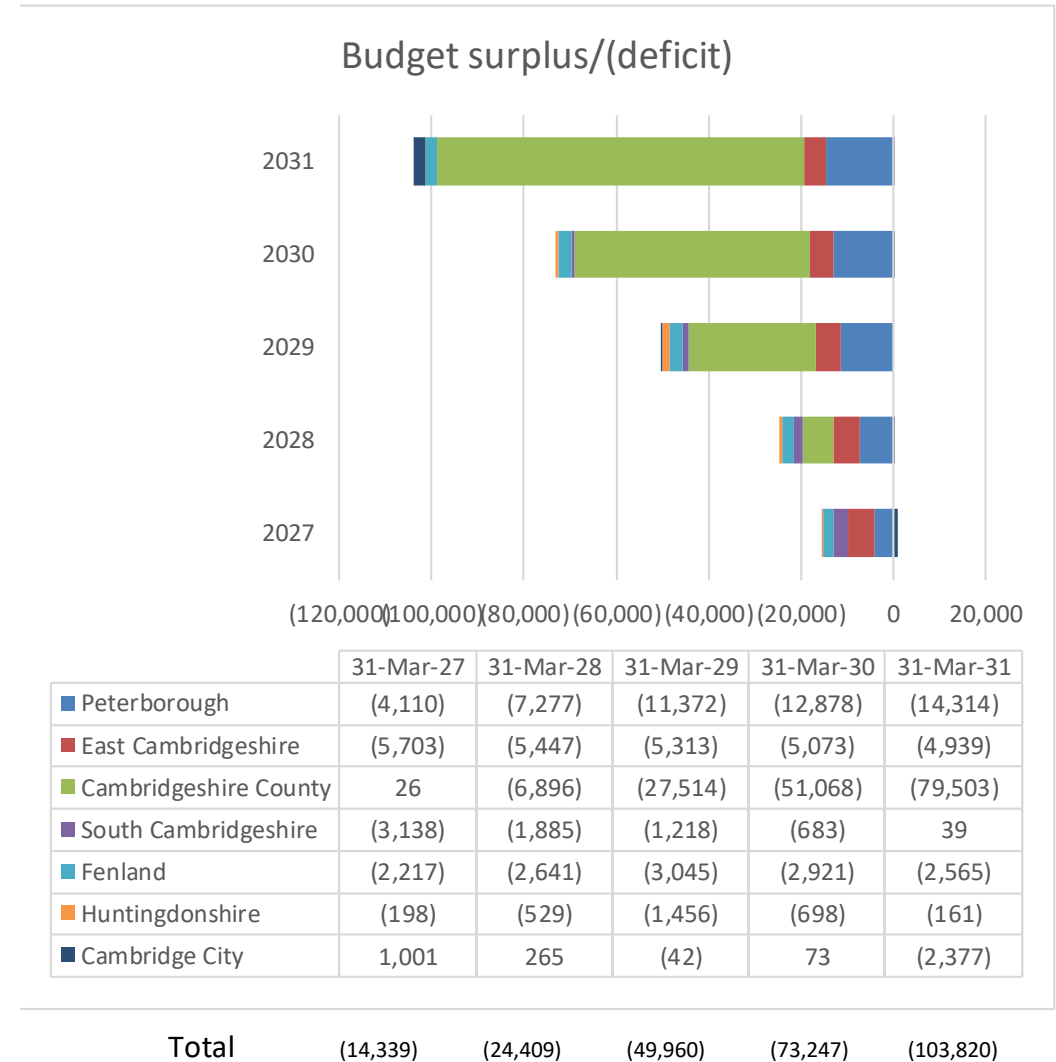
Summary of findings



Summary of findings

Baseline positions

- The graph shows the annual budget positions projected for each of the region's councils over the next five years.
- The major cost pressures prevailing in local government are in respect of children, adult and housing services and the MTFPs of the two councils with responsibility for children and adult services illustrate the impact of this with significant and growing deficit positions for each of them.
- This means that the baseline position for each option will, dependent upon its configuration, inherit an increasing deficit position to a greater or lesser extent.
- From a regional perspective, it is a net zero sum position but, from an individual resident perspective, the level and trajectory of deficit changes, dependent upon the option and the area they reside.



Summary of findings - continued

Savings and transition costs

- Our analysis suggests that the opportunities we have focussed upon could deliver between £6.6m and £7m* in recurring net savings based on the creation of two unitary councils. We estimate that those would reduce by more than half under the three unitary council option that we were asked to consider.
- The costs of transitioning from the current structures to the new structures will need to be paid back from these recurring savings. We have estimated that the transition costs will be in the range of between £15-16m*, noting the exclusions from this figure that are explained in slide 6.
- How those costs and savings fall across the different unitary combinations and the individual council payback periods are of similar importance, particularly when assessed alongside the baseline positions.

Overall assessment

- This table summarises the observations taken from the analysis within the main section of this report. It advocates further investigation of Options A and C, but caution with respect

Option	Option A			Option B			Option C			Option D			
	U1	U2	Total	U1	U2	Total	U1	U2	Total	U1	U2	U3	Total
Baseline implications - comparison to 'As-Is'	U2 represents an enhanced financial baseline for East Cambridgeshire, Cambridge City and South Cambridgeshire. U1 results in a weaker financial baseline for other areas.			U2 represents an enhanced financial baseline for Cambridge City and South Cambridgeshire. U1 results in a weaker financial baseline for other areas.			U2 represents an enhanced financial baseline for Huntingdonshire, Cambridge City and South Cambridgeshire. U1 results in a weaker financial baseline for other areas.			U3 represents an enhanced financial baseline for Cambridge City and South Cambridgeshire, while U1 represents a largely unchanged financial baseline for Peterborough and residents of one half of Huntingdonshire. U2 represents a weaker financial baseline for the remaining areas.			
Council tax base - based on '25/26 Band D equivalents	162,599	149,812	312,411	196,203	116,209	312,411	129,286	183,125	312,411	87,581	108,621	116,209	224,830
Recurring net savings at Y5 (£'000s)	5,094	1,567	6,661	6,216	422	6,638	3,804	3,181	6,985	1,474	1,113	441	3,028
Saving share	76%	24%	100%	94%	6%	100%	54%	46%	100%	49%	37%	15%	100%
Share of regional council tax base	52%	48%	100%	63%	37%	100%	41%	59%	100%	28%	35%	37%	100%
Saving share relative to share of regional council tax base	1.5	0.5		1.5	0.2		1.3	0.8		1.7	1.1	0.4	
Payback (years)	3	4		3	n/a		3	3		4	n/a	n/a	
Contribution to Y5 budget surplus/(deficit)	6%	5%		5%	n/a		5%	8%		5%	n/a	19%	
Projected return from LGR													
Proceed with further and more detailed analysis													

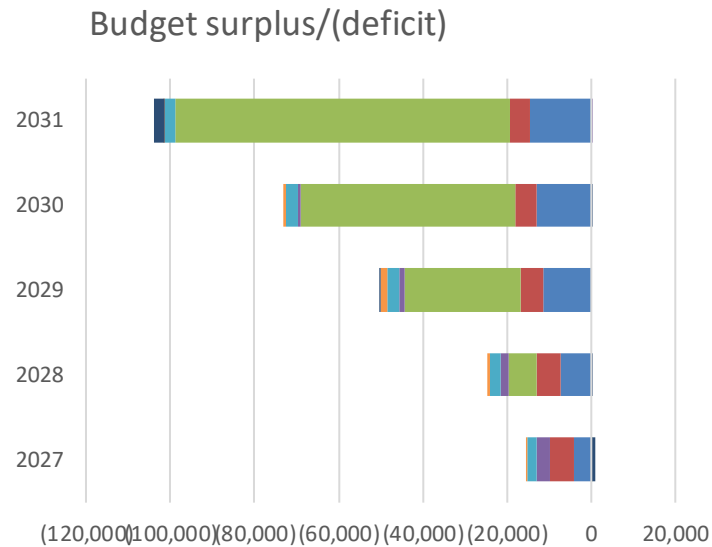
to Option B, given its apparent financial divisiveness and the doubt it raises as to whether a unitary across two districts will deliver sufficient return to payback the transition costs over a satisfactory period. Option D appears unworthy of further analysis, from a financial perspective, given the scale of transition costs relative to savings in two of the three new councils proposed. However, it needs to be recognised that finance represents just one of the wider set of factors and criteria that need to be assessed as part of the LGR option appraisal exercise.

3

Detailed analysis



Medium term financial plans (MTFPs)



- The graph and table show the budget gaps projected in the individual MTFPs for the seven councils within the Cambridgeshire and Peterborough LGR region.
- The projected positions for each council show required savings in excess of £100m over a 5 year period from 1st April 2026
- Approximately 91% of these are attributable to the two councils with responsibilities for adult and children services across the region i.e. the two largest cost pressure services in local government.
- Not all MTFPs provided projections across the time period shown. The following assumptions have been applied to achieve the 5 year profile shown:
 - Annual growth in council tax base of 1.0%
 - Application of the maximum council tax rise in each year
 - Growth in net revenue expenditure of 2% for the district councils and 4% for the county council and city council
- As noted in the Introduction section, the underpinning assumptions of each council's MTFP are likely to differ and we have not performed work to understand these variances or attempt to standardise.



- The position for the final year of analysis for Cambridge City is distorted by a c. £3m business rate retention re-set that they have factored into their projections

Budget position per council tax base unit

- As part of our brief, we have been asked to consider the options from a resident perspective. Hence, we have taken the budget gap figures from the MTFPs and assessed them on a 'per council taxpayer' basis.
- The top table shows the position with the county council identified separately while the second table adds the county council onto the values for each district.
- We have then used the figures in the second table to act as the baseline for residents in each of the council areas, specifically to measure how different that is, relative to the one that arises from consolidating the respective councils into the chosen unitary options.
- All six legacy council areas will bring their own budget position into their respective new unitary, overlaid with the element of Cambridgeshire County Council that applies to their unitary footprint.
- This requires the finances of the county council to be apportioned and our approach to doing that is explained overleaf. However, it is evident from the tables that certain districts will act as more of a financial drag than others within the computing of the new unitary positions.

Budget surplus/(deficit) per Band D taxpayer (£)

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(65)	(115)	(209)	(244)	(279)
East Cambridgeshire	(171)	(162)	(157)	(153)	(149)
Cambridgeshire County	0	(28)	(110)	(203)	(314)
South Cambridgeshire	(46)	(27)	(18)	(10)	(5)
Fenland	(69)	(84)	(98)	(95)	(86)
Huntingdonshire	(3)	(10)	(25)	(14)	(8)
Cambridge City	20	3	(5)	(4)	(57)

Budget surplus/(deficit) per Band D taxpayer (£) with county position included

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(65)	(115)	(209)	(244)	(279)
East Cambridgeshire	(170)	(190)	(267)	(356)	(464)
South Cambridgeshire	(46)	(55)	(127)	(213)	(319)
Fenland	(69)	(112)	(208)	(298)	(400)
Huntingdonshire	(3)	(37)	(134)	(217)	(322)
Cambridge City	20	(25)	(115)	(207)	(372)

Approach to dis-aggregating the county council baseline

- We have apportioned the income and expenditure of the county council on the basis shown below.
- For example, taking Unitary 1 from Option A as an example. It features two of the county's districts i.e. Fenland and Huntingdonshire. Therefore, the NRE for Children, Education and Families has been apportioned to Unitary 1 based on the % of U17s in those two district areas relative to the county as a whole.

Allocation basis	
Net revenue expenditure (NRE)	
Children, Education and Families	% of population aged Under 17
Adults, Health and Commissioning	% of population aged Plus 65
Place and sustainability	Area (km2)
Finance and Resources	Households
Strategy and Partnerships	Households
Capital financing	Households
Income	
Business rates	% of district business rates
Council tax	% of Band D equivalent properties
RSG	% of NRE
Unringfenced grants	Households
Fair funding formula adjustment	% of NRE

- The same process has been replicated for each of the NRE and income elements shown. Therefore, continuing the example from above, the income and NRE for Option A's Unitary 1 will be the collective income and NRE for Peterborough, Fenland and Huntingdonshire along with the apportioned element from the county.



4

Option A-D baselines





Option A-D baselines

- The following analysis seeks to compare the As-Is baseline position for residents across each of the Cambridgeshire districts and Peterborough to those which result from them being consolidated into the various unitary options.
- The As-Is position is per the table in slide 14 and the new unitary positions are derived from the process described in slide 15.
- The analysis does not take account of growth prospects or the balance sheet strength of each new unitary, nor does it take account of the potential savings and transition costs that the restructuring will generate.
- Hence, it should not be considered as a definitive appraisal of the relative financial attractiveness of each option going forward.
- It is intended as an appraisal of how the baseline financial pressure, that would ultimately fall on council taxpayers, moves as a result of LGR under each of the options.

Option A :U1 – Peterborough, Fenland, Huntingdonshire; U2 – East Cambridgeshire, South Cambridgeshire, Cambridge City

Option A

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(29,411)	(40,869)	(58,930)	(72,042)	(84,324)
Unitary 2	15,072	16,460	8,970	(1,205)	(19,497)
Total	(14,339)	(24,409)	(49,960)	(73,247)	(103,820)

- There is an imbalance across the county between where income is generated and cost pressures sit which the Fair Funding Review is seeking to respond to. In the absence of this, Option A would appear most financially attractive to East Cambridgeshire from a baseline, starting position.

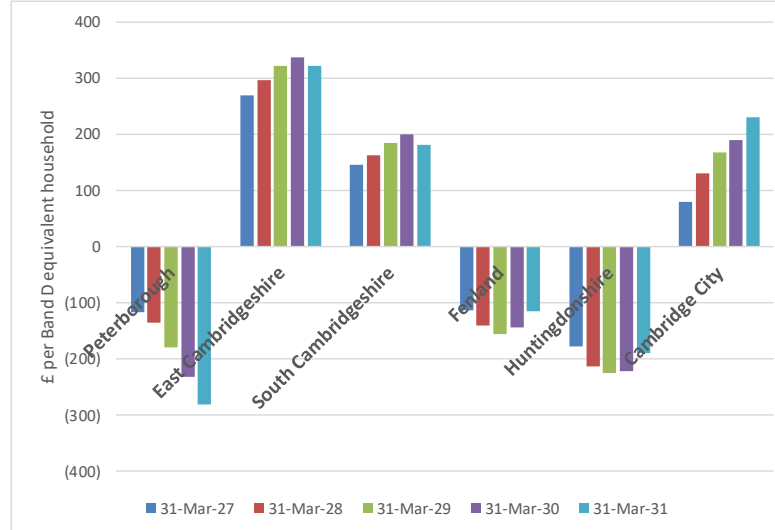
Budget surplus/(deficit) per Band D taxpayer (£)

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	(181)	(249)	(355)	(430)	(498)
Fenland	(181)	(249)	(355)	(430)	(498)
Huntingdonshire	(181)	(249)	(355)	(430)	(498)
Unitary 2					
East Cambridgeshire	101	109	59	(8)	(125)
South Cambridgeshire	101	109	59	(8)	(125)
Cambridge City	101	109	59	(8)	(125)

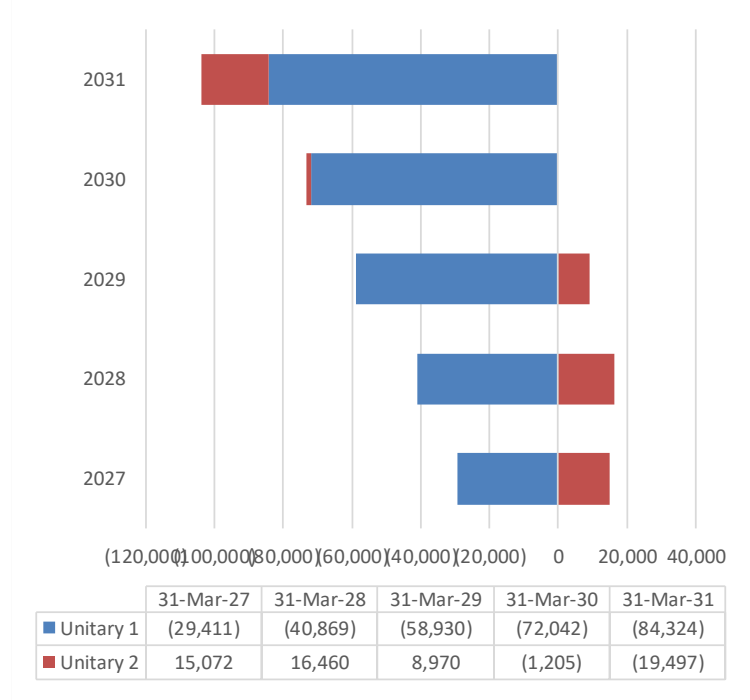
Difference to As-Is

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(116)	(135)	(179)	(232)	(281)
East Cambridgeshire	270	297	322	338	323
South Cambridgeshire	146	163	184	201	181
Fenland	(113)	(141)	(155)	(144)	(116)
Huntingdonshire	(178)	(214)	(226)	(221)	(189)
Cambridge City	79	131	168	190	230

Option A



Net budget position



Total (14,339) (24,409) (49,960) (73,247) (103,820)

Option B :U1 – Peterborough, Fenland, Huntingdonshire, East Cambridgeshire; U2 – South Cambridgeshire, Cambridge City

Option B

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(45,880)	(58,270)	(79,291)	(96,183)	(112,000)
Unitary 2	31,541	33,860	29,331	22,936	8,180
Total	(14,339)	(24,409)	(49,960)	(73,247)	(103,820)

- The range in disparity is at its greatest under Option B, where Unitary 2 excludes both of the two most financially challenged districts and puts all but the two least financially challenged councils at a worse starting position.

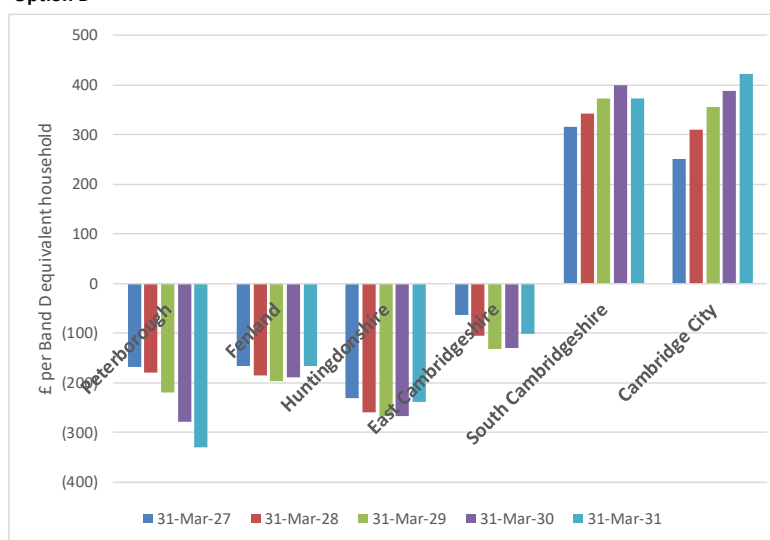
Budget surplus/(deficit) per Band D taxpayer (£)

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	(234)	(294)	(396)	(476)	(549)
Fenland	(234)	(294)	(396)	(476)	(549)
Huntingdonshire	(234)	(294)	(396)	(476)	(549)
East Cambridgeshire	(234)	(294)	(396)	(476)	(549)
Unitary 2					
South Cambridgeshire	271	288	247	192	68
Cambridge City	271	288	247	192	68

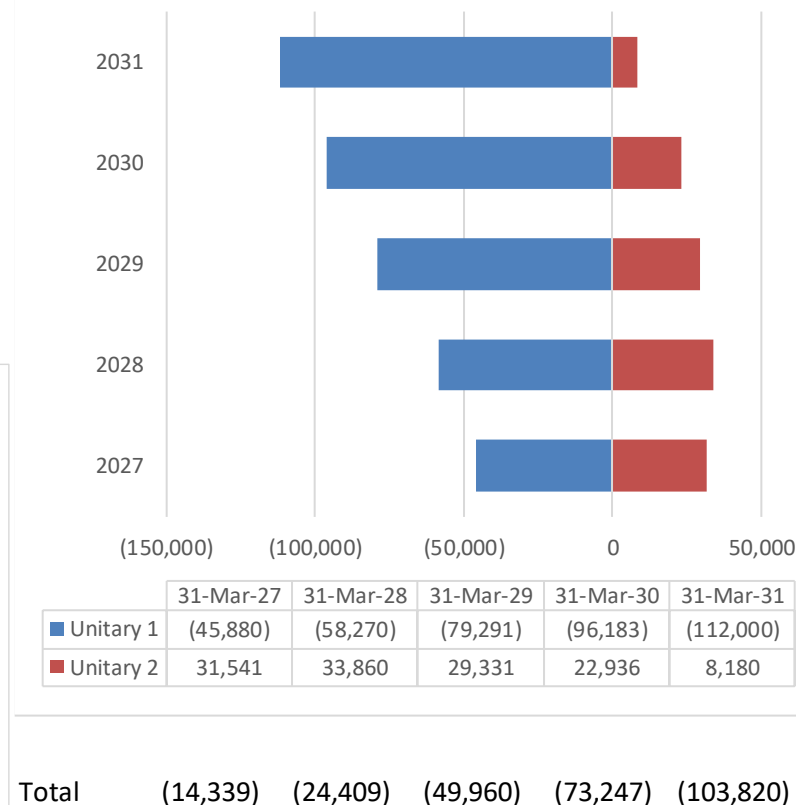
Difference to As-Is

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(169)	(180)	(220)	(278)	(331)
Fenland	(166)	(186)	(196)	(190)	(166)
Huntingdonshire	(231)	(259)	(267)	(267)	(240)
East Cambridgeshire	(64)	(106)	(133)	(130)	(101)
South Cambridgeshire	317	343	373	400	374
Cambridge City	250	310	357	389	423

Option B



Net budget position



Total	(14,339)	(24,409)	(49,960)	(73,247)	(103,820)
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Option C

:U1 – Peterborough, Fenland, East Cambridgeshire; U2 –South Cambridgeshire, Cambridge City, Huntingdonshire

Option C

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(38,920)	(46,003)	(57,785)	(68,200)	(77,349)
Unitary 2	24,581	21,594	7,825	(5,047)	(26,471)
Total	(14,339)	(24,409)	(49,960)	(73,247)	(103,820)

- Option C has a similar in-balance to Option A i.e. not as extreme as Option B, but Huntingdonshire replaces East Cambridgeshire as the beneficiary by being paired with Cambridge City and South Cambridgeshire.

Budget surplus/(deficit) per Band D taxpayer (£)

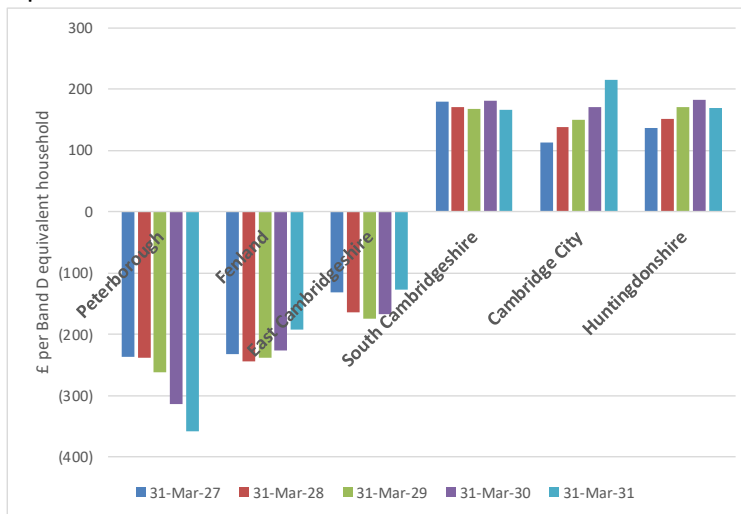
	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	(301)	(352)	(438)	(512)	(575)
Fenland	(301)	(352)	(438)	(512)	(575)
East Cambridgeshire	(301)	(352)	(438)	(512)	(575)

Unitary 2					
South Cambridgeshire	134	117	42	(27)	(139)
Cambridge City	134	117	42	(27)	(139)
Huntingdonshire	134	117	42	(27)	(139)

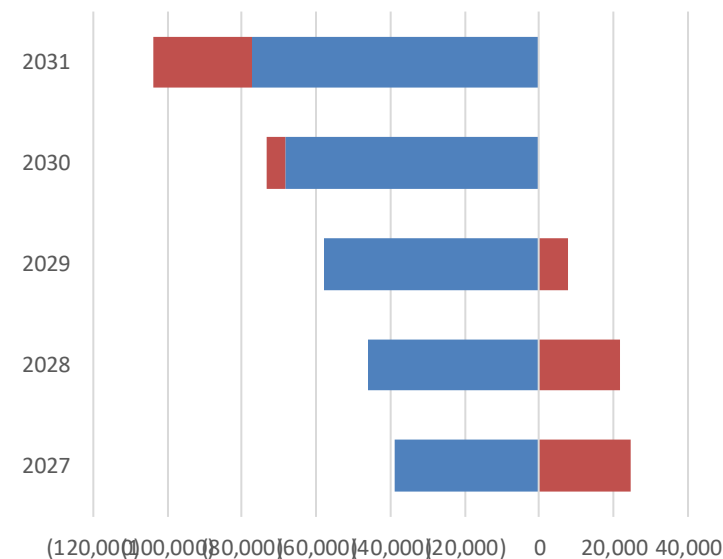
Difference to As-Is

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(236)	(238)	(262)	(314)	(357)
Fenland	(233)	(244)	(238)	(226)	(192)
East Cambridgeshire	(131)	(164)	(175)	(167)	(127)
South Cambridgeshire	180	171	167	182	167
Cambridge City	113	139	151	171	216
Huntingdonshire	137	152	171	182	170

Option C



Net budget position



	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(38,920)	(46,003)	(57,785)	(68,200)	(77,349)
Unitary 2	24,581	21,594	7,825	(5,047)	(26,471)

Total (14,339) (24,409) (49,960) (73,247) (103,820)

Option D :U1 – Peterborough, Huntingdonshire (partial); U2 - Fenland, East Cambridgeshire, Huntingdonshire (partial); U3 – South Cambridgeshire, Cambridge City

Option D

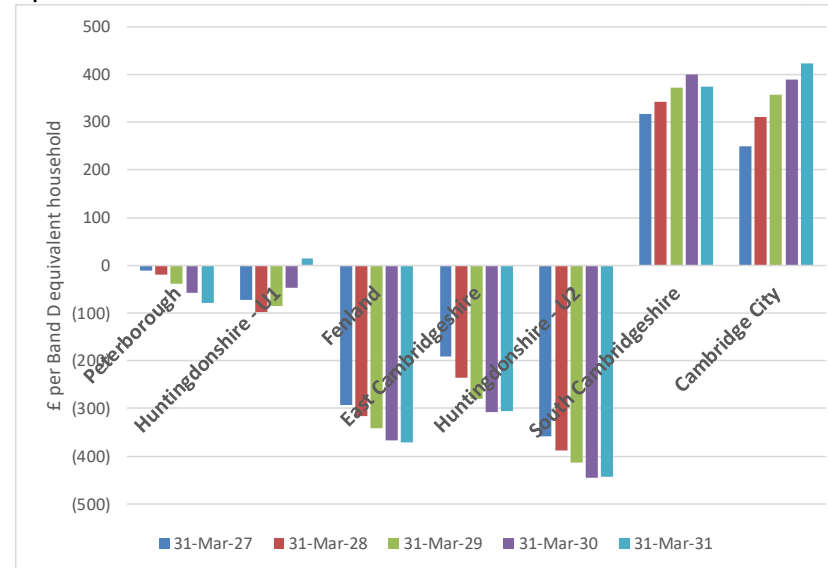
Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(6,643)	(11,741)	(19,197)	(23,060)	(26,923)
Unitary 2	(39,238)	(46,529)	(60,094)	(73,123)	(85,077)
Unitary 3	31,541	33,860	29,331	22,936	8,180
Total	(14,339)	(24,409)	(49,960)	(73,247)	(103,820)

- Option D splits the deficit range in Option B across two unitaries, such that it would be a relatively better starting position for Peterborough and the relevant half of Huntingdonshire* compared to Option A but a deterioration for those in Unitary 2 i.e. Fenland, East Cambridgeshire and the other half of Huntingdonshire.

Budget surplus/(deficit) per Band D taxpayer (£)

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	(76)	(133)	(215)	(256)	(295)
Huntingdonshire - U1	(76)	(133)	(215)	(256)	(295)
Unitary 2					
Fenland	(361)	(424)	(542)	(653)	(753)
East Cambridgeshire	(361)	(424)	(542)	(653)	(753)
Huntingdonshire - U2	(361)	(424)	(542)	(653)	(753)
Unitary 3					
South Cambridgeshire	271	288	247	192	68
Cambridge City	271	288	247	192	68
Difference to As-Is					
	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(11)	(19)	(39)	(58)	(78)
Huntingdonshire - U1	(73)	(98)	(85)	(47)	14
Fenland	(293)	(316)	(342)	(367)	(370)
East Cambridgeshire	(192)	(236)	(279)	(308)	(305)
Huntingdonshire - U2	(358)	(389)	(413)	(444)	(444)
South Cambridgeshire	317	343	373	400	374
Cambridge City	250	310	357	389	423

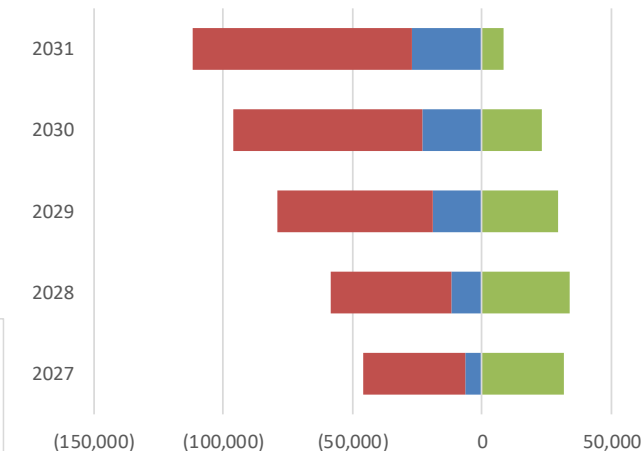
Option D



* Disaggregated on the basis of population

Huntingdonshire - U1	65,378	36%
Huntingdonshire - U2	114,294	64%
	179,672	

Net budget position



	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	(6,643)	(11,741)	(19,197)	(23,060)	(26,923)
Unitary 2	(39,238)	(46,529)	(60,094)	(73,123)	(85,077)
Unitary 3	31,541	33,860	29,331	22,936	8,180

Total (14,339) (24,409) (49,960) (73,247) (103,820)

5

Savings and transition costs





Savings and transitions costs

Summary

In the slide overleaf, we have set out, for each option, the projected impact of the saving opportunities we have assessed relative to the costs of setting up the new councils and generating those savings. The intention from the LGR process is that the recurring savings will payback the upfront transition costs and the shorter the period this occurs over, the more financially attractive each option is. Hence, our assessment of each option considers the period over which costs are recovered i.e. the payback period.

It is important to note that whatever savings are ultimately generated from LGR, they are unlikely to be sufficient to mitigate against the structural funding issues in local government and the cost pressures that aspects of provision in children, adult and housing in particular, are presenting. This will mean a continual need for efficiencies and savings across the new councils, irrespective of the chosen option.

Despite variances in the scale of the projected savings across each of the unitary councils, the overall value of recurring net savings is broadly similar across Options A-C at between c. £6.6m - £7m* per annum. The savings are halved by pursuing Option D, as a result of reduced scale and the additional staffing costs required. The size of Unitary 2 in Option B and Unitary 2 and Unitary 3 in Option D mean that the savings are insufficient to recover the transition costs over the five-year measurement period. A payback is achievable by Unitary 1 in Option D assuming that the existing city council takes on the expanded footprint without the need for additional management resources and or investment in systems, thus reducing the level of transition costs. Further detail about the assumptions underpinning these results can be found in Appendix 1.

One of the potential transition costs that the above commentary excludes is the impact of council tax harmonisation. As a result of each council area having different council tax rates, these have to be harmonised for residents within their respective new unitary areas within a defined period. There are different approaches to doing this, which can lead to a permanent and significant reduction in council tax income compared to the As-Is position. The preferred approach, financially, to avoid such a loss, is to harmonise rates from day one but this will be a choice for the new councils to decide upon. We have included some further analysis on this issue within Appendix 2.



Savings and transitions costs - continued

- The table below shows that the overall level of savings for Options A-C are similar. The staff savings potential is highest in Option B but skewed towards Unitary 1 and offset by the lowest level of potential third party spend savings across the four options. The bringing together of four districts in Unitary 1 under Option B creates the counter effect of creating a two district Unitary 2 but layering in a similar senior management cost base as Unitary 1.
- There is a similar but reduced effect in Option A, as the county unitary (Unitary 2) has three rather than two legacy districts which means the savings potential is greater.
- Under Option C, the county unitary effectively swaps Huntingdonshire with East Cambridgeshire when comparing with Option A and this results in more balance in the savings share when compared to Option A as a result of Unitary 2 in Option C being significantly bigger than Unitary 2 under Option A.

Option	Option A			Option B			Option C			Option D			
	U1	U2	Total	U1	U2	Total	U1	U2	Total	U1	U2	U3	Total
Recurring net savings at Y5 (£'000s)	5,094	1,567	6,661	6,216	422	6,638	3,804	3,181	6,985	1,474	1,113	441	3,028
Saving share	76%	24%	100%	94%	6%	100%	54%	46%	100%	49%	37%	15%	100%
Share of regional council tax base	52%	48%	100%	63%	37%	100%	41%	59%	100%	28%	35%	37%	100%
Payback (years)	3	3		3	n/a		3	3		4	n/a	n/a	
Contribution to Y5 budget surplus/(deficit)	6%	5%		5%	n/a		5%	8%		5%	n/a	19%	

- In terms of the transition costs, it is how these are shared rather than the overall quantum which differs across Option A-C. The transition costs are higher under Option D as a result of certain elements occurring three times rather than two such as job evaluations, programme management, shadow councils etc.
- The LGR timetable will mean running with a shadow council for a year prior to the new councils being established and there will also be a closedown period involving a certain amount of double running once the new councils are operational.
- Across Options A-C, the non-staff related transition costs represent about 70% of the total with this being nearer 90% under Option D.
- For the purposes of this exercise, the non-staff related transition costs have been allocated by share of overall council tax base with the staff related costs allocated in proportion to the savings they deliver.

6

Other alignment issues





Other alignment observations

- There are operational features of each council which need considering as part of the financial option appraisal and will need to be properly assessed as part of the detailed proposal to MHCLG.
- The following are examples, rather than an exhaustive list, of the type of issues and commercial arrangements that will need to be considered, particularly from a cost and resourcing perspective.
- For example, HDC has an existing shared service arrangement covering ICT, building control, legal, CCTV services and home improvement agency with South Cambridgeshire and Cambridge City. This is something that could be capitalised on under Option C but which would present disaggregation work under the other options albeit that we understand appropriate severance agreements are already in place in anticipation of LGR and this type of issue occurring. Similarly, the shared Revenue and Benefits service between Fenland and East Cambridgeshire potentially counts against Option A, relative to Option C where they would remain together.
- From a county council perspective, it has significant shared service arrangements with unitary councils outside of the region which will potentially present complex disaggregation issues. It has companies that are economically active in some districts and not others. For example, it's development company, This Land Ltd, is active in Huntingdonshire, Cambridge City, East Cambridgeshire and South Cambridgeshire. It has a district heat company operating in East Cambridgeshire.
- It has not been possible to assess the transition cost implications of these arrangements, but these are factors that can be given some qualitative consideration as part of the option appraisal being undertaken at this point in time.
- The experience of other areas that have previously been through an LGR process is that the costs of addressing these type of issues and the overall costs of transition tend to exceed initial business case estimates.



7

Overall conclusions





Overall conclusions

Regional perspective

- In terms of baseline strength, Option A would appear to achieve a slightly more balanced position than Option C from a regional perspective, albeit an endemic mismatch between where income is generated and where cost pressures sit would still prevail across the two unitary areas. This is something that the Fair Funding Review and any new local government funding mechanism would need to respond to.
- In the absence of the Fair Funding Review, Option B is likely to create two unitary councils that are too financially diverse, with analysis suggesting this is moderated, rather than addressed, by the review. Option D, irrespective of the review, would appear to create one council that would have considerably more financial pressures than the others.

Local perspective

- From a local perspective, Option C would appear to be the most favourable. The assessment of payback potential suggests there is unlikely to be a material difference for the two council combinations under either Option A or Option C, but Option C does produce a stronger baseline position than under Option A.
- The same applies for Option B in that it creates one unitary that appears too small to produce the savings that would be necessary to cover the transition costs within the five-year assessment window.
- The council tax harmonisation implications should be borne in mind, even though the harmonisation strategy will be for new councils to determine. If a decision is taken to harmonise on day 1, then Option A would see a minor reduction for Huntingdonshire taxpayers on the rate increase that would otherwise be paid whereas Option C would require a minor enhancement of the increase.



A

Appendices



A1

Savings and transition cost



Appendix 1 – approach to calculating savings and transition costs

- The following provides a summary insight to the approach taken to calculating savings and transition costs and the key assumptions and values relied upon.

Approach to estimating savings

The following elements make up the savings calculation:

Management costs

The published list of roles earning more than £50k in each council were relied upon. An on-cost assumption of 25% was applied to the salary rates. The roles were categorised into four seniority levels e.g. level 1 would be a chief executive, level 2 would be a senior leadership team member, level 3 would be a service director or head of service, level 4 would be assigned to the remaining roles. For each unitary combination, the role lists from the legacy councils were aggregated and where duplicated roles existed at level 1-2, one of the roles was removed, where similar or duplicated roles existed at level 3, a reduction in role numbers may have been applied dependent upon the size of the unitary. No changes were made at level 4. Adjustments were also made to account for the size of each unitary and the disaggregation of legacy county level resource into both a unitary featuring legacy city council roles and an adjoining unitary (ies) featuring smaller tier 1 services.

Member allowances

The current cost of Members was taken from the '24/25 accounts of each of the councils. An average ward density, based on unitary councils across the country, was calculated from Local Government Boundary Commission data and used to determine an estimate of the number of councillors likely to be required in the new unitaries. The average cost of allowances per councillors taken from eleven of the most recent county unitary reorganisations was applied to this number to produce an estimate of the likely members budget required for the shortlisted unitary council combinations.

Third party spend

The third party spend of all councils for '24/25 was identified and analysed in terms of common areas of spend and common suppliers. This identified energy, ICT, external audit, FM, leisure, insurance, recruitment, postal and couriers as areas offering high potential for savings from consolidation. A 5% saving was assumed for spend where 3 or more councils shared a common supplier in these categories. The exception being for external audit where an average audit fee of £700k was assumed for each new unitary with the saving being the difference between that and the amalgamated fees for the current councils.

Approach to estimating transition costs

The following elements were provided for in transition costs:

Redundancy, retirement and recruitment

An average age, length of tenure and statutory redundancy terms were applied to the reduction in staff cost assumed in the savings figures. The average age and tenure assumption was based on data in the people strategy documents produced by Cambridgeshire County Council and Cambridge City Council. An assumption was made about the proportion of redundancies who would be eligible for pension access (13%) based upon age profiles and who would therefore produce a pension strain. A pension strain cost factor of 10 was applied with the salary costs reduced by 25% to adjust for average career earnings with time spent in the LGPS assumed at 25 years. A provision has been made for recruitment at 20% of salary cost where additional resource has been assumed as per Management costs savings narrative.

Other costs

A provision of c.£11m has been made for the following elements based on more detailed work we have previously done elsewhere and the assessments made by other areas in their Initial Plan submissions to MHCLG in March: Job Evaluation, Transitional Programme Resources, ICT, Public Consultation, Shadow Council, Induction, Closedown. The provision excludes the cost of service reconfigurations which would be material but for which we have also excluded the savings potential. It would be expected that those changes are subject to a business case process that would determine paypack metrics. A contingency of c. 10% has also been included. There are elements of the aforementioned costs which would be materially greater under Option D e.g. ICT, Job Evaluation and Transitional Programme Resources. An additional c.£3.5m has been assumed for this.



A2

Council tax harmonisation



Appendix 2 - council tax harmonisation

- Under LGR, the legacy council tax rates need harmonising. The table shows the loss of income that arises under each option based on harmonising at the highest pre-LGR prevailing rate, the average and the lowest. It assumes that rates do not increase beyond the 4.99% referendum limit. The loss of income arises as a result of holding back the prevailing rate in a legacy district to allow others to catch up. The alternative is to adjust rates a day 1 to avoid the loss of income. This will mean that residents in certain legacy districts will receive rate increases above 4.99% in the first year while others rates will go up by less than 4.99% or may even go down. The table on the next page sets out the position.

Council tax harmonisation										
		Harmonise to:								
		Highest rate			Lowest rate			Average rate		
		Years to harmonise	Income loss (£'000s)		Years to harmonise	Income loss (£'000s)		Years to harmonise	Income loss (£'000s)	
			5 years	10 years		5 years	10 years		5 years	10 years
Option A	Unitary 1	4	83,925	280,690	1	89,354	206,218	3	130,776	304,500
	Unitary 2	2	35,070	90,912	1	40,217	92,817	2	70,258	178,367
			118,995	371,602		129,571	299,035		201,034	482,867
Option B	Unitary 1	4	100,703	339,427	1	109,102	251,795	3	157,610	428,818
	Unitary 2	2	34,614	89,728	1	16,729	38,609	2	55,230	140,401
			135,317	429,155		125,831	290,404		212,840	569,219
Option C	Unitary 1	4	60,895	203,612	1	60,738	140,175	2	66,702	163,787
	Unitary 2	2	55,904	60,987	1	23,694	54,683	2	86,057	219,364
			116,799	264,599		84,432	194,858		152,759	383,151
Option D	Unitary 1	3	33,100	96,349	1	17,738	40,938	2	27,692	69,313
	Unitary 2	3	51,464	150,143	1	28,967	66,853	2	54,064	136,008
	Unitary 3	2	34,338	89,032	1	16,566	38,232	2	54,958	139,717
			118,902	335,524		63,271	146,023		136,714	345,038

Appendix 2 - Council tax harmonisation - continued

- The tables below show how much the council tax rate would need to change in each of the legacy areas under LGR to achieve a day 1, harmonised rate. The percentage movement assumes the 4.99% has already been applied. For example, under Option A, residents in Peterborough would experience a rise of over 10% in council tax in their first year, with the rate for residents in the ex-Fenland district being less than the previous year.

Option A		
Unitary 1		
Peterborough	5.10%	
Fenland	-5.97%	
Huntingdonshire	-1.49%	
Unitary 2		
East Cambridgeshire	2.37%	
South Cambridgeshire	0.55%	
Cambridge City	-2.40%	

Option B		
Unitary 1		
Peterborough	5.14%	
Fenland	-5.93%	
Huntingdonshire	-1.45%	
East Cambridgeshire	-0.18%	
Unitary 2		
South Cambridgeshire	1.22%	
Cambridge City	-1.75%	

Option C		
Unitary 1		
Peterborough	4.34%	
Fenland	-6.65%	
East Cambridgeshire	-0.94%	
Unitary 2		
South Cambridgeshire	0.59%	
Cambridge City	-2.36%	
Huntingdonshire	1.11%	

Option D		
Unitary 1		
Peterborough	1.86%	
Huntingdonshire	-4.53%	
Unitary 2		
Fenland	-3.56%	
East Cambridgeshire	2.33%	
Huntingdonshire	1.03%	
Unitary 3		
South Cambridgeshire	1.22%	
Cambridge City	-1.75%	

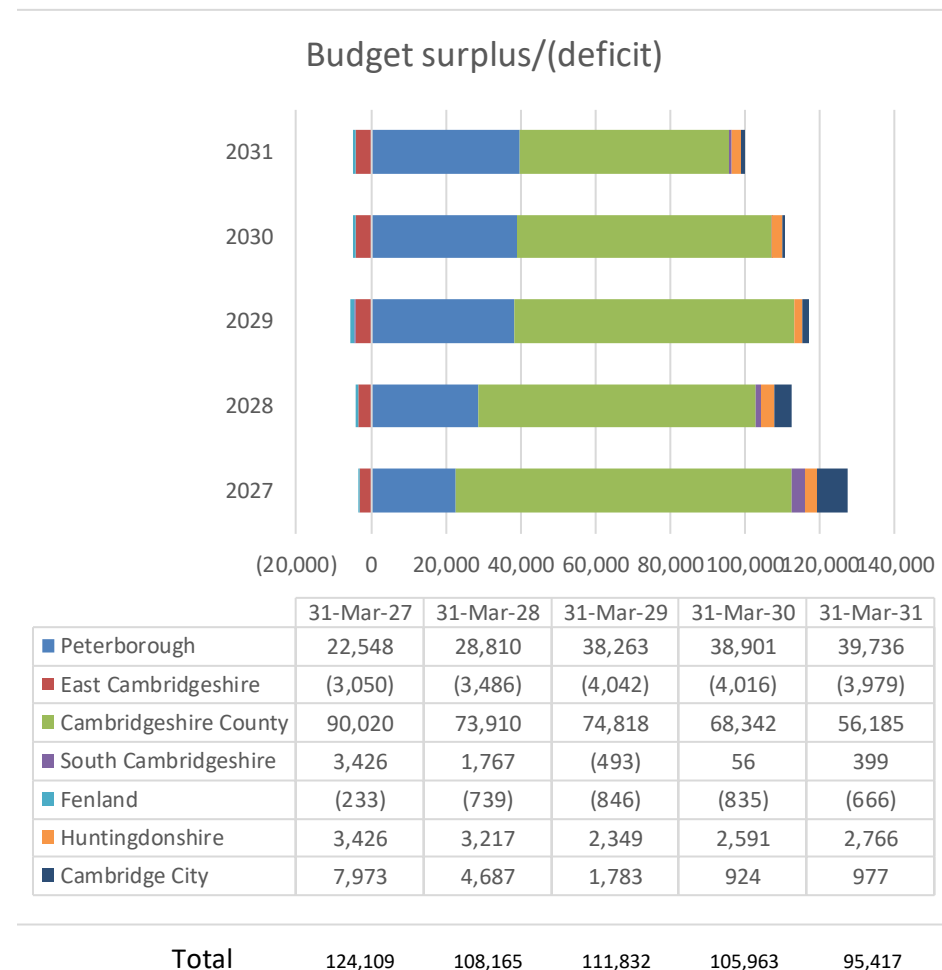
A3

Impact of Fair Funding Review



Appendix 3 – alternative MTFP analysis based on Fair Funding expectations

- The analysis replicates the baseline MTFP analysis in the main section of the report but adjusts for the latest funding estimates per projections within Pixel Financial Management’s MTFP model. This is based on their understanding of the likely impact of the Fair Funding Review.
- The analysis is somewhat distorted because the values for NRE remain those within the council’s MTFPs that were produced in Q3 2024/25 and published in Q4 2024/25.
- Since that time, it is likely that cost pressures have increased in significant, demand led, services and that the prospect of making the level of savings envisaged within the MTFPs have reduced.
- Although the position shown in the graph and supporting table has switched from a deficit to a surplus position, it is likely that the reality will be a lower level of surplus shown for the reasons described and that there will also need to be a replenishment of reserves that have fallen below prudent levels.
- Reassuringly, however, the net position, irrespective of absolute value, appears more stable over the five years under consideration compared to the compounding deficit position projected in the analysis within the main report.



Appendix 3 – continued

Option A: **U1** – Peterborough, Fenland, Huntingdonshire; **U2** – East Cambridgeshire, South Cambridgeshire, Cambridge City

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	43,617	37,523	43,127	39,264	36,069
Unitary 2	80,492	70,642	68,705	66,699	59,348
Total	124,109	108,165	111,832	105,963	95,417

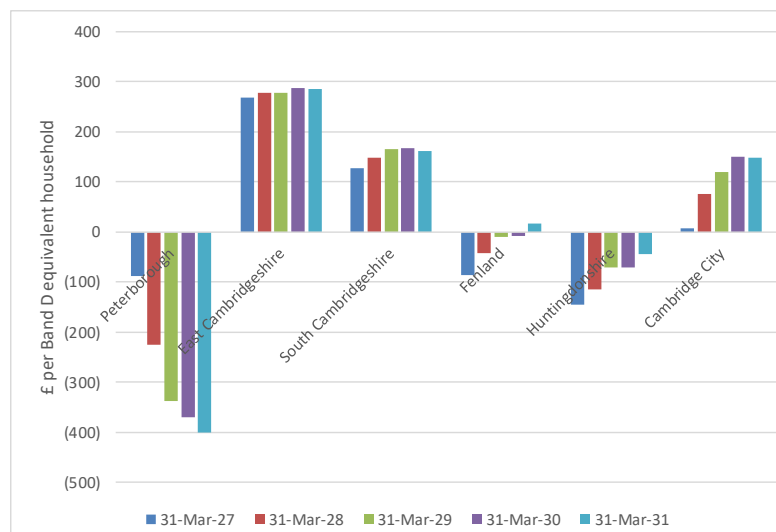
- Those that experience a positive baseline movement and those that experience a negative baseline movement remains the same as within the main report. The starting differences are similar too, with year on year movements being flatter, aligning to the profile shown in the graph to the right. Peterborough residents are the only ones to experience a declining position compared to the As-Is.

Budget surplus/(deficit) per Band D taxpayer (£)

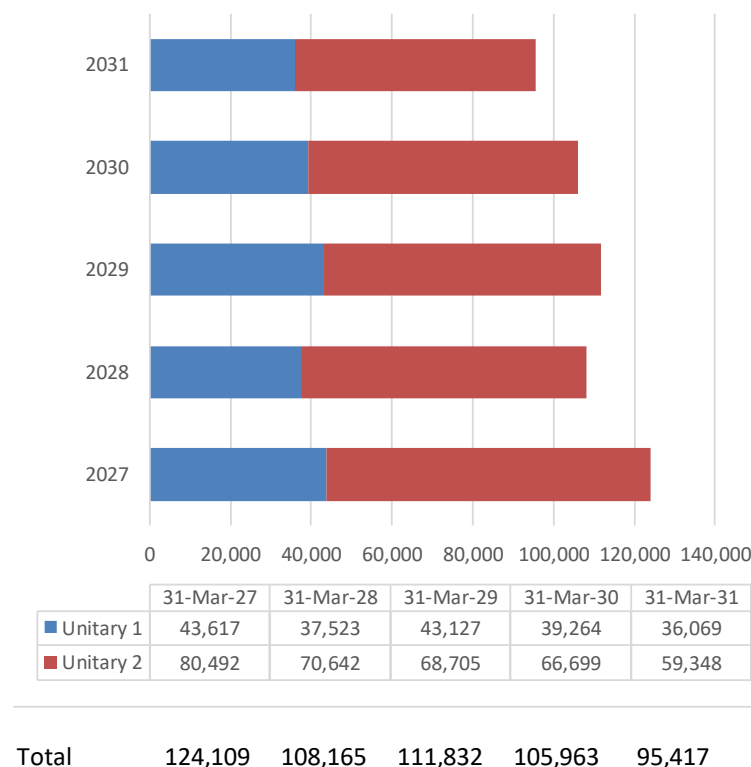
	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	270	231	264	239	219
Fenland	270	231	264	239	219
Huntingdonshire	270	231	264	239	219
Unitary 2					
East Cambridgeshire	540	472	456	441	390
South Cambridgeshire	540	472	456	441	390
Cambridge City	540	472	456	441	390

Difference to As-Is

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(89)	(225)	(338)	(370)	(401)
East Cambridgeshire	268	279	277	288	285
South Cambridgeshire	127	149	165	168	162
Fenland	(86)	(43)	(9)	(7)	17
Huntingdonshire	(145)	(114)	(70)	(71)	(44)
Cambridge City	7	75	120	150	148



Net budget position



Appendix 3 – continued

Option B: U1 – Peterborough, Fenland, Huntingdonshire, East Cambridgeshire; U2 –South Cambridgeshire, Cambridge City

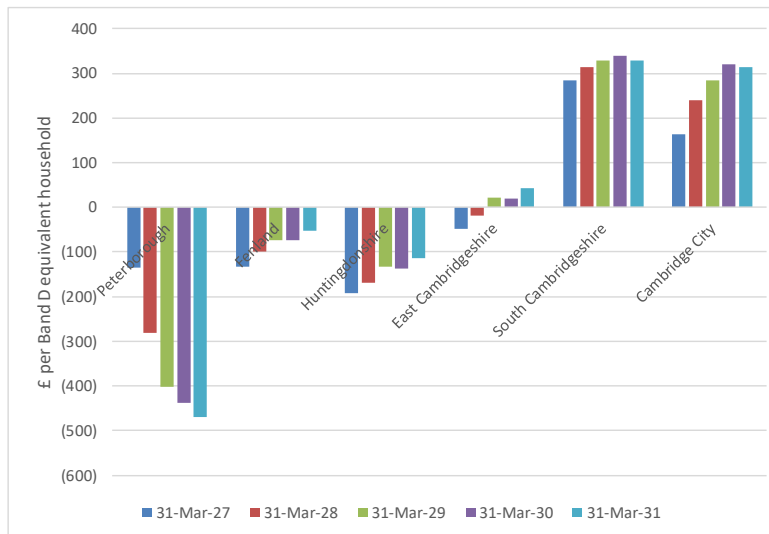
Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	43,462	34,283	39,456	34,135	29,704
Unitary 2	80,647	73,881	72,376	71,828	65,714
Total	124,109	108,165	111,832	105,963	95,417

- The range in disparity between the two unitaries is lower when compared to the same option in the main report. However, the pattern of all but the two least financially challenged councils being at a worse starting position remains the same.

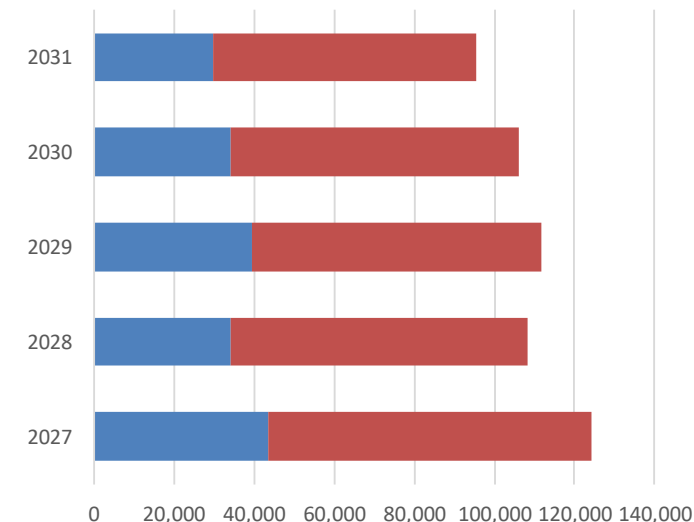
Budget surplus/(deficit) per Band D taxpayer (£)

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	223	175	200	172	149
Fenland	223	175	200	172	149
Huntingdonshire	223	175	200	172	149
East Cambridgeshire	223	175	200	172	149
Unitary 2					
South Cambridgeshire	697	636	620	612	557
Cambridge City	697	636	620	612	557

Difference to As-Is	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(136)	(281)	(402)	(437)	(470)
Fenland	(133)	(99)	(73)	(74)	(53)
Huntingdonshire	(192)	(170)	(134)	(138)	(114)
East Cambridgeshire	(49)	(18)	21	19	44
South Cambridgeshire	285	314	328	340	329
Cambridge City	164	240	283	321	314



Net budget position



	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	43,462	34,283	39,456	34,135	29,704
Unitary 2	80,647	73,881	72,376	71,828	65,714

Total	124,109	108,165	111,832	105,963	95,417
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Appendix 3 – continued

Option C: U1 – Peterborough, Fenland, East Cambridgeshire; **U2** – Huntingdonshire, South Cambridgeshire, Cambridge City

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	21,242	19,849	28,091	24,919	22,906
Unitary 2	102,867	88,316	83,741	81,044	72,511
Total	124,109	108,165	111,832	105,963	95,417

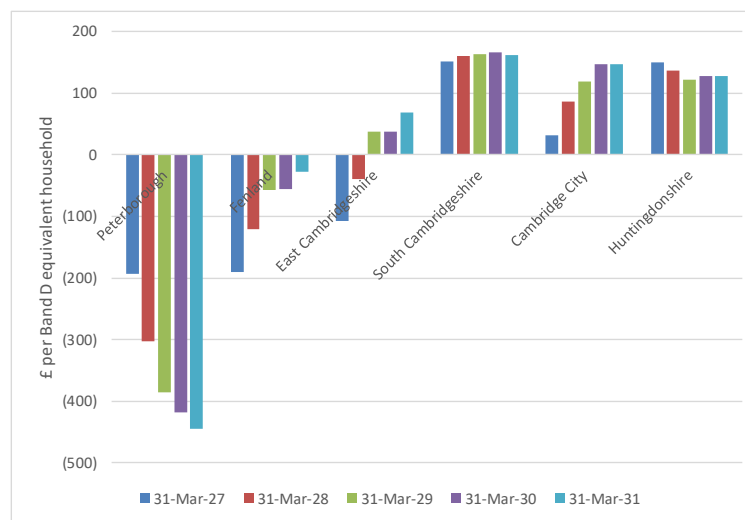
- The pattern is similar to Option A with Huntingdonshire replacing East Cambridgeshire in being paired with the two strongest districts. However, the position is marginally worse for Peterborough and Fenland under this option compared to Option A and it replaces Option B in the main report as the option producing the greatest disparity between the two unitaries.

Budget surplus/(deficit) per Band D taxpayer (£)

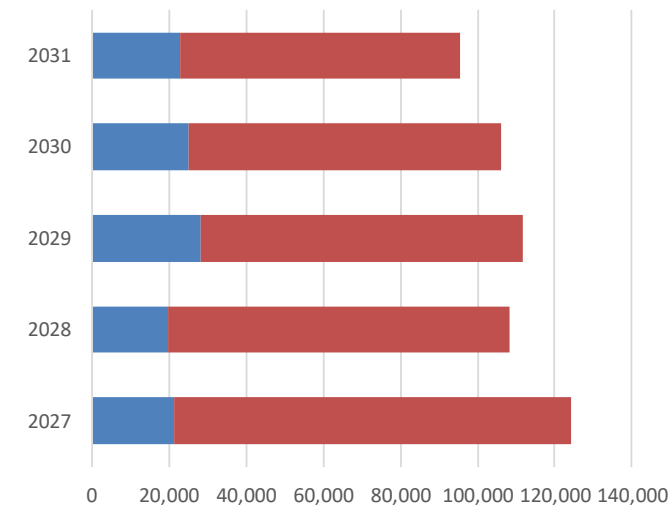
	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	165	154	216	191	175
Fenland	165	154	216	191	175
East Cambridgeshire	165	154	216	191	175
Unitary 2					
South Cambridgeshire	565	482	455	438	390
Cambridge City	565	482	455	438	390
Huntingdonshire	565	482	455	438	390

Difference to As-Is

	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Peterborough	(193)	(302)	(386)	(418)	(445)
Fenland	(191)	(120)	(57)	(55)	(27)
East Cambridgeshire	(107)	(39)	37	38	69
South Cambridgeshire	152	160	163	166	162
Cambridge City	31	86	119	147	148
Huntingdonshire	150	138	121	128	127



Net budget position



	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	21,242	19,849	28,091	24,919	22,906
Unitary 2	102,867	88,316	83,741	81,044	72,511

Total 124,109 108,165 111,832 105,963 95,417

Appendix 3 – continued

Option D :U1 – Peterborough, Huntingdonshire – U1; U2 – Huntingdonshire – U2, Fenland, East Cambridgeshire; U3 - South Cambridgeshire, Cambridge City

Budget surplus/(deficit)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1	30,633	34,062	42,399	42,254	42,209
Unitary 2	12,829	222	(2,943)	(8,119)	(12,505)
Unitary 3	80,647	73,881	72,376	71,828	65,714
Total	124,109	108,165	111,832	105,963	95,417

- Mirrors the position in the main report in that this option represents a relatively better starting position for Peterborough and the relevant half of Huntingdonshire* compared to Option A and B but is worse than Option A, B and C for those in Unitary 2 i.e. Fenland, East Cambridgeshire and the other half of Huntingdonshire.

Budget surplus/(deficit) per Band D taxpayer (£)

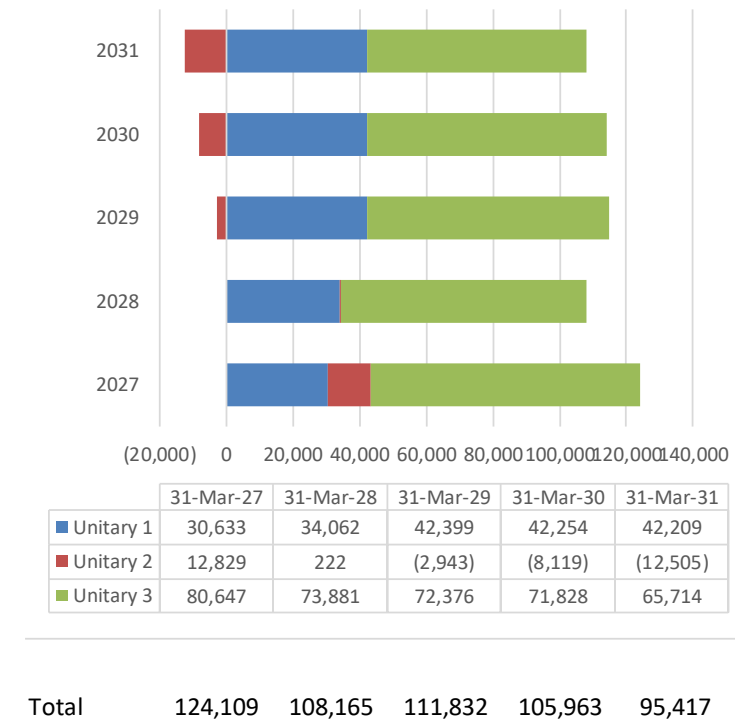
	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Unitary 1					
Peterborough	352	389	482	478	475
Huntingdonshire - U1	352	389	482	478	475
Unitary 2					
Fenland	119	2	(27)	(74)	(113)
East Cambridgeshire	119	2	(27)	(74)	(113)
Huntingdonshire - U2	119	2	(27)	(74)	(113)
Unitary 3					
South Cambridgeshire	697	636	620	612	557
Cambridge City	697	636	620	612	557
Difference to As-Is					
Peterborough	(7)	(67)	(120)	(131)	(144)
Huntingdonshire - U1	(63)	44	148	168	212
Fenland	(237)	(272)	(300)	(320)	(315)
East Cambridgeshire	(153)	(191)	(206)	(227)	(219)
Huntingdonshire - U2	(296)	(343)	(361)	(384)	(376)
South Cambridgeshire	285	314	328	340	329
Cambridge City	164	240	283	321	314



* Disaggregated on the basis of population

Huntingdonshire - U1	65,378	36%
Huntingdonshire - U2	114,294	64%
Total	179,672	

Net budget position



Total **124,109** **108,165** **111,832** **105,963** **95,417**

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