Local Government Reorganisation

DCN Briefing

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Background

- Much of the rationale for LGR in the English Devolution White Paper rested on the contention that bigger councils benefit from economies of scale and hence are more financially stable, efficient and effective.
- Financial effectiveness is one of the six assessment criteria for LGR proposals: "*Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial shocks*".
- MHCLG has indicated that 500k population will be a guideline for new unitary councils. It is not a minimum threshold. But the expectation is that the new unitary councils created in 2027 and 2028 will have an average population size of around 500k and that some new councils will be larger.
- DCN has carried out new analysis of existing unitary councils using publicly available data to examine whether population size is linked to value for money and whether there is a sound basis for setting 500k as the guideline population level for new unitary councils.
- Our analysis examined four aspects of council efficiency, effectiveness and value for money:
    - Expenditure per resident
    - Financial sustainability
    - Council tax
    - Service delivery
- *Note: in this briefing, all references to 'councils' mean unitary councils.*

Key conclusions

- Our analysis leads to four key conclusions based on past performance of existing unitary councils:
    1. There is little or no evidence to support a preference for large unitary councils and no evidence to support the 500k population level.
    2. The bulk of the data analysed shows a non-existent or faint relationship between a council's population and its outcomes.
    3. When there is an apparent correlation between population size and outcomes, it more often favours smaller councils.
    4. The evidence gives no reason to assume that smaller unitary councils will be less efficient, sustainable or effective due to their size.
- Based on this evidence, it is vital that LGR decision makers and advisors remain open-minded about proposals for new unitary councils with population below 500k and critically assess any claims in proposals for larger councils that greater size will guarantee greater efficiency, sustainability, effectiveness and/or value for money.

Detailed findings

Expenditure per resident

- 8 of the 10 lowest spending councils have a population lower than the median population of existing unitary councils.
- Evidence for a causal link between population size and spend per resident is very weak. Other factors, such as deprivation, are much more significant in predicting spending efficiency.
- Correlation between population size and spend per resident is weak. In the largest 90% of unitary councils (starting at population size of 157k) the relationship is so minimal as to be essentially non-existent.
- To the extent that there is a correlation, there appears to be a tipping point at around 350k population: the direction of the relationship changes such that councils above this threshold typically spend more per resident than those below it.

Financial sustainability

- Larger councils appear to have been more likely to experience financial instability that is sufficiently serious to require Exceptional Financial Support (EFS).
- Larger councils have required more EFS relative to the size of their budgets than smaller councils.
- Analysis does not demonstrate that population size is the key driver of this outcome. Equally, there is no evidence that smaller councils are likely to be less financially stable than larger ones.

Council Tax

- Larger councils charge higher levels of council tax. The average Band D council tax bill for councils larger than 500k population was £250 higher than the average bill for councils smaller than 500k.
- Analysis does not demonstrate that population is the key driver of council tax levels.
- Council tax levels are at best uncorrelated with population size and at worst rise in line with it.

Service delivery

- Across a wide range of performance measures (covering adult social care, administration and finance, planning, and waste), 12 metrics show no meaningful relationship between population size and performance.
- For all 9 measures where there is a statistically meaningful relationship, smaller councils perform better on average.
- Projected outcomes are better at the median population of existing unitary councils (275k) than at 500k.