

LOCAL GOVERNMENT REORGANISATION

Evaluating the financial impact
of population thresholds



About



At the County Councils Network (CCN) one of our core objectives as a national representative body is to deliver insights on the policy issues impacting our member councils, the communities they represent, and the wider local government sector.

CCN Analysis seeks to provide the latest data analysis on local economies, service demand, council finances and the wider public sector landscape, both within county areas and across England.

It contains commentary on what the latest trends mean for national and local policy making, and the implications for public services, businesses and communities across our 37 member council areas.

The analysis contained in this document is based on data provided by PricewaterhouseCoopers LLP (PwC) as part of an update to financial analysis contained in the 2020 report '[Evaluating the importance of scale in proposals for local government reorganisation](#)'.

In arriving at the final modelling, it is important to note that the updated inputs have been developed solely by PwC UK based on the same methodology and approach as used in 2020. CCN nor its member councils have sought to input into, or adjust these, prior to publication.

The updated analysis has been published alongside this report. PwC's report provides overview of the approach undertaken and the aggregated results of the analysis. With PwC UK retaining the intellectual property of the local government reorganisation model used for the analysis, within their report, a high-level overview of the approach to the modelling and development of assumptions is provided.

CCN has separately undertaken the population threshold analysis contained in this report, based on the data provided by PwC UK. The analysis has been developed and published solely by CCN.

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Manifesto

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Executive Summary

PURPOSE

In December 2024, the government published its English Devolution White Paper. Within this, the government set out its intention to undertake a programme of local government reorganisation in all remaining two-tier local authority areas, alongside small unitary neighbouring unitary authorities (where they exist).

Within the White Paper and since, the government have cited the 2020 report by PricewaterhouseCoopers LLP (PwC) '[Evaluating the importance of scale in proposals for local government reorganisation](#)', commissioned by the County Councils Network (CCN), to demonstrate the scale of potential efficiency savings that can be achieved through reform, alongside the costs of transition.

Given the time that has lapsed since the original report, PwC UK have independently updated the financial modelling that underpinned the 2020 report. The updated analysis has been published alongside this report.

Building on the analysis contained in that document, and the data provided by PwC UK for CCN, the aim of this separate analysis is to investigate the impact of different population thresholds on the savings potential and costs of reorganisation across all two-tier areas.

CONTEXT

The use of population thresholds are a well established part of the reorganisation process in English local government. In the most recent rounds of reform, statutory invites have included guidance on population size from the Secretary of State which any proposals put forward by local areas 'must have regard to'.

Within the English Devolution White Paper the government have once again placed population size as an important factor in the development of reorganisation proposals.

For most areas, the White Paper stated this will mean 'creating councils with a population of 500,000 or more'. However, in the White Paper and statutory invites, the government also outlined there 'may be certain scenarios in which this 500,000 figure does not make sense for an area, including on devolution, and this rationale should be set out in a proposal'.

Many have cited the PwC report as the evidence base for the 500,000 or more figure. Built on a high-level analysis of each two-tier area, the original report and the updated analysis clearly demonstrate the impact of scale in delivering higher efficiency savings.

However, while PwC's aggregated scenarios demonstrates the level of efficiency savings that can be delivered from unitarisation and provides important insights on the importance of scale in achieving these, they did not recommend a minimum population size. This is because their aggregated analysis was based on a uniform application of different unitary scenarios, which is limited in its ability to demonstrate the impact of population thresholds on savings and costs profiles.

APPROACH

Building on the analysis contained in their 2025 report, and the data provided by PwC for CCN on each areas' individual high-level savings profile, the aim of this separate analysis is to investigate the impact of different minimum population thresholds on the savings potential and costs of reorganisation across all two-tier areas.

Rather than the uniform application of one or more unitary authority thresholds across all areas, four minimum population thresholds have been explored:

1 300k minimum: this results in 58 new unitary councils, with an average population of 340,000

2 400k minimum: this results in 40 new unitary councils, with an average population of 490,000

3 500k minimum: this results in 29 new unitary councils, with an average population of 678,000

4 600k minimum: this results in 27 new unitary councils, with an average population of 728,000

KEY FINDINGS

PwC's updated analysis clearly demonstrates that there are still substantial opportunities for delivering economies of scale through reform in the remaining two-tier areas, with their analysis showing a single unitary authority in each two-tier area saving an estimated £2.9bn over five years.

The extent to which savings can be realised will be determined by a number of factors. However it is the population criteria that will be the single biggest driver. This will ultimately determine the extent to which areas aggregate or disaggregate existing local government services split across a county council and multiple district councils.

The additional analysis undertaken on population thresholds contained in this document provides important evidence that not only backs up the decision to include 500,000 minimum population threshold; but crucially shows it should not be treated as an 'optimum' ceiling if the government is to deliver on its promises to 'end the two-tier premium'.

Scenario 1: Replacing the two-tier system in England with 58 new unitary authorities based on a minimum population of 300,000 would result in a net-cost of £845m over five years. Creating unitary authorities of this size – with an average population of 340,000 – would create £3.7bn of disaggregation costs over five years, while the 'one-off' transition costs would top £660m. With over half a billion pounds in permanent additional disaggregation costs each and every year from splitting up social care services into multiple smaller councils in almost all county areas, this scenario delivers no long-term efficiency savings overall.

Scenario 2: A minimum threshold of 400k and creating 40 new councils with an average population of 490,000 would begin to make savings of £797m over five years. However, some £2bn of disaggregation costs would be incurred over the first five years, with one-off transition costs only 18% lower. Crucially, permanently higher disaggregation costs and lower efficiency savings result in a £297m recurring saving, with 72% of this entire long-term recurring saving concentrated in the nine single unitary authorities under this scenario, all of which have a population in excess of 550,000.

Scenario 3: Creating 29 new unitary councils based on a minimum population of 500,000 would deliver a net-savings of £1.85bn over five years. Compared to Scenario 1, disaggregation costs over five years reduce dramatically to £1bn, while one-off transition costs are 28% lower. With permanent disaggregation costs 73% lower, a recurring annual saving of £496m could be delivered, a 67% increase in savings compared to Scenario 2.

Scenario 4: These reduced costs and higher savings increase if a minimum population threshold of 600,000 was applied, resulting in a net-savings of £2bn over five years from creating 27 unitary councils. Under this scenario, £530m of recurring savings could be achieved.

Equally, however, the importance of the 500,000 minimum population is not limited to its ability to generate efficiency savings and reduce costs. While the process of disaggregation has the potential to create significant recurring costs, it also increases both the complexity and risk involved in the reform process, well beyond the issues of boundary reviews.

With the statutory guidance outlining that proposals must demonstrate how they improve local services and avoid 'unnecessary' fragmentation – with particular consideration for adult services, children's social care and special educational needs – any proposal that requires the disaggregation of current services will need to take account of the following risks and complexities, including:

- Potential diseconomies of scale and market disruption from the fragmentation of purchasing power and market oversight/management;
- Additional governance structures increasing complexity and potentially adding to the transaction costs in the system and safeguarding risks;
- Challenges in the recruitment and retention of staff and senior leadership positions in adult and children's social care.

CONCLUSIONS

There has, and will continue to be, much debate over the government's minimum population criteria. Exceptions to this may be required when considering the expansion of existing unitary councils. Moreover, this study focuses on the impact of future reorganisations, and is not looking retrospectively at previous reorganisations or population sizes.

Nonetheless, this new analysis shows that when considering the next wave of local government reorganisation, ministers are right to pursue this policy, with the potential to create significant efficiency savings.

But while the government have made an encouraging start, it is now critical that they build on the progress to date.

From the outset of the government's agenda, CCN has outlined that it will not be dogmatic over whether an area chooses to reform into one or more unitary authority. Our network will continue to support, and promote, an evidence-based approach to reform that aids local areas to make informed decisions.

It is ultimately up to local areas to choose which option to pursue, considering both the financial implications and other impact factors. They must do so mindful of the costs and risks involved in the reorganisation process. CCN also recognises that, where existing unitary authorities are part of a reorganisation process, it is possible a small proportion of the disaggregation costs could potentially be offset.

However, while it may be necessary for some areas to create more than one new council, this analysis shows that splitting existing county councils into multiple small unitary councils with populations as small as 300,000 will create hundreds of millions of new unsustainable costs, piling further strain on already under pressure care services.

Therefore, it is vital that ministers adhere strictly to the statutory criteria they have set out. This includes being consistent in their messaging to the sector in the lead up to the submission of formal proposals, while treating the 500,000 as a minimum not an optimum population scale. This will ensure clarity for local areas in putting forward proposals and most importantly, the creation of new councils with the scale, capacity and resilience to deliver substantial savings to be reinvested in frontline services to the benefit of local taxpayers.

INTRODUCTION

In December 2024, the government published its English Devolution White Paper. Within this, the government set out its intention to undertake a programme of local government reorganisation in all remaining two-tier local authority areas, alongside small unitary neighbouring unitary authorities (where they exist).

Following this, in February 2025, the government issued a statutory invite to these areas asking for formal proposals to be put forward later this year, with the intention to undertake a phased delivery of reorganisation over the coming years.

All two-tier areas are expected to submit 'interim plans' for local government reorganisation by 21st March, with final proposals expected in May for Surrey County Council, September for those areas on the Devolution Priority Programme (DPP) and November for all remaining areas.

In responding to the statutory invite and putting forward proposals for a single tier of local government across their areas, local authorities will need to consider a number of factors.

These include whether proposed unitary councils constitute a sensible and credible geography; how they can prioritise the delivery of high quality and sustainable public services and enable stronger community engagement; and whether new structures can support existing, or new, devolution arrangements.

But it is clear from the White Paper, statutory invite, and public comments by ministers, that the ability of proposals to generate efficiency savings and contribute to improved financial resilience are an overriding objective of any proposals for reform.

In seeking to achieve these potential savings, the White Paper outlined that new unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks. For most areas, the White Paper stated this will mean 'creating councils with a population of 500,000 or more'.

This figure has generated much debate across the local government sector, including the evidence-base informing the government's new population criteria.

Within the White Paper and since, the government have cited the 2020 report by PricewaterhouseCoopers LLP (PwC) '[Evaluating the importance of scale in proposals for local government reorganisation](#)', commissioned by the County Councils Network (CCN), to demonstrate the scale of potential efficiency savings that can be achieved through reform, alongside the costs of transition.

Given the time that has lapsed since the original report, PwC UK have independently updated the financial modelling that underpinned the 2020 report. The updated analysis has been published alongside this report.

Building on the analysis contained in that document, and the data provided by PwC UK for CCN, the aim of this separate analysis is to investigate the impact of different population thresholds on the savings potential and costs of reorganisation across all two-tier areas.

Applying four different minimum population thresholds across each individual county area and aggregating the results to provide a national perspective, its purpose is to provide further evidence to support national policy development, while supporting local areas to put forward proposals that meet the statutory criteria and ensure sustainable new authorities are created.

Reorganisation & population thresholds

The use of population thresholds are a well established part of the reorganisation process in English local government. In the most recent rounds of reform, statutory invites have included guidance on population size from the Secretary of State which any proposals put forward by local areas 'must have regard to'.

The statutory invite in Northamptonshire outlined the necessity of a minimum population 'substantially in excess of 300,000'. In Cumbria, North Yorkshire and Somerset, the invites outlined that new councils must have an aggregate population which is either within the range 300,000 to 600,000, or 'such other figure that, having regard to the circumstances of the authority, including local identity and geography, could be considered substantial'.

Within the English Devolution White Paper the government have once again placed population size as an important factor in the development of reorganisation proposals, stating that new unitary councils 'must be the right size to achieve efficiencies, improve capacity and withstand financial shocks'.

For most areas, the White Paper stated this will mean 'creating councils with a population of 500,000 or more'. The criteria for new unitary councils, included as part of statutory invites on 5th February, restated that 'as a guiding principle, new councils should aim for a population of 500,000 or more'.

However, in the White Paper and statutory invites, the government also said there 'may be certain scenarios in which this 500,000 figure does not make sense for an area, including on devolution, and this rationale should be set out in a proposal'.

Overview: PwC Modelling

The output from the financial analysis uses publicly available data for the 21 two-tier areas, models each area individually, and then aggregates results to create macro-level results across unitary scenarios uniformly applied. The financial analysis considers the costs and benefits of the following scenarios:

- Transition from a two-tier model to a single unitary
- Transition from a two-tier model to a two unitary model
- Transition from a two-tier model to a three unitary model
- Transition from a two-tier model to a four unitary model (for selected areas)
- Transition from a two-tier model to a five unitary model (for selected areas)

The following costs and benefits have been considered:

- **Benefits of aggregation:** Weightings applied to three types of spend, with percentage reductions then applied. Democracy savings use the number of districts multiplied by an average cost.
- **Transition costs:** Fixed costs and proportional redundancy costs incurred (excluding disaggregation). These are one off costs of reorganisation.
- **Cost of disaggregation:** Recurring costs 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.

Since the publication of the White Paper, there has been considerable debate and competing interpretations of the minimum population threshold. This includes the evidence-base that underpins the figure.

Many have cited the PwC report as the evidence base for the 500,000 or more figure. Built on a high-level analysis of each two-tier area, the original report and the updated analysis clearly demonstrate the impact of scale in delivering higher efficiency savings.

As shown in Graph 1 below, the main aggregated scenarios contained in the latest report show that the fewer the number of councils, the higher the level of long-term efficiency savings. This is primarily driven by the permanent recurring costs involved in disaggregating county-wide services.

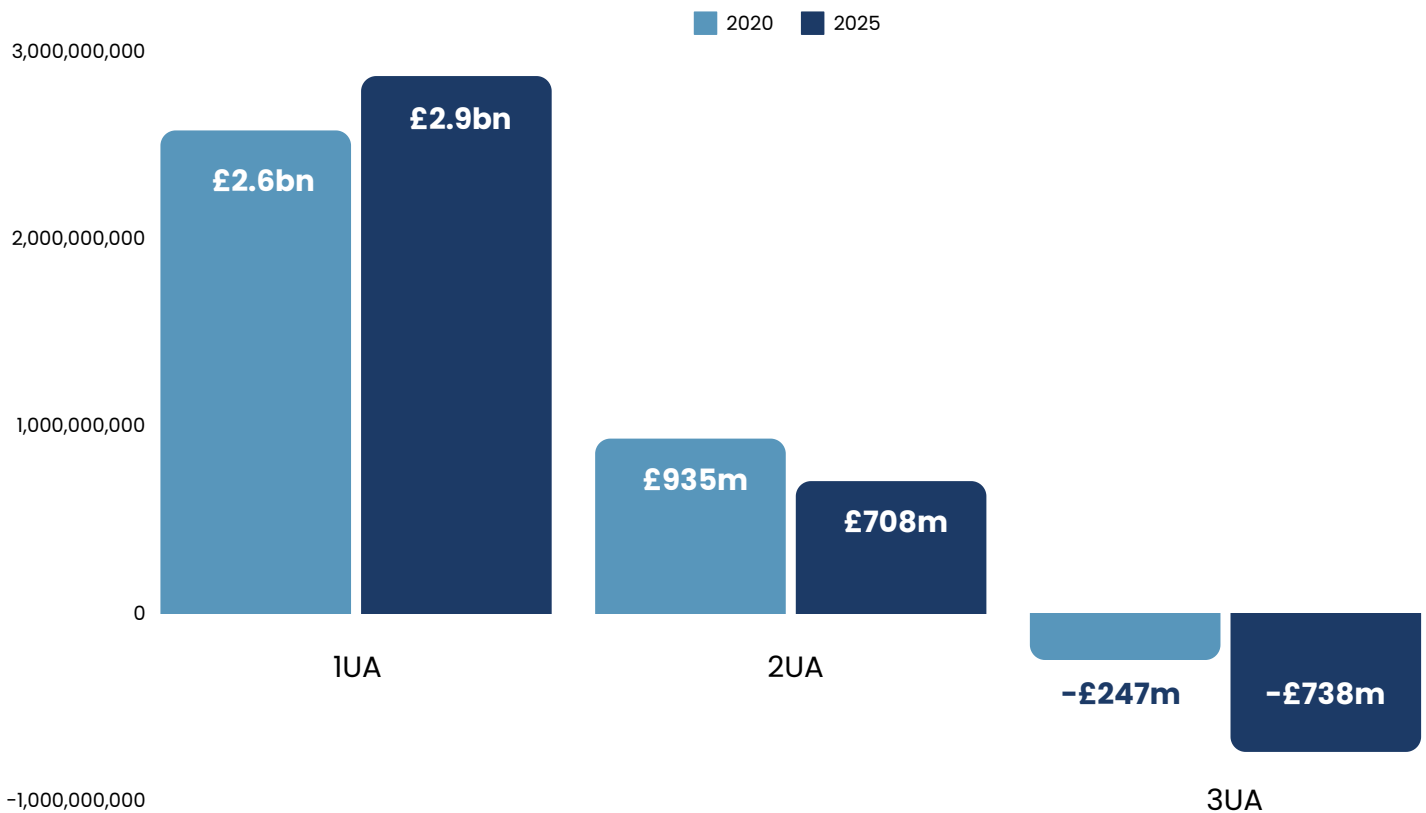
However, while PwC's aggregated scenarios demonstrates the level of efficiency savings that can be delivered from unitarisation and provides important insights on the importance of scale in achieving these, they did not recommend a minimum population size.

This is because their analysis was based on a uniform application of different unitary scenarios. Under this aggregated analysis, one or more unitary scenario is applied regardless of the population size of the area. This is limited in its ability to demonstrate the impact of population thresholds on savings and costs profiles.

For instance, under PwC's aggregated two unitary scenario, the six largest county council areas accounted for 60% of the net five year benefit, alongside a very large variation in the population of potential new unitary councils - ranging from 277k to 800k.

Therefore, within a simple aggregated analysis, it is difficult to fully test the impact of minimum population thresholds on the ability to generate significant efficiency savings. Further bottom-up analysis of the data is therefore required.

Graph 1 – Net benefit after five years – comparison between 2020 and 2025 analysis after removing four county areas that have already reorganised since this point., PwC 2025



What is disaggregation?

In instances where reorganisation takes place, thought needs to be given to the number of new unitaries that could be established in any given geography. If more than one new unitary were to be created, this will require services that have been previously delivered by a county council to be split or disaggregated across multiple organisations.

Within the modelling, PwC UK consider the following in disaggregation costs:

- **Annual duplicated leadership cost:** The cost of leadership structures required for each additional organisation created through disaggregation.
- **Annual duplicated service delivery cost:** The cost of additional service delivery resource required from the loss of economies of scale due to splitting service delivery functions through disaggregation.
- **Annual duplicated democratic structure cost:** The cost of additional special responsibility allowances structures for additional unitaries created through disaggregation.
- **Total disaggregation cost:** Recurring cost of duplicated leadership, service delivery and democratic structures.

Building on the analysis contained in PwC UK's 2025 report, and the data provided by PwC for CCN on each areas' individual high-level savings profile, the aim of this separate analysis is to investigate the impact of different minimum population thresholds on the savings potential and costs of reorganisation across all two-tier areas.

Rather than the uniform application of one or more unitary unitary authorities across all areas, four minimum population thresholds have been explored:

- **300K** population threshold
- **400k** population threshold
- **500k** population threshold
- **600k** population threshold

The following steps are then taken to arrive at the analysis across each of these thresholds:

- **Step one:** the population of the two-tier area is established using the latest Office for National Statistics mid-year estimates, which can be accessed [here](#).
- **Step two:** the population threshold is strictly applied to the area, with the area divided equally by the threshold, arriving at the maximum number of potential unitary authorities within the area without one authority falling more than 1% below the threshold. This result in a variation in the number of unitary authorities (between one and five) within each area, depending on the population of the two-tier area and threshold in each scenario.

- **Step three:** CCN uses PwC's individual costs and savings profile for each county area, using the bespoke figures for the area. For instance, if the population of the area is 700k and the threshold is 300k, then the individual results for two unitary authorities would be used for this area.
- **Step four:** Steps one to three are implemented for all 21 two-tier areas and across all four population threshold scenarios. Results are anonymised and aggregated for each threshold to present summary results spanning all two-tier areas in England.

While presenting a robust, evidence-based high-level analysis of the costs and benefits of local government reorganisation both nationally and across all two-tier areas, there are inevitably limitations to the additional modelling undertaken by CCN.

For instance, PwC's data and CCN's population analysis excludes the merging of small unitary authorities and solely relates to the remaining 21 two-tier areas. CCN recognise that, where they exist and depending on the nature of the geographies proposed, it is possible a small proportion of the disaggregation costs could potentially be offset.

Moreover, while PwC have used the most recent national and locally available data and assumptions have been updated, this will not account for all local factors effecting the savings and cost profiles of each individual area.

The results of this analysis should therefore be used to guide local and national discussions on the costs and benefits of different approaches to local government reorganisation, and be supplementary to more detailed bespoke analysis within a local area.

SUMMARY OF AGGREGATED RESULTS

The following pages summarise the results of our analysis on the basis of different population-based thresholds for new unitary authorities. Results are aggregated to present the impact of different population thresholds on the savings and cost profiles. The population thresholds applied are:

1

300k minimum: this results in 58 new unitary councils, with an average population of 340,000*

2

400k minimum: this results in 40 new unitary councils, with an average population of 490,000

3

500k minimum: this results in 29 new unitary councils, with an average population of 678,000

4

600k minimum: this results in 27 new unitary councils, with an average population of 728,000

*Calculated on the basis of a median average of the population of the total number of potential unitary authorities across all two-tier areas in each scenario.

Definitions

- **Total annual benefit:** The expected annual financial benefit of reorganisation using the methodology as set out on pages 7 and 9 of PwC's report.
- **One-off transition costs:** The estimated costs of implementing the change to the unitary based models of local government. These costs include rebranding, programme management and ICT costs as set out on page 12 of PwC's report.
- **Annual disaggregation cost:** The estimated annual recurring calculation of the cost of duplication of leadership teams, democracy and service delivery teams in two or more unitary scenarios.
- **One year impact of disaggregation:** A one year estimation of the cost impact including disaggregation and transition costs.
- **Five year impact of disaggregation:** A five year estimation of the cost impact including disaggregation and transitions costs.
- **Net benefit after 5 years:** The expected financial benefit of reorganisation minus the cost of transition and disaggregation (when appropriate). This assumes that approximately 75% of the benefit is realisable in year one.
- **Recurring benefit after 5 years:** This is the ongoing total net benefit.



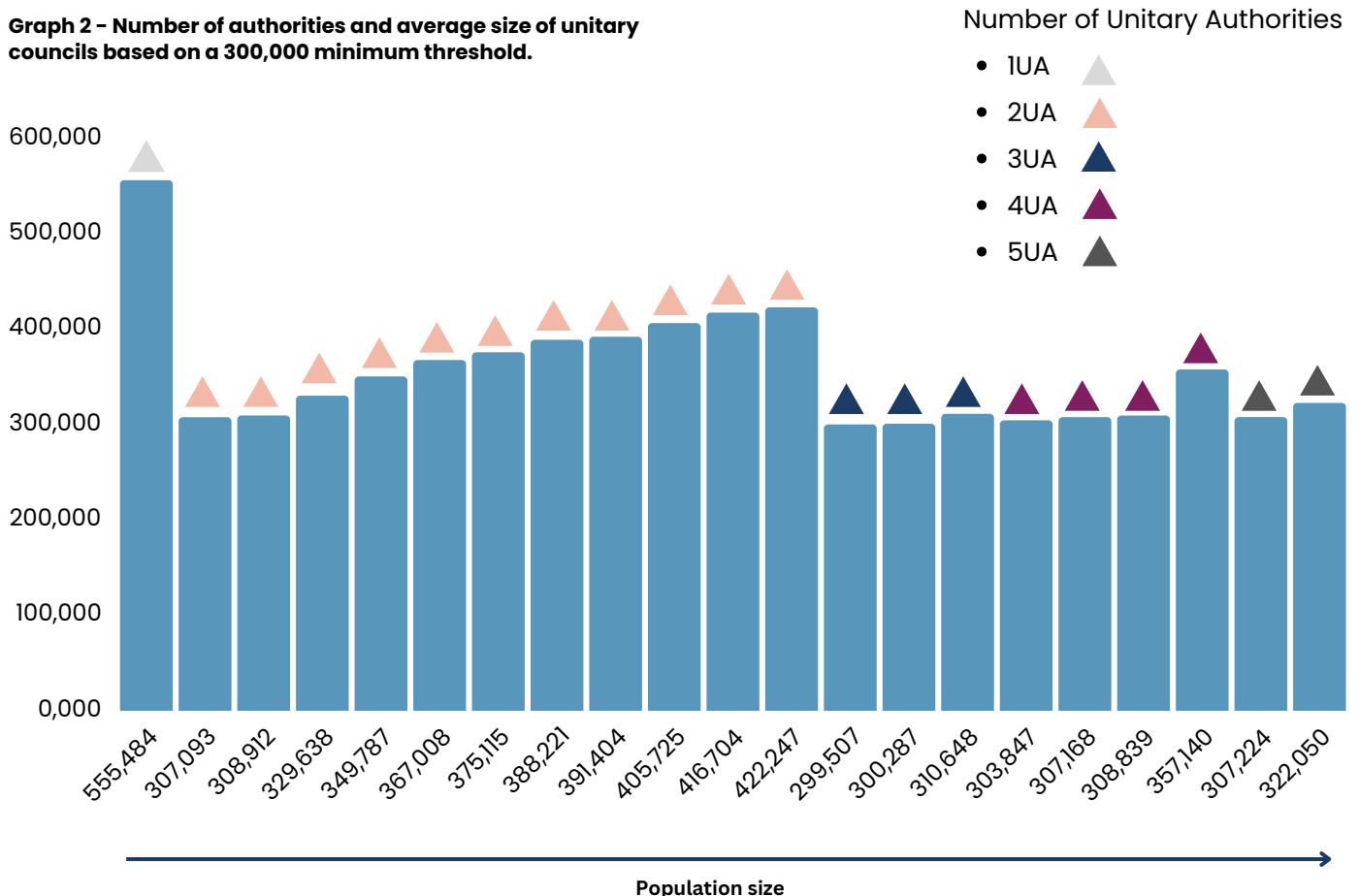
SCENARIO 1: 300k minimum

The graphic shows the breakdown in the number of unitary councils when you apply the population threshold to each of the 21 two-tier areas. Overall this results in 58 new unitary councils, with an average population of 340,000.

The graph below shows the average size of a unitary authority within each area, based on a 300,000 minimum threshold.

- 1** area is a single unitary authority
- 11** areas are two unitary authorities
- 3** areas are three unitary authorities
- 4** areas are four unitary authorities
- 2** areas are five unitary authorities

Graph 2 - Number of authorities and average size of unitary councils based on a 300,000 minimum threshold.



The table outlines the results from quantitative analysis for all 21 two-tier areas in England when applying a 300k minimum population threshold.

Key Metric	Value
Total Annual Benefit (£m)	489,690,000
One-off Transition Costs (£m)	-664,362,000
Annual Disaggregation Cost (£m)	-501,454,700
One-year impact of disaggregation (£m)	-893,398,900
Five-year impact of disaggregation (£m)	-3,716,344,700
Net benefit after five years (£m)	-845,607,300
Recurring benefit after five years (£m)	-11,764,800

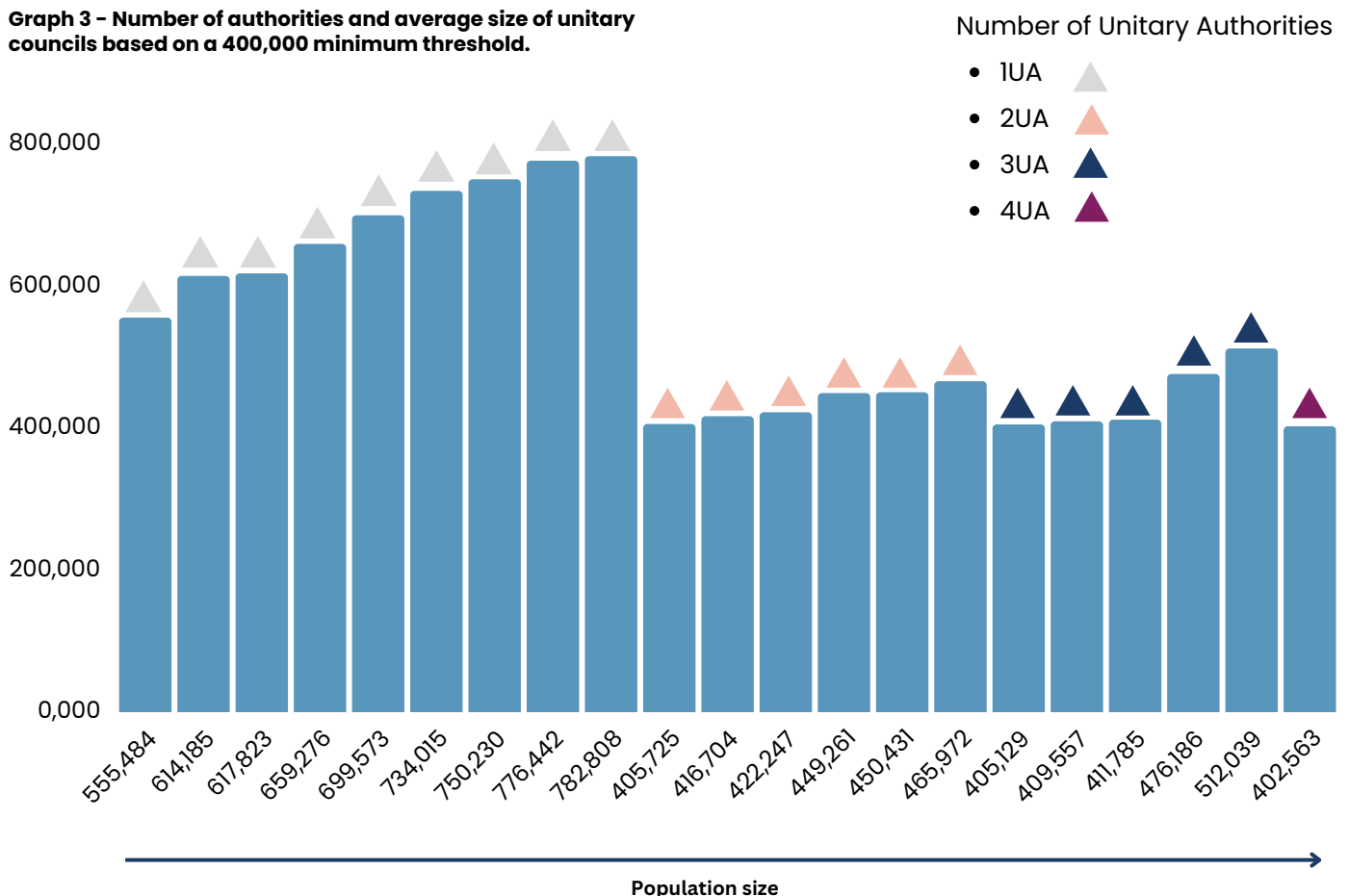
SCENARIO 2: 400k minimum

The graphic shows the breakdown in the number of unitary councils when you apply the population threshold to each of the 21 two-tier areas. Overall this results in 40 new unitary councils, with an average population of 490,000.

The graph below shows the average size of a unitary authority within each area, based on a 400,000 minimum threshold.

- 9 areas are a single unitary authority
- 6 areas are two unitary authorities
- 5 areas are three unitary authorities
- 1 area is four unitary authorities

Graph 3 - Number of authorities and average size of unitary councils based on a 400,000 minimum threshold.



The table outlines the results from quantitative analysis for all 21 two-tier areas in England when applying a 400k minimum population threshold.

Key Metric	Value
Total Annual Benefit (£m)	569,650,900
One-off Transition Costs (£m)	-546,565,300
Annual Disaggregation Cost (£m)	-272,546,700
One-year impact of disaggregation (£m)	-486,724,400
Five-year impact of disaggregation (£m)	-2,074,194,300
Net benefit after five years (£m)	796,543,100
Recurring benefit after five years (£m)	297,104,200

SCENARIO 3: 500k minimum

The graphic shows the breakdown in the number of unitary councils when you apply the population threshold to each of the 21 two-tier areas. Overall this results in 29 new unitary councils, with an average population of 678,000.

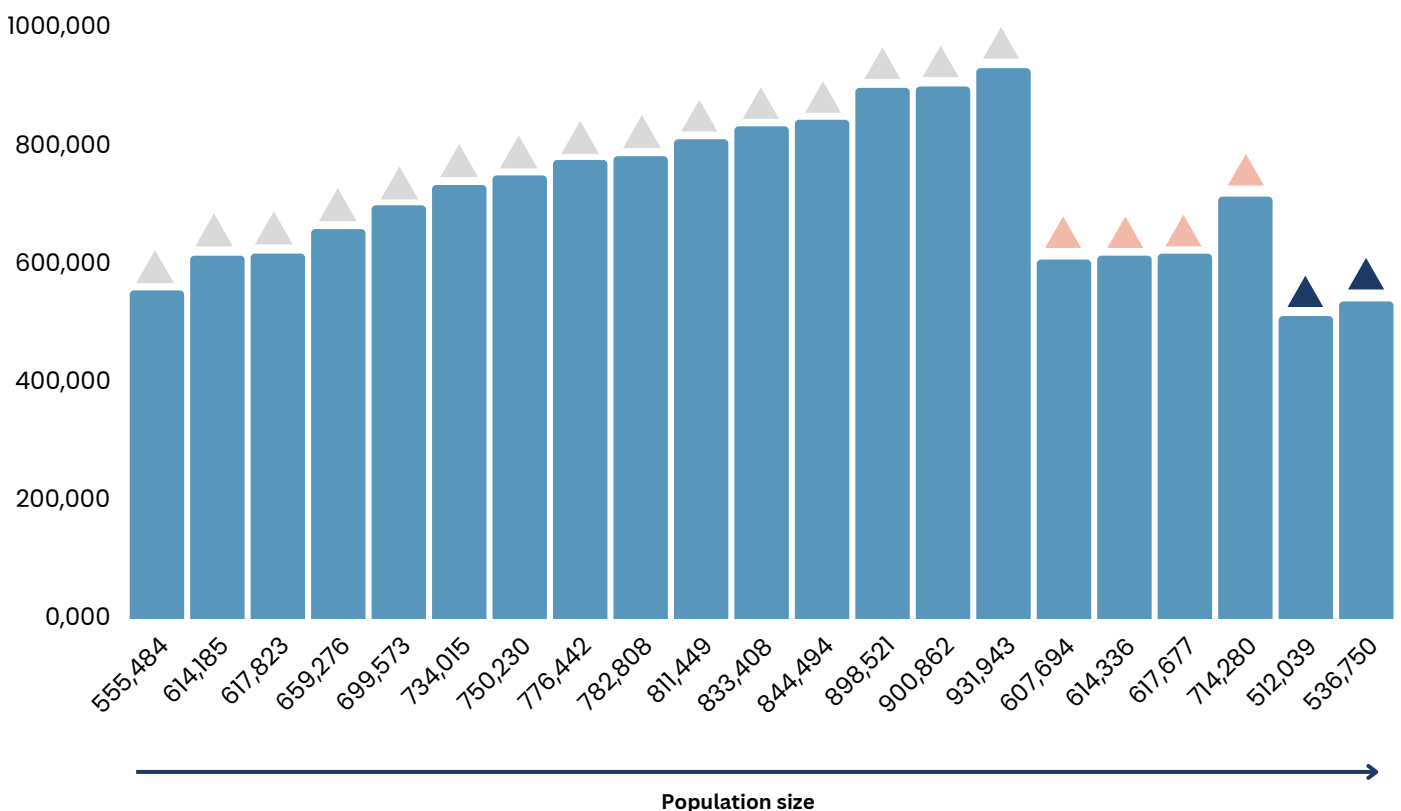
The graph below shows the average size of a unitary authority within each area, based on a 500,000 minimum threshold.

- 15** areas are a single unitary authority
- 4** areas are two unitary authorities
- 2** areas are three unitary authorities

Number of Unitary Authorities

- 1UA ▲
- 2UA ▲
- 3UA ▲

Graph 4 - Number of authorities and average size of unitary councils based on a 500,000 minimum threshold.



The table outlines the results from quantitative analysis for all 21 two-tier areas in England when applying a 500k minimum population threshold.

Key Metric	Value
Total Annual Benefit (£m)	630,453,100
One-off Transition Costs (£m)	-475,631,300
Annual Disaggregation Cost (£m)	-134,210,800
One-year impact of disaggregation (£m)	-231,852,900
Five-year impact of disaggregation (£m)	-1,022,770,300
Net benefit after five years (£m)	1,847,967,000
Recurring benefit after five years (£m)	496,242,300

SCENARIO 4: 600k minimum

The graphic shows the breakdown in the number of unitary councils when you apply the population threshold to each of the 21 two-tier areas. Overall this results in 27 new unitary councils, with an average population of 728,000.

15 areas are a single unitary authority

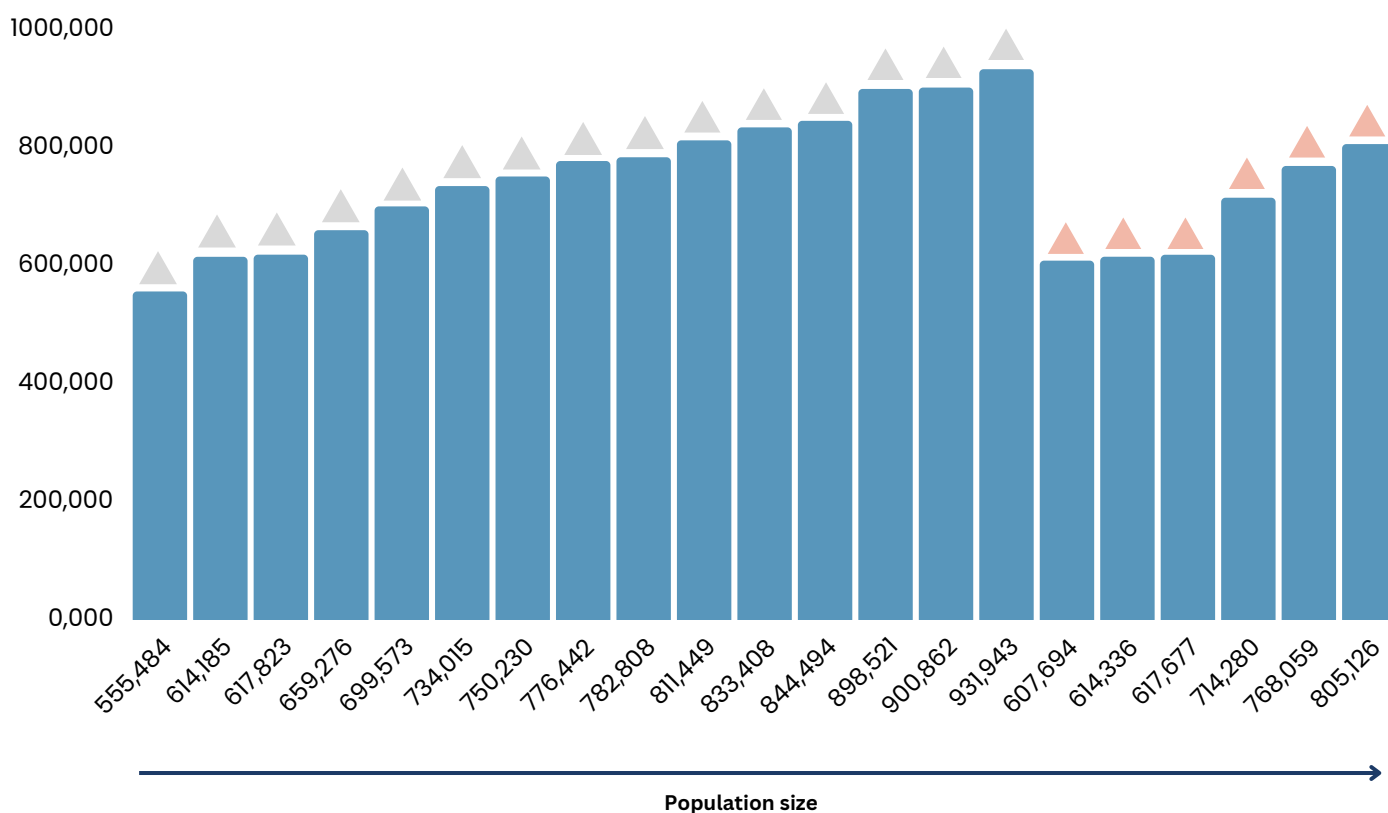
6 areas are two unitary authorities

The graph below shows the average size of a unitary authority within each area, based on a 600,000 minimum threshold.

Number of Unitary Authorities

- 1UA ▲
- 2UA ▲

Graph 5 - Number of authorities and average size of unitary councils based on a 600,000 minimum threshold.



The table outlines the results from quantitative analysis for all 21 two-tier areas in England when applying a 600k minimum population threshold.

Key Metric	Value
Total Annual Benefit (£m)	643,013,100
One-off Transition Costs (£m)	-463,143,500
Annual Disaggregation Cost (£m)	-112,178,800
One-year impact of disaggregation (£m)	-187,913,100
Five-year impact of disaggregation (£m)	-840,462,500
Net benefit after five years (£m)	2,030,274,900
Recurring benefit after five years (£m)	530,834,300

POLICY IMPLICATIONS

PwC’s updated analysis clearly demonstrates that there are still substantial opportunities for delivering economies of scale through local government reorganisation in the remaining two-tier areas, with their findings showing a single unitary authority in each two-tier area saving an estimated £2.9bn over five years.

The extent to which efficiency savings can be realised will be determined by a number of factors. However it is the population criteria that will be the single biggest driver. This will ultimately determine the extent to which areas aggregate or disaggregate existing local government services split across a county council and multiple district councils.

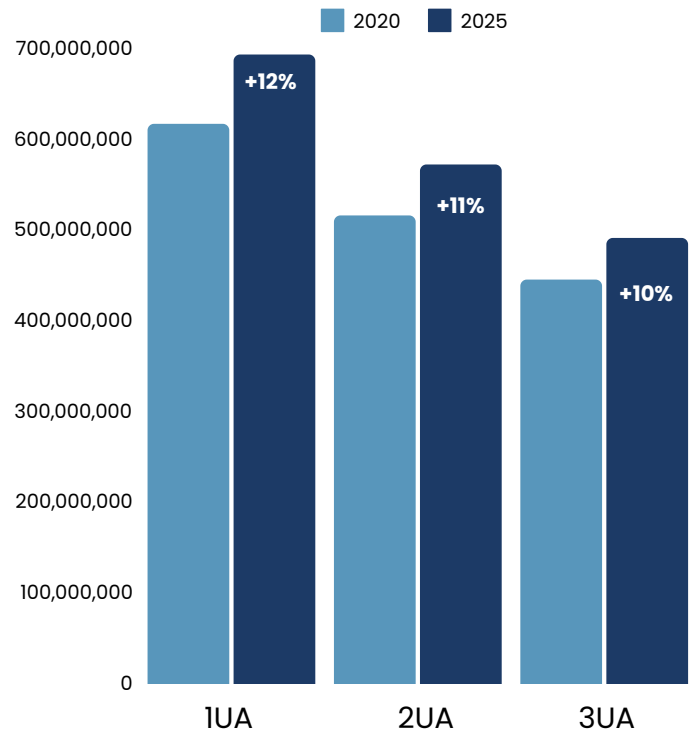
PwC’s analysis shows the potential size of efficiency savings that could be achieved through aggregating services and back-office functions have increased since 2020 after removing the four county areas that have already reorganised since this point.

As Graph 6 demonstrates, annual financial benefits, before disaggregation costs, have increased between 10-12% across the main scenarios analysed by PwC. This is after factoring in cost reductions by councils over recent years.

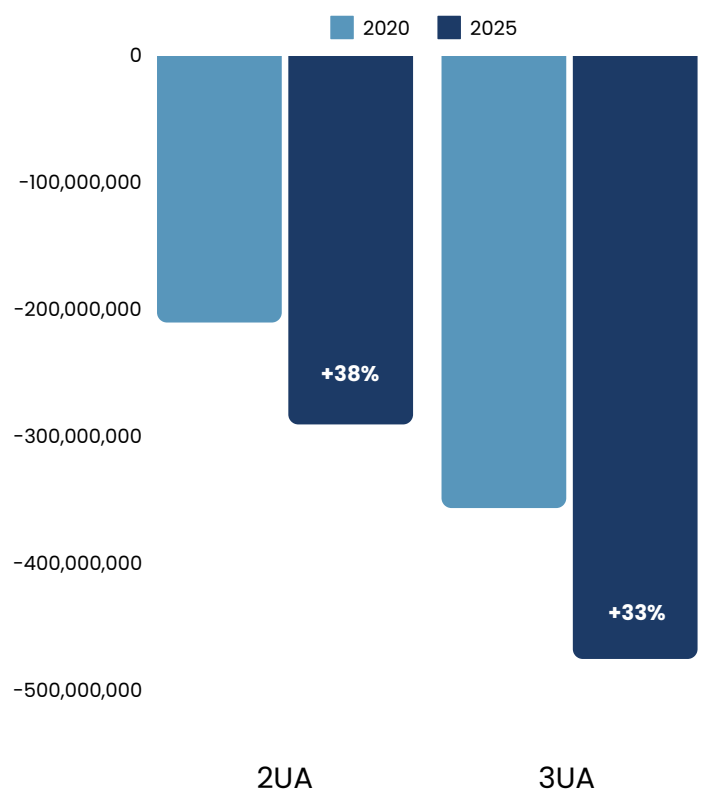
However, with spending in both adults and children’s social care rising rapidly in recent years, the costs associated with disaggregation – the process of splitting up county council social care services into multiple authorities – has also increased significantly.

Graph 7 shows that annual recurring disaggregation costs have risen between 33%-38% since 2020 across the main scenarios analysed by PwC.

Graph 6 – Annual benefit (before disaggregation costs) – comparison between 2020 and 2025 analysis, PwC 2025



Graph 7 – Annual disaggregation costs – comparison between 2020 and 2025 analysis, PwC 2025



In seeking to achieve these potential savings from reorganisation, and reduce the costs of reform, the government have stated new unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks. For most areas, this will mean 'creating councils with a population of 500,000 or more'.

This figure has generated much debate across the local government sector, including the evidence-base informing the government's new population criteria.

However, the additional analysis undertaken on population thresholds contained in this document provides important evidence that not only backs up the decision to include 500,000 minimum population threshold; but crucially shows it should not be treated as an 'optimum' ceiling if the government is to deliver on its promises to 'end the two-tier premium'.

Our Key findings show:

- **Scenario 1: Replacing the two-tier system in England with 58 new unitary authorities based on a minimum population of 300,000 would result in a net-cost of £845m over five years.** Creating unitary authorities of this size - with an average population of 340,000 - would create £3.7bn of disaggregation costs over five years, while the 'one-off' transition costs would top £660m. With over half a billion pounds in permanent additional disaggregation costs each and every year from splitting up social care services into multiple smaller councils, this scenario delivers no long-term efficiency savings overall.
- **Scenario 2: A minimum threshold of 400k and creating 40 new councils with average population of 490,000 would begin to make savings of £797m over five years.** However, some £2bn of disaggregation costs would be incurred over the first five years, with one off-transition costs only 18% lower. Crucially, permanently higher disaggregation costs and lower efficiency savings result in a £297m recurring saving, with 72% of this entire long-term recurring saving concentrated in the nine single unitary authorities under this scenario, all of which have a population in excess of 550,000.
- **Scenario 3: Scenario 3: Creating 29 new unitary councils based on a minimum population of 500,000 would deliver a net-savings of £1.85bn over five years.** Compared to Scenario 1, disaggregation costs over five years reduce dramatically to £1bn, while one-off transition costs are 28% lower. With permanent disaggregation costs 73% lower, a recurring annual saving of £496m could be delivered, a 67% increase in savings compared to Scenario 2.
- **Scenario 4: These reduced costs and higher savings increase if a minimum population threshold of 600,000 was applied, resulting in a net-savings of £2bn over five years from creating 27 unitary councils.** Under this scenario, £530m of recurring savings could be achieved.

While the potential financial gains from reorganisation is at the heart of the government agenda for reform, the criteria contained in the invitation issued to all areas provides a wide-ranging set of statutory guidance to help local areas put forward sustainable and credible proposals.

These include whether proposed unitary councils constitute a sensible and credible geography; how they can prioritise the delivery of high quality and sustainable public services and enable stronger community engagement; and whether new structures can support existing, or new, devolution arrangements.

In responding to the statutory invite and putting forward proposals for a single tier of local government across their areas, local authorities will need to consider all these important factors.

But given the financial challenges facing local authorities, the ability of proposals to generate efficiency savings and contribute to improved financial resilience must be an overriding objective of any proposals for reform.

Savings from reorganisation alone are not a panacea to the significant funding shortfalls facing upper-tier demand-led services. Moreover, they will not compensate two-tier areas from disproportionate or unfair reductions in funding as a result of a negative outcome of the fair funding review.

At the very least, reorganisation should not seek to make these financial challenges harder, either in the short or long-term. Instead, it must enable the scale, capacity and resilience to deliver substantial savings to be reinvested in frontline services to the benefit of local taxpayers.

Equally, however, the importance of the 500,000 minimum population is not limited to its ability to generate efficiency savings and reduce costs.

While the process of disaggregation has the potential to create significant recurring costs, it also increases both the complexity and risk involved in the reform process, well beyond the issues of boundary reviews.

With the statutory guidance outlining that proposals must demonstrate how they improve local services and avoid 'unnecessary' fragmentation - with particular consideration for adult services, children's social care and special educational needs - any proposal that requires the disaggregation of current services will need to take account of the following risks and complexities:

- Potential diseconomies of scale and market disruption from the fragmentation of purchasing power and market oversight/management;
- Additional governance structures increasing complexity and potentially adding to the transaction costs in the system and safeguarding risks;
- Challenges in the recruitment and retention of staff and senior leadership positions in adult and children's social care;
- Lack of a coherent, single voice for the place which could lead to competition/contradiction in messaging and prioritisation of outcomes;
- Increased complexity in partnership working with key players such as the NHS.

CONCLUSIONS

With an increasing number of county areas successfully reorganising to create unitary authorities over the past decade, our network has always been open to the prospect of reform. The willingness of our member councils to embrace the agenda was demonstrated clearly by their applications for both the Devolution Priority Programme and fast-track reorganisation.

However, in doing so, CCN and its member councils have consistently argued that government must set out a clear policy direction and ensure reform follows an evidence-based, structured approach. In our *Manifesto for Counties*, published ahead of the General Election, CCN argued that early clarity on local government reorganisation was critical, alongside a clear and transparent set of criteria to ensure a coherent and structured process that can create authorities of the necessary size and scale.

CCN strongly welcome the government adopting these recommendations in the approach they have set out. Ministers have been unambiguously clear in the policy direction, with a desire to see all remaining two-tier areas reform to create new unitary councils. Moreover, the criteria contained in the invitation issued to all areas provides a comprehensive set of statutory guidance to help local areas put forward sustainable and credible proposals for reform, including a minimum population of 500,000 or more.

There has, and will continue to be, much debate over the government's minimum population criteria. Exceptions to this may be required when considering the expansion of existing unitary councils. Moreover, this study focuses on the impact of future reorganisations, and is not looking retrospectively at previous reorganisations or population sizes.

Nonetheless, this new analysis shows that when considering the next wave of local government reorganisation, ministers are right to pursue this policy, with the potential to create significant efficiency savings. But while the government have made an encouraging start, it is now critical that they build on the progress to date.

From the outset of the government's agenda, CCN has outlined that it will not be dogmatic over whether an area chooses to reform into one or more unitary authority. Our network will continue to support, and promote, an evidence-based approach to reform that aids local areas to make informed decisions.

It is ultimately up to local areas to choose which option to pursue, considering both the financial implications and other impact factors. They must do so mindful of the costs and risks involved in the reorganisation process. CCN also recognise that, where existing unitary authorities are part of a reorganisation process, it is possible a small proportion of the disaggregation costs could potentially be offset.

However, while it may be necessary for some areas to create more than one new council, this analysis shows that splitting existing county councils into multiple small unitary councils with populations as small as 300,000 will create hundreds of millions of new unsustainable costs, piling further strain on already under pressure care services.

Therefore, it is vital that ministers adhere strictly to the statutory criteria they have set out. This includes being consistent in their messaging to the sector in the lead up to the submission of formal proposals, while treating the 500,000 as a minimum not an optimum population scale. This will ensure clarity for local areas in putting forward proposals and most importantly, the creation of new councils with the scale, capacity and resilience to deliver substantial savings to be reinvested in frontline services to the benefit of local taxpayers.

CCCN

COUNTY COUNCILS NETWORK

CCN is the voice of England's counties. Representing the local authorities in county areas, the network is a cross-party organisation which develops policy, commissions research, and presents evidence-based solutions to issues on behalf of the largest grouping of councils in England.

In total, the 20 county councils and 17 unitary councils that make up the CCN represent 26 million residents, account for 39% of England's GVA, and deliver high-quality services that matter the most to local communities.

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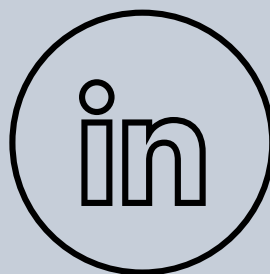
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