

LOCAL GOVERNMENT REORGANISATION:

Analysing the impact on people services



CCN
COUNTY COUNCILS NETWORK

Newton

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 18 unitary councils that make up the CCN represent 28 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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Contents

01: Executive summary	3
02: Introduction	14
03: Reorganisation and people-based services: views from the frontline	23
04: Deep dive into demand variation	34
05: Deep dive into ordinary residence and care supply and demand	45
06: Deep dive into unit cost	51
07: Deep dive into senior staffing impact	60
08: Deep dive into service quality and partnerships	65
09: Deep dive into distribution of deficits in the High Needs Block	73
10: Conclusions	78
11: Footnotes and Appendices	86



01: Executive summary

Five key messages from this analysis

01

The government's forthcoming decisions about the size of new unitary councils will have profound, long-lasting impacts on the most vulnerable members of society. The evidence strongly suggests larger-scale councils are essential to preserve service quality, prevent rising costs, and ensure financial sustainability of people-based services.

02

New unitary councils with populations substantially below 500,000 people will increase the price councils pay for care, putting further financial costs on these under-pressure services. Modelling suggests that if all new unitary councils had a population below this figure, this would result in additional unit costs of between £180m and £270m annually solely as a result of reductions in purchasing power. In contrast, if all new unitary councils had a population above 500,000, it would reduce care fees by £65m a year across England.

03

Splitting county councils into smaller local authorities will require hundreds of new senior roles as councils already grapple with a shortfall in care staff. Modelling shows that if all new unitary councils had a population of below 500,000, this would result in a requirement of between 500 - 1,100 additional management and senior roles in care services. In contrast, if all new unitary councils had a population of above 500,000, fewer senior managers than are currently in place will be required, saving those areas money to reinvest in care services.

04

Breaking up high-performing county councils into substantially smaller councils could lead to worse services. The report reveals that larger authorities are more likely to receive 'Outstanding' or 'Good' ratings from Ofsted for children's services. Currently, 16 of the 21 county councils are already good or outstanding for these services. Consequently, directors of care and special needs services warn in the report that smaller services could struggle to attract staff and invest in improving services.

05

Splitting county councils into smaller unitaries covering populations as small as 300,000 or lower could see some of these new authorities overwhelmed with demand. The report finds that the smaller the council, the more they could experience extreme concentrations of care users: effectively meaning care costs are highly variable between new authorities and may exceed planned budgets. This could leave some councils exposed to unaffordable costs and the use of expensive out of area placements. This could challenge their financial sustainability from inception.

1.1 Background and context

Through the English Devolution White Paper published in December 2024, the government has initiated the most significant restructuring of council arrangements in a generation, aiming to eliminate the two-tier local government system by 2028. This reorganisation will affect 21 two-tier areas across England, with proposals ranging from creating single unitary authorities to establishing up to five separate councils within individual county areas.

This report, commissioned by the County Councils Network (CCN) and delivered by Newton, presents objective, impartial evidence on how local government reorganisation (LGR) will impact people-based services - including adult social care, children's services, and Special Educational Needs and Disabilities (SEND) provision.

Specifically, this work has explored the impact of the geographical footprint and population sizes of new unitary councils on the costs and risks associated with the disaggregation of county-wide services.

1.2 Methodology and scope

The development of this report encompassed bespoke research across 19 of the 21 LGR areas in England, plus 16 neighbouring existing unitary authorities. The programme examined 77 different unitary formation scenarios, resulting in 205 possible new unitary footprints, and analysed detailed data from over half a million individuals across adult social care, children's services and SEND. It was overseen by a Steering Group comprising of officers from all participating authorities.

The research employed two complementary analytical approaches:

Quantitative analysis:

- **Regression analysis:** A regression analysis was conducted to isolate the impact of population scale on demand, cost, and service quality while controlling for demographic factors such as deprivation and median household income. Demand and cost projections were modelled through to 2040, incorporating both current resident data and demographic projections.
- **National analysis:** Building on the bespoke analysis, in collaboration with local areas, a single most realistic and sustainable configuration of 2, 3, 4 and 5 unitary options for each area was selected for the national analysis to provide a basis for consistent and comparative analysis. This resulted in 58 scenarios and 146 different unitary footprints being selected for inclusion within the national analysis. These scenarios could then be aggregated and summarised to produce the analysis included within this report.

Qualitative research:

- A survey of 39 senior officers (Chief Executive Officers, Directors of Adult Social Services, and Directors of Children's Social Care) across county councils.
- Roundtable discussions with senior leaders who had previously experienced local government reorganisation.
- Workshops conducted in each of the 19 participating authorities.

1.2 Key Findings

Opportunities from reorganisation

Local authority officers engaged through this programme demonstrated cautious optimism about LGR's potential benefits, with three-quarters of survey respondents expressing they were either "very excited" or "cautiously optimistic" about the possibilities that reorganisation offers for people-based services - **but only if reorganisation is delivered in the right way.**

The primary opportunities identified include:

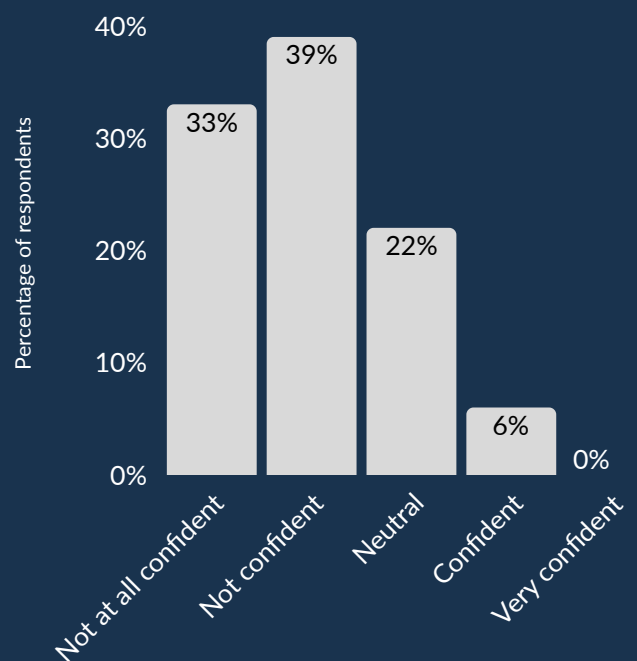
- **Enhanced service integration:** Unifying housing services with social care could enable more coordinated support for vulnerable populations, including care leavers and those at risk of homelessness.
- **Improved data utilisation:** Access to comprehensive resident data across services will enable proactive identification of at-risk cohorts and early intervention.
- **Strategic transformation:** LGR is recognised as presenting a once-in-a-generation opportunity to fundamentally redesign service delivery models rather than simply maintaining "safe and legal" operations.

Critical risks and challenges

Officers engaged through this programme were clear that the challenges associated with disaggregation encompass a host of wider issues which are likely to impact the quality and efficiency of people-based services on an ongoing basis, beyond the one-off impact of reorganising.

Engagement with senior officers in county councils suggests that there is a severe lack of confidence that the risks associated with disaggregation are, or will be, adequately considered in central government policy, including potential decisions by ministers on competing proposals from areas. Fewer than one in 10 (6%) of county council Chief Executives and Directors of Adult Social Care and Children's Services are confident they will be fully considered. There is also concern that not all proposals from local areas are fully considering the risks posed by disaggregation.

How confident do you feel the risks associated with disaggregation of people-based services are being or will be adequately considered in central government policy?



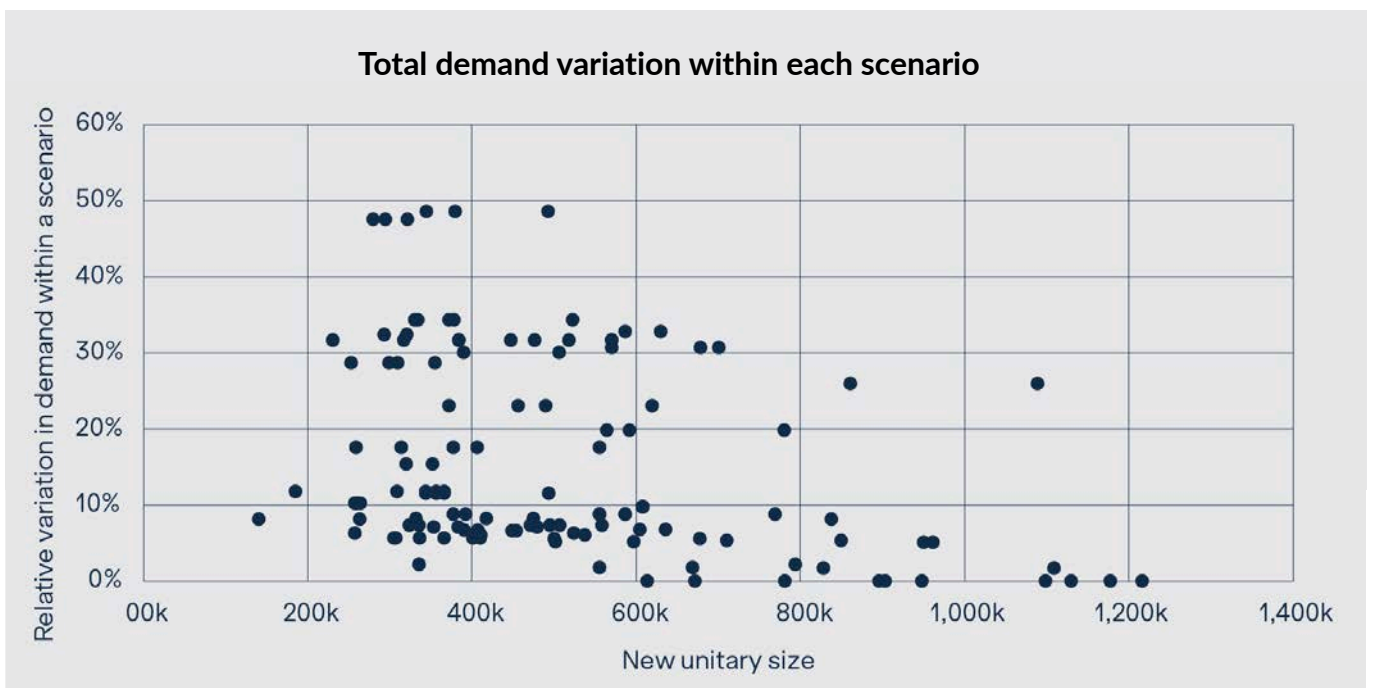
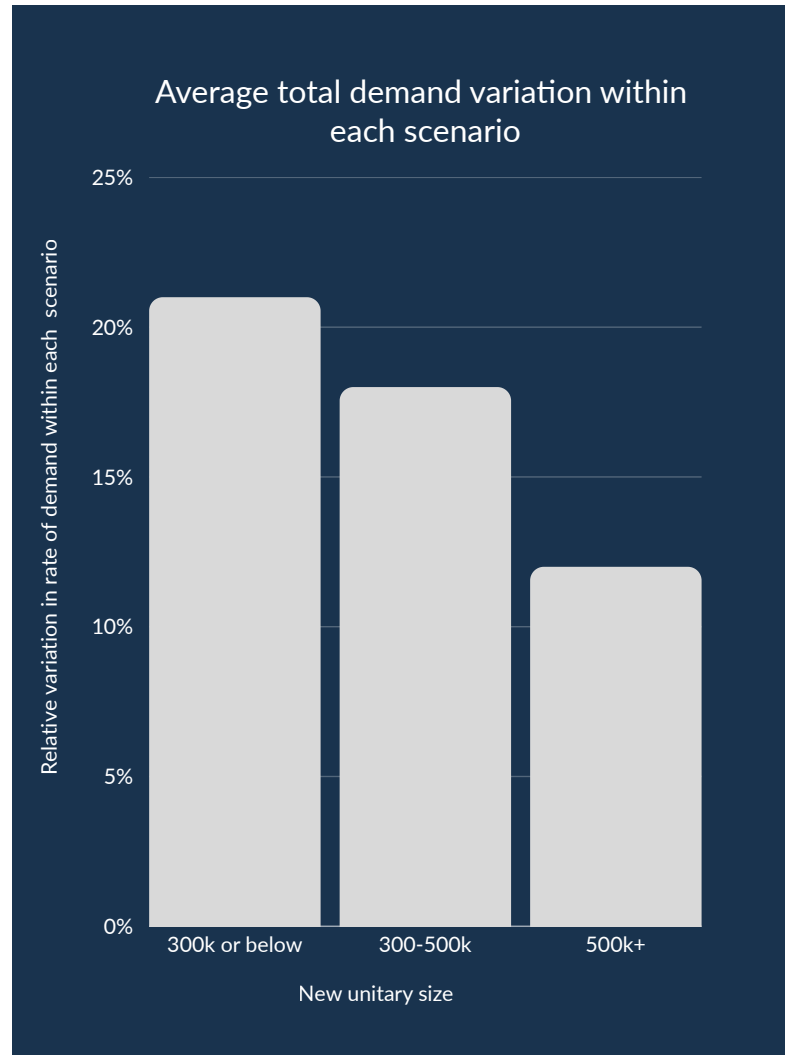
Building on the engagement undertaken with frontline professionals, this programme's data analysis reveals several significant risks associated with disaggregating county-wide services into multiple smaller authorities:

Demand variation

For each of the reorganisation scenarios and geographies included in the national analysis as part of this programme, the likely rate of total demand for people services (measured by the proportion of the population interacting with people services) has been estimated for each potential new unitary authority.

The analysis for this programme clearly shows that as the size of the new proposed unitary authority decreases, the potential variation in demand becomes more significant. This demonstrates there is greater risk that newly formed local authorities with a population below 500,000 will be exposed to extremes in demand variation, and therefore overwhelmed by demand that will not be sustainable in the long-term, or will be left with expensive care settings which are not being fully utilised.

When examining this effect at an individual service level, the trend is largely still present, albeit less pronounced. However, for every service analysed, the variation in demand is shown to be less significant where newly formed unitaries have a population of 500,000 or more.

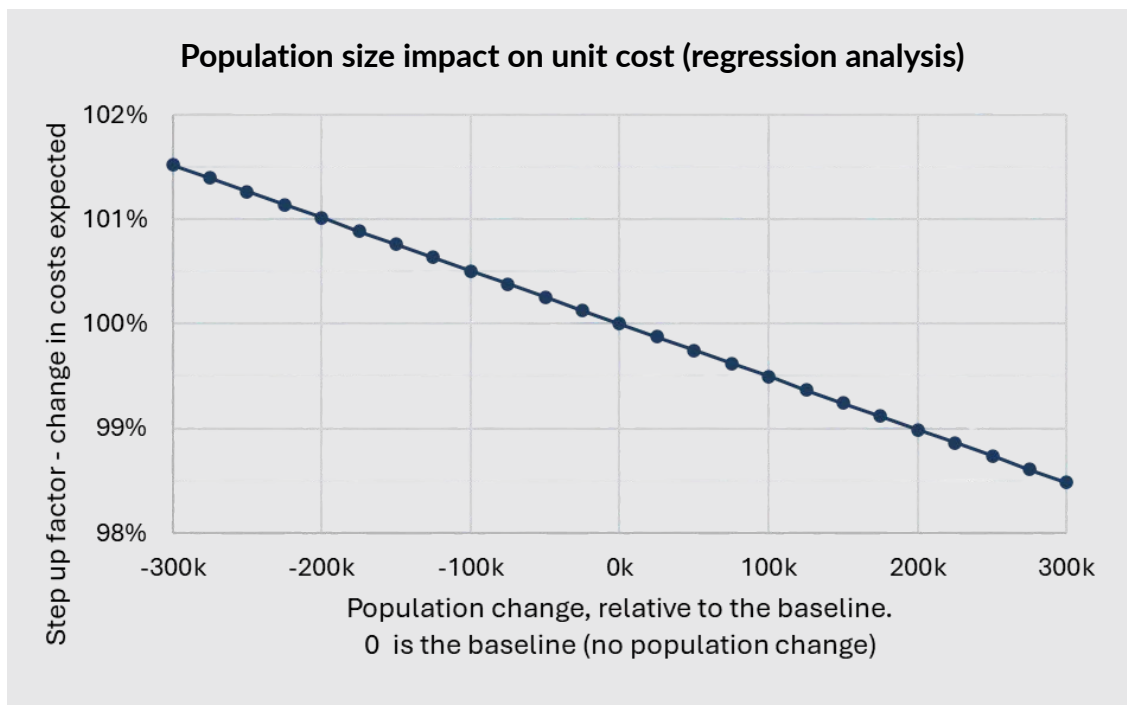
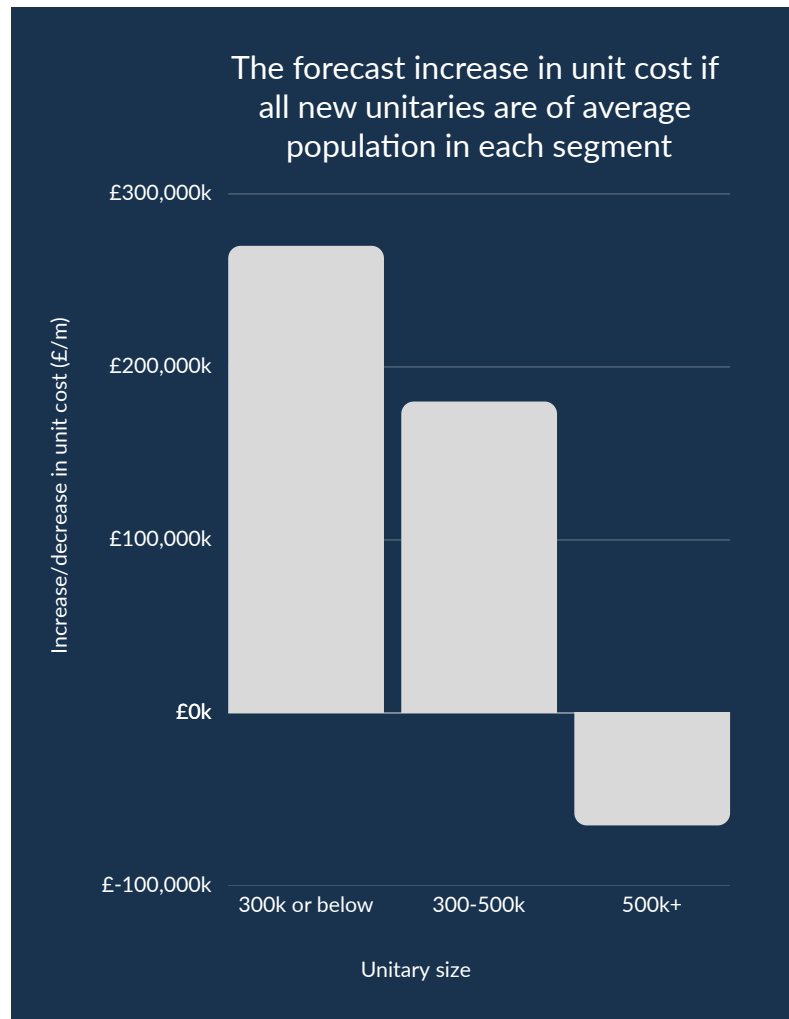


Unit cost increase

The analysis identifies a clear correlation between authority size and commissioning costs. For every 200,000 reduction in population, unit costs for commissioned care across all services (adult social care, children’s services, SEND) increase by approximately 1%, driven by reduced purchasing power.

With existing county councils commissioning care worth many hundreds of millions of pounds per year, reductions in population scale will result in a very significant, material and absolute cost increase where disaggregation takes place.

This programme’s modelling suggests that if all new unitary councils had a population of below 300,000, this would result in additional unit costs (solely as a result of reductions in purchasing power) of over £270m per annum. An additional £180m of annual costs would be experienced if all authorities had a population of between 300,000 and 500,000. In contrast, if all new unitary councils had a population above 500,000, a net reduction in unit costs of £65m could be expected.



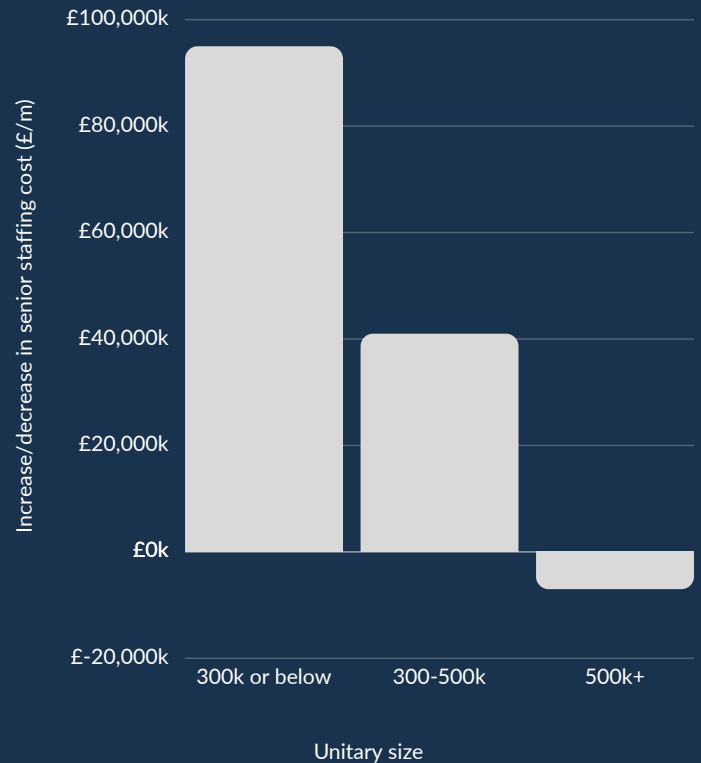
Workforce and leadership challenges

Creating additional authorities necessitates substantial increases in senior management posts. Each new unitary requires additional Directors of Adult Social Care, Directors of Children's Services, and supporting leadership teams. Critically, the sector could face severe challenges in recruiting sufficient qualified professionals to fill these roles, particularly given existing vacancy rates of 8.3% in adult social care.

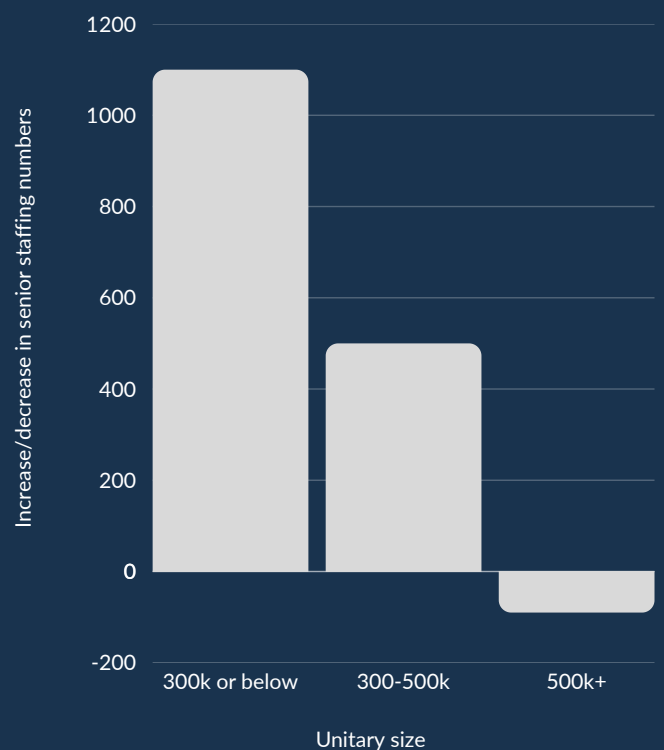
The analysis suggests that reorganisation could result in £1-3 million additional total senior staffing costs per authority created. This analysis only includes senior leadership and service management roles required for the people services in the scope of this analysis; there would be further additional staffing required in support functions, including business intelligence, IT and digital, HR and finance to support these newly formed services.

This programme's modelling shows that if all new unitary councils had a population of below 300,000, this would result in a requirement for over 1,000 additional management and senior roles, with an estimated annual cost of £95m. If all authorities had a population of between 300,000 and 500,000, nearly 500 additional staff would be required at an annual cost of £41m. In contrast, if all new unitary councils had a population of above 500,000, a net reduction in senior management could be experienced.

The forecast increase in senior staffing costs if all new unitaries are of average population in each segment



The forecast increase in senior staffing numbers if all new unitaries are of average population in each segment

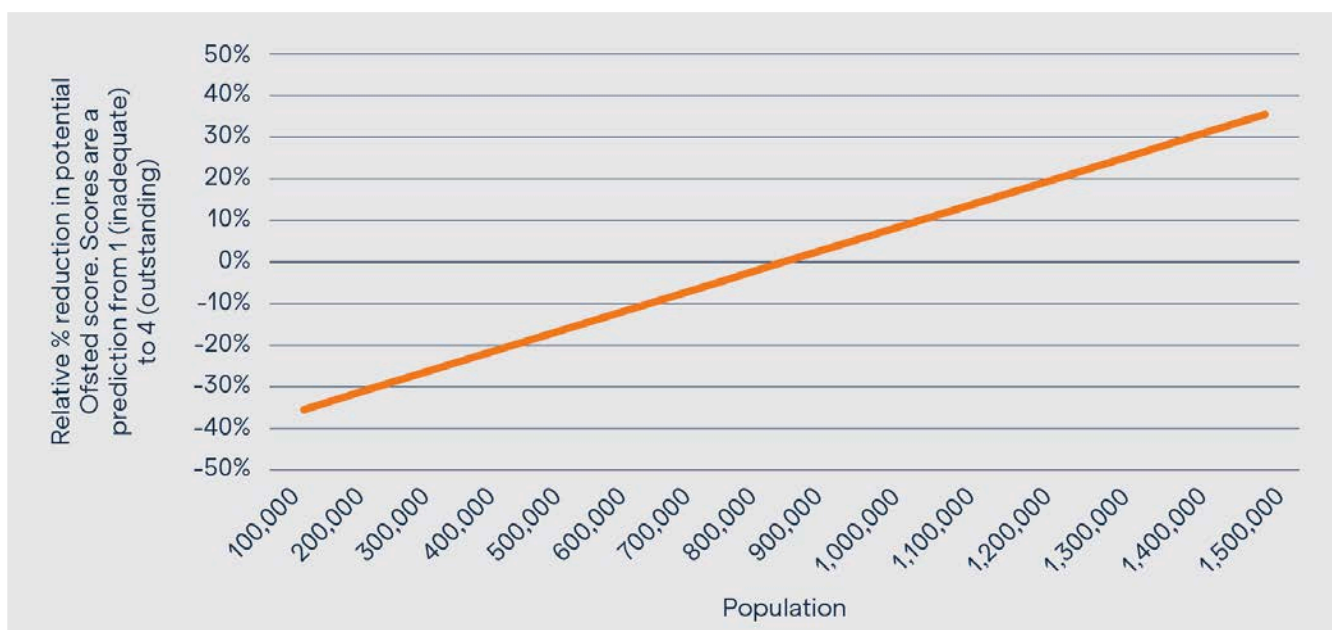


Service quality risks

In the engagement carried out for this programme, service directors hypothesised that people-based services delivered by larger local authorities were typically more highly rated by regulators. Therefore disaggregation posed a risk that service quality would be negatively impacted by disaggregation.

Regression analysis for this programme controlling for demographic and socioeconomic factors revealed that larger authorities are more likely to receive "Good" or "Outstanding" ratings from Ofsted for children's services. Service directors engaged in this work argued that the relationship appears linked to larger authorities' capacity for practice development, quality assurance, and attracting experienced leadership.

Regression analysis of Ofsted ratings



Financial risk from High Needs Deficits

High Needs Block (HNB) deficits held by local authorities, as a result of overspends and the statutory override, are arguably the single biggest financial risk facing county councils. How these deficits may be distributed as a result of LGR is a fundamental question for the financial sustainability of the newly formed authorities, particularly where disaggregation takes place.

Analysis for this programme shows a greater level of variation in the level of risk as the number of unitary authorities increases (and the scale of these reduces). This suggests significant inequality in financial risk could be created, which may demand disproportionate and unevenly distributed savings to be delivered in the future.

Distorted care demand and supply

Many sector stakeholders engaged through this programme expressed a concern about the impact of ordinary residence, whereby demand originates from parts of a county which may not be where the supply of support is most readily available.

This research shows that disaggregation and the formation of smaller unitary authorities will present a challenge to balance the uneven distribution of supply of care and the demand for care within these authorities, which is currently smoothed across larger geographic footprints.

The greatest potential impact of this distortion can be seen in the working age adult (WAA) residential cohorts. For these cohorts, demand, cost, and growth can be highly varied across a large county area.

1.3 Policy implications

Government priorities

From this programme of work a set of conclusions can be drawn which highlight key priorities for government to consider in moving to the next phase of LGR and assessing, selecting, and implementing proposals put forward by local areas.

- Local government reorganisation should seek to avoid or minimise disaggregation.
- The government should scrutinise and rigorously evaluate all proposals against their own statutory criteria, with a particular focus on, and due weighting for, the impact on people-based services.
- The government should consider appointing an independent body to evaluate proposals to ensure the long-term sustainability of local government in non-metropolitan England.
- Particular attention should be given to the variation in demographics and associated demand in people-based services, ensuring the assessment of proposals results in the best alignment of resources, needs, and assets.
- Structural Change Orders (SCOs) and implementation arrangements for reorganisation should ensure that upper-tier councils have a majority on implementation governance, particularly on Joint Committees and when countywide services are being disaggregated.
- Where disaggregation takes place, proactive mitigation of issues related to workforce and leadership development will be vital, and upper tier authorities should be enabled to take the lead on this.
- Where disaggregation takes place, develop and implement a specific plan (supported by relevant legislation if necessary) to address the issues of ordinary residence.
- Coherence with ICS restructures should be prioritised to maximise opportunities for public service reform and to ensure alignment at place level and co-terminosity where possible.
- A solution to be developed and implemented to address the issue of the statutory override on the High Needs Block budget.

Local planning considerations

The report emphasises that successful reorganisation requires moving beyond establishing "safe and legal" services to achieve genuine transformation. Key areas include:

- **Housing integration:** Developing coordinated approaches to homelessness prevention and supported housing.
- **Preventative services:** Utilising enhanced data access to identify and support vulnerable residents proactively.
- **Strategic asset utilisation:** Optimising the use of combined property portfolios and community assets.
- **Partnership alignment:** Ensuring coordination with health, police, and voluntary sector partners.

1.4 Conclusions

The report's findings indicate that decisions about unitary authority size and configuration will have profound, long-lasting impacts on the most vulnerable members of society who depend on people-based services.

While LGR presents significant opportunities for improved service delivery and democratic accountability, this analysis reveals substantial risks if reorganisation results in excessive fragmentation of people-based services through disaggregation.

The evidence analysed strongly suggests that maintaining larger-scale unitary authorities is essential to preserve service quality, control costs, and ensure financial sustainability.

Disaggregation should be avoided or minimised where possible, but where it cannot, the analysis suggests unitary authorities with populations in excess of 500,000 are those most likely to be able to reduce the risks of extreme demand variation, increased unit costs, and deterioration in service quality.

Where disaggregation takes place, careful attention is required to maintaining appropriate scale, ensuring equitable resource distribution, and coordinating with wider public service reforms.

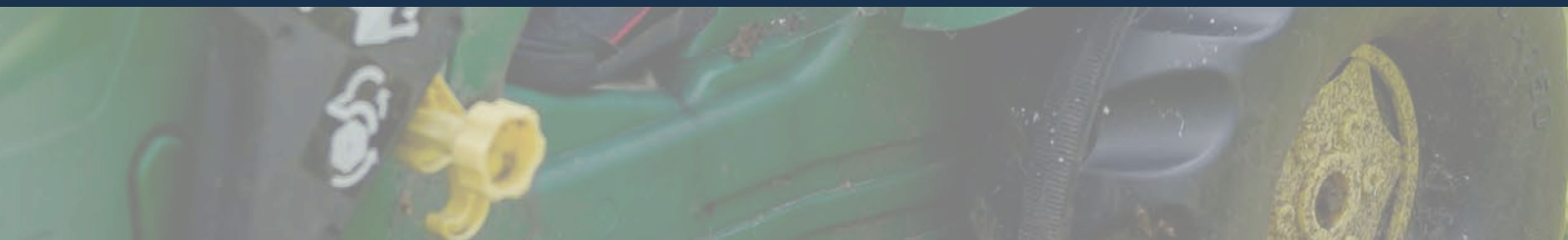
Without proper mitigation of identified risks, reorganisation could significantly harm service quality, increase delivery costs, introduce additional operational complexity, and potential threats to the viability of newly created authorities.

These risks must be considered within the context of the severe demand-led pressures facing people services, and the pressing need to preserve investment in preventative services to reduce existing challenges within the system.

However, with appropriate planning and scale considerations, LGR offers the potential for transformational improvements in how local government serves its communities.



02: Introduction



2.1 Background

Through the English Devolution White Paper, published in December 2024, the government has embarked on the most radical overhaul to council structures in a generation, with ambitions to end the current two-tier system of local government by 2028.

While the scale and pace of change envisaged is unprecedented, local government reorganisation (LGR) is not a novel concept, with unitary authorities having been created at numerous points over recent years. Through this experience, the sector has developed an in-depth understanding of the significant opportunities that can result from reorganisation, as well as the challenges that are often presented.

Previous reorganisations have demonstrated that the creation of a new unitary authority can deliver the opportunity for a local area to not just put in place a 'safe and legal' model, but rather to fundamentally transform the way in which residents are supported in their area.

Merging county and district authorities at the right scale can create a system that is preventative and resident-centric by design; leverages community assets and housing services that better support the most vulnerable residents; delivers reduced operating costs; and brings greater coherence to place-based public service reform. This should result in a system which is more efficient, effective and integrated.

Despite these significant opportunities, experience to date – supported by this programme's analysis - indicates that if LGR is not designed and delivered in the right way, there is a risk that it has a detrimental effect on outcomes for residents and on costs for taxpayers.

Following a decade of funding reductions and increased demand for services, the risk to service continuity, quality, and cost is further heightened as government embarks on a much wider reform agenda across both local government finance and service delivery.

Nowhere is this more relevant than in people-based services.

These services, comprising some of the most important delivered by the state, often to its most vulnerable citizens, include adult social care, children's services, home to school transport, public health, and special educational needs and disabilities (SEND). Core revenue spending on these services, which are largely statutory in nature, is growing year-on-year and is forecast to account for almost three quarters of spending need in two-tier areas by 2029/30.¹

Any reform to local authority structures will therefore have the greatest impact on these life-critical services, particularly in scenarios where the disaggregation of county-wide services is under consideration.

Interim local government reorganisation plans submitted by all areas by the deadline of March 2025 revealed at least 53 separate potential unitary configurations across the 21 areas that were invited to submit proposals. The disaggregation of county services was put forward as a formal option in all but one county area.²

Based on analysis of these plans³ and formal proposals published since, it is expected that almost every county area will have a submission for at least one unitary council with a population of below 500,000, with several including unitaries with populations of below 300,000. Individual areas are evaluating, or formally proposing, options for the creation of between one and five new unitary councils, depending on the size of the LGR geography.

The breadth of emerging proposals and competing options raises significant considerations over the optimum scale for delivering these people-based services. In turn, it also brings to the forefront of the debate the significant and serious risks and challenges associated with the disaggregation of county-wide services where more than one unitary council is created in an area.

Previous work by PwC and the County Councils Network (CCN) has estimated the one-off and recurring costs of splitting up and duplicating county-wide services in different reorganisation scenarios.⁴

However, the challenges associated with disaggregation in people services stretch beyond the direct financial impact of the potential savings profile from LGR, with many of these not explored in detail within previous reports.

These include the potential upward pressure on unit costs due to reductions in purchasing power; workforce deployment and the recruitment and retention of staff; reductions in provider capacity and placement sufficiency; and risks to the continuing quality of services.

All these factors will have a major impact on the stability of care services and may even risk the sustainability of some or all of the new councils themselves, given the proportion of local authority budgets that will continue to be devoted to people services.

2.2 Purpose

To explore these implications in more detail, CCN has worked with Newton on an extensive programme of work to assess the potential impact of LGR on local authorities' people services. Specifically, this work has explored the impact of the geographical footprint and population sizes of new unitary councils on the costs, opportunities and risks associated with the disaggregation of county-wide services.

The purpose of this report is to provide new and original quantitative insights on how demand, cost, and quality of councils' people services will be affected by the geography and population scale of new unitary councils. Alongside this, through engagement with senior practitioners in adults' and children's services and with county Chief Executives, it has qualitatively analysed benefits and risks of reorganisation for these critical services, and explored how these may be maximised and mitigated.

Box 01: Overview of local government reorganisation

Currently, local government across England is made up of a combination of unitary authorities and two-tier local government. In the two-tier system, responsibility for service delivery is split, with county councils responsible for functions such as education and social care, and district councils providing services such as waste collection.

In December 2024, the government published the English Devolution White Paper, in which it set out its plans for LGR.⁵ It has invited all two-tier areas and some unitary councils to submit proposals as part of this. The government plans to complete reorganisation through a phased delivery programme during this parliament.

LGR is being carried out alongside wider reforms to children's services, SEND, the Casey Review of adult social care, and an overhaul of the local government finance system through the fair funding review. Alongside LGR, new devolution arrangements through Strategic Authorities are also being developed, aiming to drive economic growth.

In February 2025, the government issued a statutory invitation to the 21 two-tier areas asking them to provide a proposal for LGR in their area:

- The authorities must be able to achieve efficiencies, improve service capacity, and withstand financial shocks. As a guiding principle, councils have been informed the population size should be 500,000 or more within each unitary authority. However, the government has since stated this is not a hard target, and councils should set out clearly their rationale if the proposed unitary councils are above or below this figure.

- Unitary authorities must prioritise the delivery of high quality and sustainable public services to its residents, considering the impact on crucial services such as adults' and children's social care and SEND. Proposals should show how new structures will improve local government and service delivery and should avoid unnecessary fragmentation of these services.
- Unitary authorities must demonstrate how they have worked together to come to a proposal, ensuring it meets the needs of their residents and is informed by their views.
- Unitary authorities must be prepared to facilitate devolution in their areas.
- Unitary authorities should enable stronger engagement with their communities. This includes detailed plans for neighbourhood empowerment through formal neighbourhood partnerships or area committees.

As of June 2025, the government has provided feedback on these interim plans, asking councils to build on their initial work to create final proposals which both meet the criteria and are backed by evidence and data. Councils in Surrey submitted final proposals in May, while councils in six Devolution Priority Programme areas submitted proposals in late September. All remaining areas are expected to finalise proposals by the end of November.

This national report has been developed to provide objective, impartial evidence, and to summarise themes and learning at a national level, based upon bespoke local analysis conducted on behalf of CCN member councils and additional sector engagement. The analysis in this report is intended to provide an input to a much wider debate, to inform and guide developing proposals, ministerial decisions, and planning at both a local and national level.

2.3 Approach

The development of this report was overseen by a Steering Group comprising officers from all participating authorities and involved bespoke research across 19 of the 21 LGR areas in England, plus 16 neighbouring existing unitary authorities.

In total, the local programme of analysis examined 77 different unitary formation scenarios, resulting in 205 possible new unitary footprints.

The programme's analysis drew on detailed data returns across adult social care, children's services, SEND, and home to school transport from each participating authority and some neighbouring unitary councils. Overall, this encompassed data regarding over half a million residents, supplemented by national data returns where required.

The expected demand and/or caseload for key people services within each county was calculated across the unitary geographies analysed. The change to the baseline has been calculated as well as the variation between the new authorities within each scenario. This includes a view of how demand and cost of service delivery will split on day one and how this may change over time (until 2040).

Further details on the approach to local and national modelling is outlined in Box 2 below and in the Appendices.

Alongside these data driven insights, qualitative engagement on the impact of LGR on people-based services was undertaken to further explore the themes of this research. This included a series of roundtable discussions with Chief Executives Officers (CEOs), Directors of Children's Social Care (DCSs) and Directors of Adults Social Services (DASSs) who have previously experienced local government reorganisation, with workshops also conducted in each of the 19 participating authorities.

Moreover, during Summer 2025, a survey was conducted by CCN and Newton with CEOs, DCSs and DASSs across the 21 county councils in England on the opportunities and risks of LGR on people-based services. The survey received 39 responses in total, with three quarters of respondents a current DCS or DASS. Overall, 39% of all county council CEOs responded to the survey, 62% of DASSs and 66% of DCSs.

2.4 Limitations of this analysis

Given the aims and scope outlined above, it is important to be aware that neither this report, nor the underlying analysis, are intended to provide a comprehensive assessment or forecast of the long-term need for support from authorities' people services. To enable an informed and comparable evaluation of different options, several core assumptions have been made about levels of potential need for support and factors which may influence this, and these assumptions have been applied to all areas consistently. Local areas will be able to adjust these with their own more detailed forecast modelling if desired.

Box 02: Approach to national modelling

In the following sections of this report, two forms of analysis are presented:

Regression analysis: A regression analysis of nationally available unit cost data from across all current local authorities in England data was conducted, to examine the key factors which drive the unit cost of care in people services. The analysis explored the relationship between each potential factor and unit cost, whilst holding all others constant. This included demographic factors, such as the level of deprivation, as well as factors specific to the local authority, primarily focussed on understanding the impact of scale and purchasing power. These relationships were then used in the local area analysis. The same approach was used to analyse the relationship with Ofsted and CQC outcomes for the service quality analysis.

National analysis: The local analysis carried out for each of the county areas included scenarios of different numbers of unitary authorities, and often multiple variants comprising the same number of unitaries but with different boundaries, according to the options being considered locally. For example, multiple scenarios exist where a county area is considering disaggregation into two unitaries, but with boundaries drawn in different places. In order to aggregate this analysis and produce a national picture, a consistent approach was taken to the number and potential size of unitary councils across different areas, taking into account the size of the population and potential number of unitary councils. Therefore, in collaboration with local areas, a single most realistic and sustainable configuration of 2, 3, 4 and 5 unitary options for each area was selected to provide a basis for consistent and comparative analysis. Depending on the size of the individual LGR geography, if the area had not initially requested these option to be modelled within their local analysis, these councils were asked to provide the most realistic configuration based on local factors.

Only areas with a combined population above 750,000 included a three unitary option. Four or five unitary scenarios were only included for geographies with a) a population of more than 1 million people and b) where a four or five unitary scenario was potentially feasible within the geography. Twelve areas with a population below 1 million had the option of a county-wide unitary authority included within the national analysis.

This resulted in 58 scenarios and 146 different unitary footprints being selected for inclusion within the national analysis. These scenarios could then be aggregated and summarised to produce the analysis included within this report.

Further details on the approach to aggregating scenarios can be found in the Appendices.

It is also important to be aware that the analysis conducted does not consider all possible factors for LGR and should therefore not be treated in isolation. For example, the impact of public health, social housing, or additional staffing costs from other teams, such as IT or legal teams, has not been modelled.

2.5 Structure of this report

This report begins by exploring officers' views on the key perceived opportunities and risks for people-based services, based on this programme's engagement with CEOs, DASSs and DCSs, including with officers from authorities that have previously undergone reorganisation.

In Sections 4-8, the report provides deep dives into the impact of LGR on demand, cost, ordinary residence and care supply, senior staffing, service quality and partnerships. Section 9 provides a specific deep dive into the impact of the distribution of High Needs Block deficits.

The report ends by making a set of recommended priorities for government and local areas involved in LGR planning, based on the findings from this programme's analysis.

2.6 A note on aggregation

The main themes explored in this report relate to the implications of the disaggregation of people-based services, where this is being considered or proposed. Nonetheless, for several county areas where disaggregation is being considered, this is likely to be accompanied by a degree of aggregation of services between neighbouring unitaries and county councils.

In these instances, there will be significant areas of the population, mainly those living in smaller, existing unitaries, often in more urban and more deprived areas, who may stand to gain. This could lead to a debate around the extent to which the system is redesigned to favour these populations, at the expense of those living within larger upper tier county council areas.

Box 03: What do we mean by people services?

Adult social care

Adult social care is the support provided to help adults of all ages, most commonly with physical disabilities, learning disabilities, frailty, mental illnesses, or who experience substance misuse. Local authorities have a legal duty under the Care Act 2014 to assess and meet eligible needs, provide safeguarding, and shape the local care market. The aim is to promote independence, dignity, and wellbeing, enabling people to live as safely and independently as possible in their own communities, with the people and things that matter to them most.

In this report adult social care has been split by age group and refers to working age adults (18-64) and older adults (65+). This report focusses on adults who are receiving long-term care. These individuals can be supported through a variety of provisions. For this analysis the report has focussed on:

- **Nursing care:** Specialised nursing support provided in a care home.
- **Residential care:** Support provided in a care home.
- **Supported living:** Supporting individuals either in their own homes or shared housing.
- **Domiciliary care:** Supporting individuals in their own home with personal care and household tasks.
- **Other:** Care that does not fall into the above categories.

Children's social care

Children's social care supports children, young people, and families who need additional help to protect children and young people from harm. Its main aim is to keep families together, but when this isn't possible, the system provides an alternative home to children and young people. The Director of Children's Services and Lead Member for Children's Services in local authorities are the key points of professional and political accountability, but the relevant Acts of Parliament also place safeguarding duties on a range of organisations and individuals (including ICBs, police, and education providers).

Children can be supported through a variety of measures. This report focuses on these key services:

- **Children in care:** The council has parental responsibility of the child and must place the child in a safe setting.
- **Child protection plan:** Compulsory plan when a specific risk to a child is identified.
- **Child in need plan:** A non-statutory plan that recognises a need that a child has.
- **Early help:** Non-statutory support to families and children considered to be vulnerable and at risk.

There is a significant reform agenda underway that will impact the nature of services in children's social care.

Services for children with SEND

Special Educational Needs and Disabilities (SEND) refers to a child or young person who has a learning difficulty and/or disability that means they need special health and education support.

This report focuses on young people who are supported by an Educational Health and Care Plan (EHCP). This is a legal document outlining the educational, health, and social care needs of a child or young person with special educational needs or disabilities, aged 0 to 25. Children and young people with EHCPs can be supported in a variety of settings. For this analysis the report has focussed on:

- **Mainstream:** Children and young people supported in mainstream schools.
- **Maintained special schools (MSS):** Children and young people supported in local authority owned special schools.
- **Independent non-maintained special schools (INMSS):** Children and young people supported in independent non-local authority owned special schools.
- **Other:** EHCPs that do not fall into the above categories.

This report does not include statutory SEN support which should be provided by mainstream schools with less oversight from the local authority.



03: Reorganisation and people-based services: views from the frontline

Building on this programme’s engagement with CEOs, DASSs and DCSs, including with officers from authorities that have previously undergone reorganisation, this section explores officers’ views on the key perceived opportunities and risks for people-based services. This insight is drawn from 1:1 conversations and roundtable discussions in addition to a survey of CCN members.

3.1 The perceived opportunities

Service delivery currently often requires collaboration between district and county colleagues, and this can present barriers in terms of ensuring organisational, cultural, and financial alignment. As a result, the primary anticipated benefits associated with reorganisation include improved efficiency of delivery; simplicity and clarity of local accountability; and enabling further devolution of power regionally and locally.

Officers engaged through this programme emphasised that perhaps most importantly, reorganisation could act as a springboard for transformation, encouraging new and innovative models of service delivery and collaboration as tiers of government are brought together, while leveraging the opportunities for deeper public service reform and integration with health, police, and the voluntary sector. Officers spoke of how this opportunity can bring with it **the ability for leaders to focus more on place**, with a wider set of services within a single organisation providing more ‘levers’ to influence the local place through effective service delivery for residents.

There is also the potential to **unlock a wider strategic ambition**, which is more holistic and all-encompassing for each local place, with a more formally unified group of decision-makers who, between them, have access to a wider range of levers to deliver. This can support aligned strategy, policy, and decisions at a place level, whilst also removing blockers and enabling places to achieve this ambition at greater scale and pace.

These benefits have the potential to deliver advantages for the whole council, and stakeholders engaged through this programme identified a distinct set of opportunities for people services:

- The opportunity to work in a unitary organisation with **housing services alongside social care** can present opportunities for a more integrated approach to service delivery. This includes potentially providing a more joined-up service, i.e. in support of homelessness. Stakeholders mentioned that this may also help align available housing in an area with in-need cohorts such as young people leaving care. It may also enable counties’ land holdings to be used for housing and specialist housing, depending on local needs.
- The data held by lower tier authorities holds significant value in **supporting the proactive identification of ‘at risk’ cohorts within a place**, and early intervention to prevent need from escalating. Many stakeholders agreed that LGR offers an opportunity to better connect this data and leverage it.

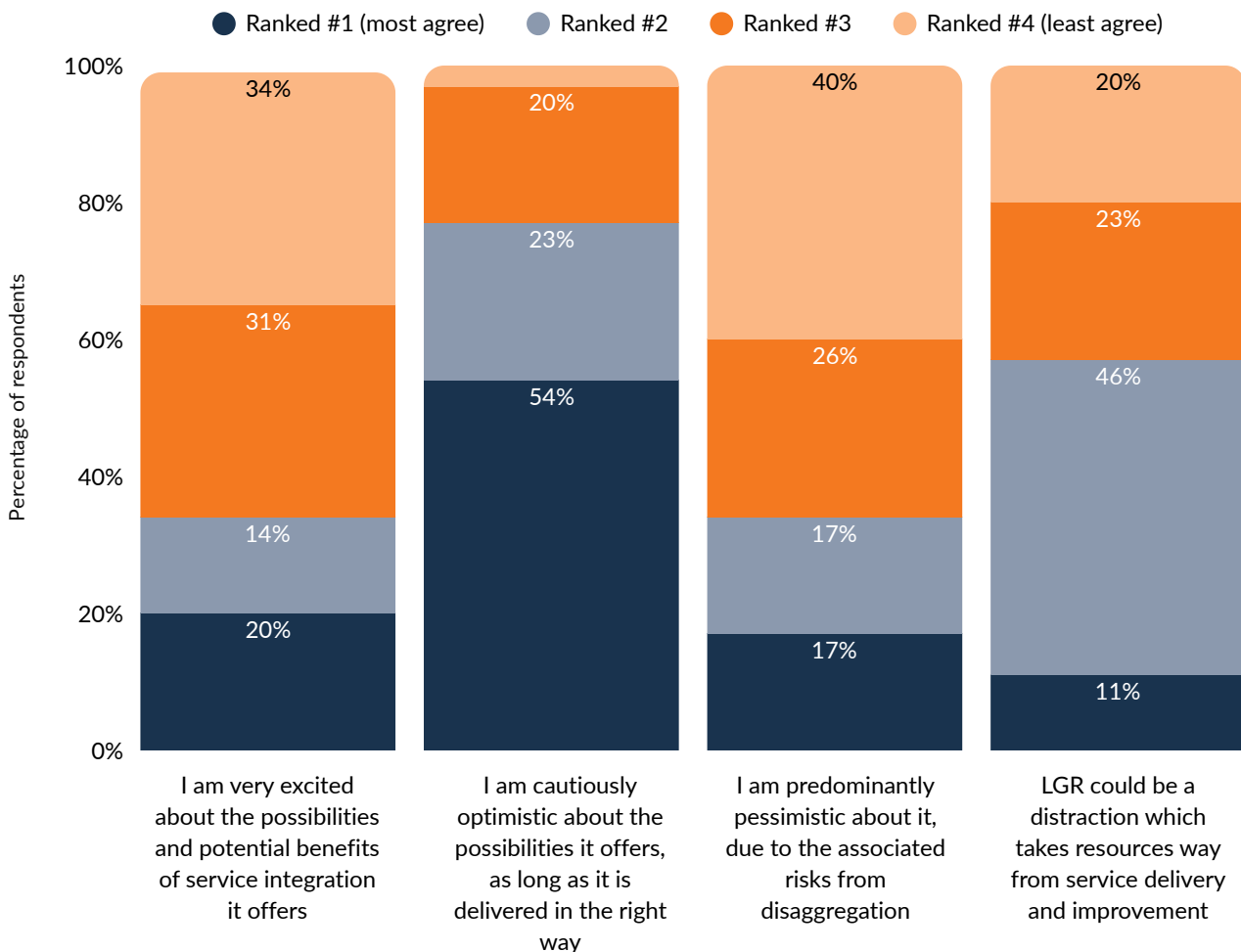
- In some instances, lower tier authorities have **access to community assets**, which can be leveraged to support the delivery of key people services. For example, these assets could be used in partnership with the NHS to provide neighbourhood facilities to better manage demand for health and care support at a very local level. This is in line with the government’s ambitions to create a neighbourhood health and care service.

Survey findings - opportunities

Three quarters of respondents to the programme’s survey agreed with the statements that they were ‘very excited’ or ‘cautiously optimistic’ about the possibilities that reorganisation offers for people-based services, but only if it is delivered in the right way.

Ensuring the right number and population scale of unitary authorities was regarded by respondents as key to being able to unlock the benefits of reorganisation for people-based services.

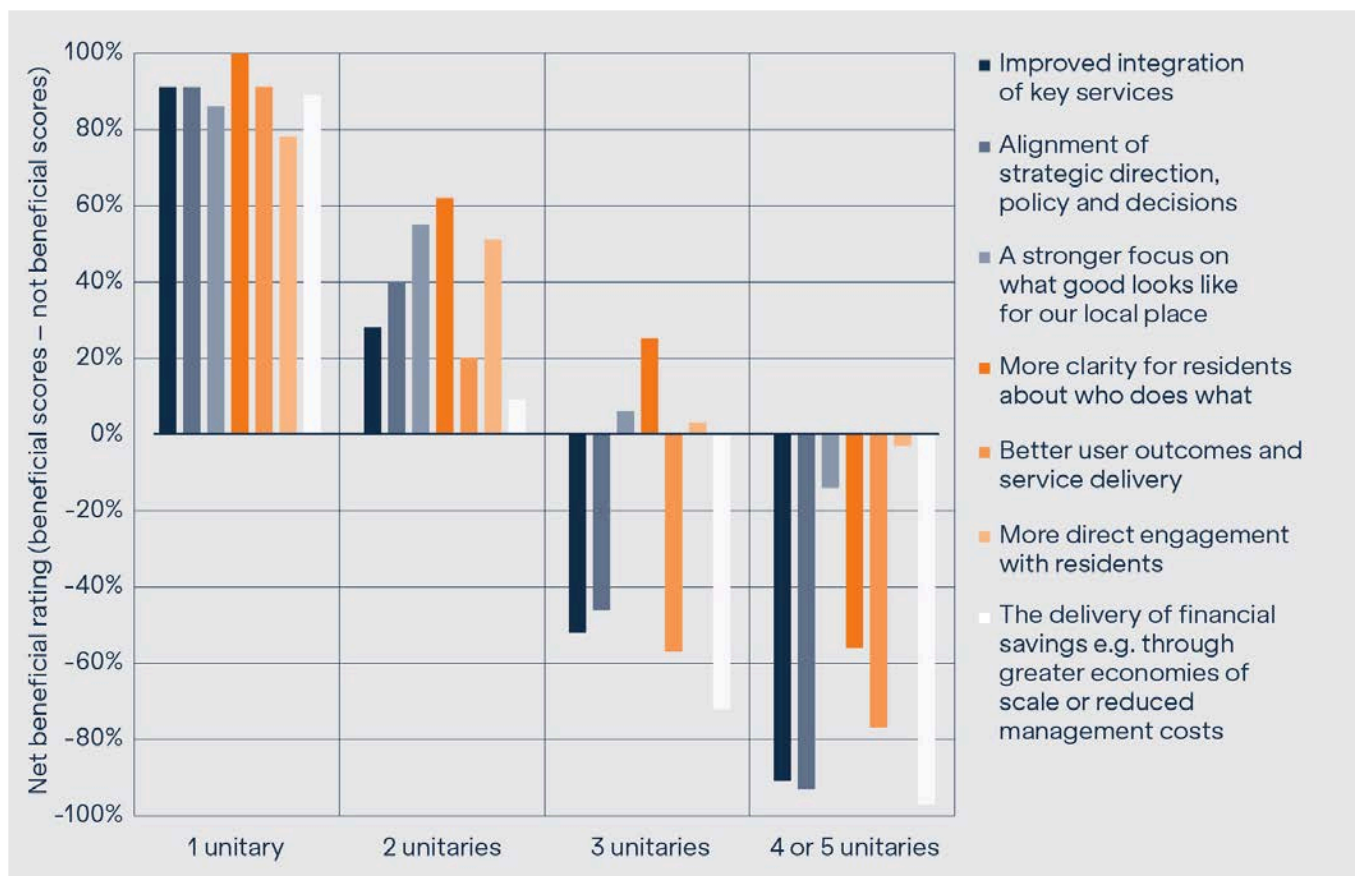
Figure 1: Which of the following statements in relation to LGR and the impact on people-based services do you most agree with? Please rank 1-4, with 1 being the one you agree with most.



The programme’s survey showed a consistent view amongst senior officers that the greater the number of councils, and the smaller the population of those authorities, the lower the perceived benefits. This was particularly stark in relation to benefits such as improved integration of key services; achieving better service outcomes and service delivery; the delivery of financial savings; and crucially, putting in a place a stronger platform for service transformation in the future.

Across nearly all questions in the programme’s survey to senior officers, respondents consistently rated scenarios with a lower number of unitary authorities as more beneficial than those with a greater number. This suggests a strong belief that consolidating governance into a small number of unitary councils could lead to clearer accountability, better integration of services, and more strategic alignment.

Figure 2: How significant do you believe the following potential benefits are from LGR on people-based services in your area? For each of the potential number of unitary authorities, please score the level of potential benefit. Please only answer four or five unitary councils if the total population of the area involved in the reorganisation within your area is above 1 million. (A positive % represents a beneficial score).



3.2 The perceived risks

Councils evaluating their options and embarking on reorganisation need to be aware of the potential risks and costs posed to people-based services by LGR.

Reorganisation proposals, including the aggregation of existing unitary councils, will create new authorities with new demand profiles and cost-bases, and will change the interaction and relationships with care markets and wider public service providers.

Previous research by CCN and PwC has shown that the population of new unitary council areas will have the single biggest impact on the potential efficiency savings from unitarisation in England, due to the costs of splitting up and duplicating social care services into multiple smaller councils.⁷

CCN analysis of PwC data showed that replacing the 21 existing county councils with 58 new unitary councils based on a population threshold of 300,000 would create £3.7bn of disaggregation costs over five years, including £501m of permanent disaggregation costs. In contrast, creating 29 unitary councils based on a minimum population of 500,000 would reduce disaggregation costs to £1bn over five years, with £134m of permanent disaggregation costs.⁸

However, officers engaged through this programme were clear that the challenges associated with disaggregation encompass a host of wider issues which are likely to impact the quality and efficiency of people-based services on an ongoing basis, beyond the one-off impact of reorganising. The risks identified through this engagement included:

Demand variation

Demand profiles are highly varied across county areas. Disaggregation may concentrate high levels of demand in certain areas, driven by variation in deprivation, access to other services, and demographics. Unless this is well understood, stakeholders engaged were concerned that this poses a significant sustainability risk if there are insufficient resources to meet current and future levels of demand.

Care supply

Uneven distribution of demand and care supply is perceived to create significant risks relating to **placement sufficiency**, and **ordinary residence** when disaggregation occurs, and responsibility for a person's care is attributed to their current placement address, and this falls into a different unitary authority than their original home address. This is expected to cause a mismatch in care supply, demand, and capacity in new authorities, introducing additional cost, operational and administrative complications, and costly legal disputes.

Cost of providing care

The unit cost of commissioned care is expected by officers to be affected by scale and disaggregation - stakeholders were concerned that disaggregating existing authorities into smaller authorities may reduce purchasing power and increase the cost of commissioned care.

High Needs Deficits

LGR will lead to new authorities taking on debt from their predecessors. The impact of disaggregation will be critical when considering the **High Needs Block (HNB) deficits**, which are currently estimated to reach £2.7bn across CCN member areas by March 2026, and £5.9bn nationally.⁹ As the number of unitary authorities increases (and as the scale of these authorities reduces), stakeholders were concerned about the potential variation in the level of risk associated with the HNB and inherited deficits.

Service quality

Stakeholders suggested **that sustaining the quality of people services may be at risk due to LGR**, with smaller services generally struggling to retain experienced leadership teams and invest in service improvement to the same extent.

Staffing

Most stakeholders engaged emphasised the **risk associated with the recruitment and retention of senior staff**. This is based both on the potential for increased attrition in senior roles and from the increased requirement for these senior roles, as services are disaggregated and more posts created.

The following factors were raised as both a risk and an opportunity, depending on how implementation is carried out:

Partnerships

Maintaining alignment with partners – in particular health partners – was highlighted as a potential benefit if there can be co-terminosity between health partners and local authorities. However, stakeholders also highlighted the risk introduced by further disaggregation, creating the potential for more service boundaries and handovers to exist for an individual or family receiving support.

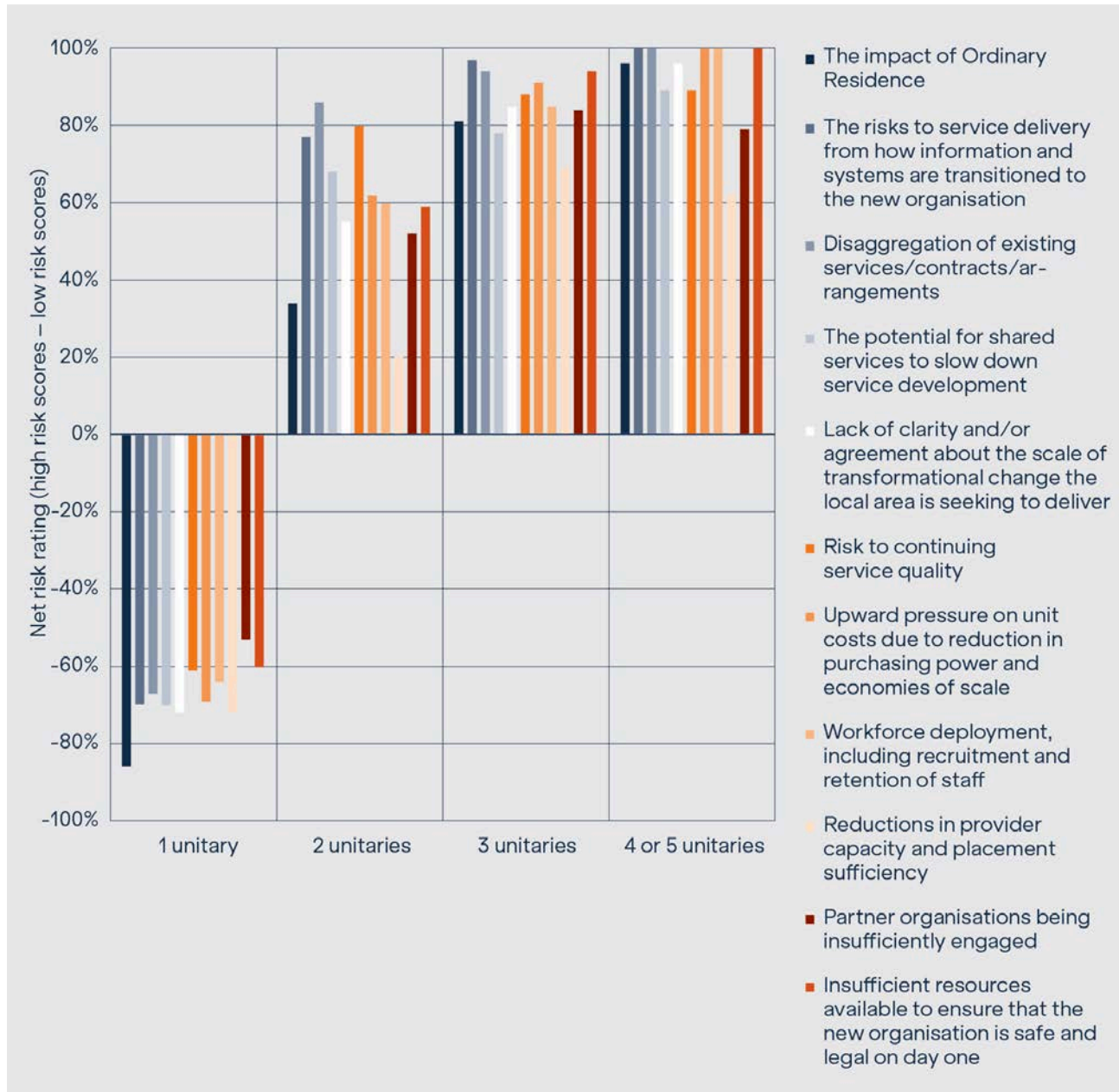
Public service reform

Alignment with wider service reform, including, for example, establishing regional care co-operatives which are seeking to increase scale and purchasing power in commissioning. If well aligned, this could lead to a simplified system with clearer accountability, but if this opportunity is missed, stakeholders cautioned that systems could become more complex, with more individual partners and service boundaries.

Survey findings - risks

This programme's survey of county council CEOs, DASS, and DCSs demonstrates concern amongst the most senior frontline professionals that the greater the number of new unitary authorities created and the smaller the population, the higher the risk posed by disaggregation to people-based services (as demonstrated in Figure 3 below).

Figure 3: How significant do you believe the following potential risks are from LGR in your area depending on the level of disaggregation of people-based services? For each of the potential number of unitary authorities, please score the level of risk. Only answer four or five unitary councils if the total population of the area involved in the reorganisation within your area is above 1 million. (A positive % represents a high risk score)



3.3 How associated risks are being considered and mitigated centrally and locally

In setting out its statutory criteria and guidance for reorganisation, the government has recognised the need for any proposals to consider the impact on crucial services such as adults' and children's social care and SEND. Areas have been given clear guidance that any proposals should show how new structures will improve local government and service delivery, and most importantly, avoid 'unnecessary fragmentation' of people-based services.

Nonetheless, this programme's engagement with senior officers in county councils suggests that there is a severe lack of confidence that the risks associated with disaggregation are, or will be, adequately considered in central government policy, including potential decisions by ministers on competing proposals from areas (Figure 4 below). Fewer than one in 10 (6%) of county council Chief Executives and Directors of Adult Social Care and Children's Services are confident they will be fully considered.

Equally, in the local context, it appears that there is also a lack of confidence that **all** emerging proposals from within a county area are fully considering the risks of disaggregation in the development of LGR proposals (Figure 5 below).



Figure 4: How confident do you feel that the risks associated with disaggregation of people-based services are being or will be adequately considered in central government policy?

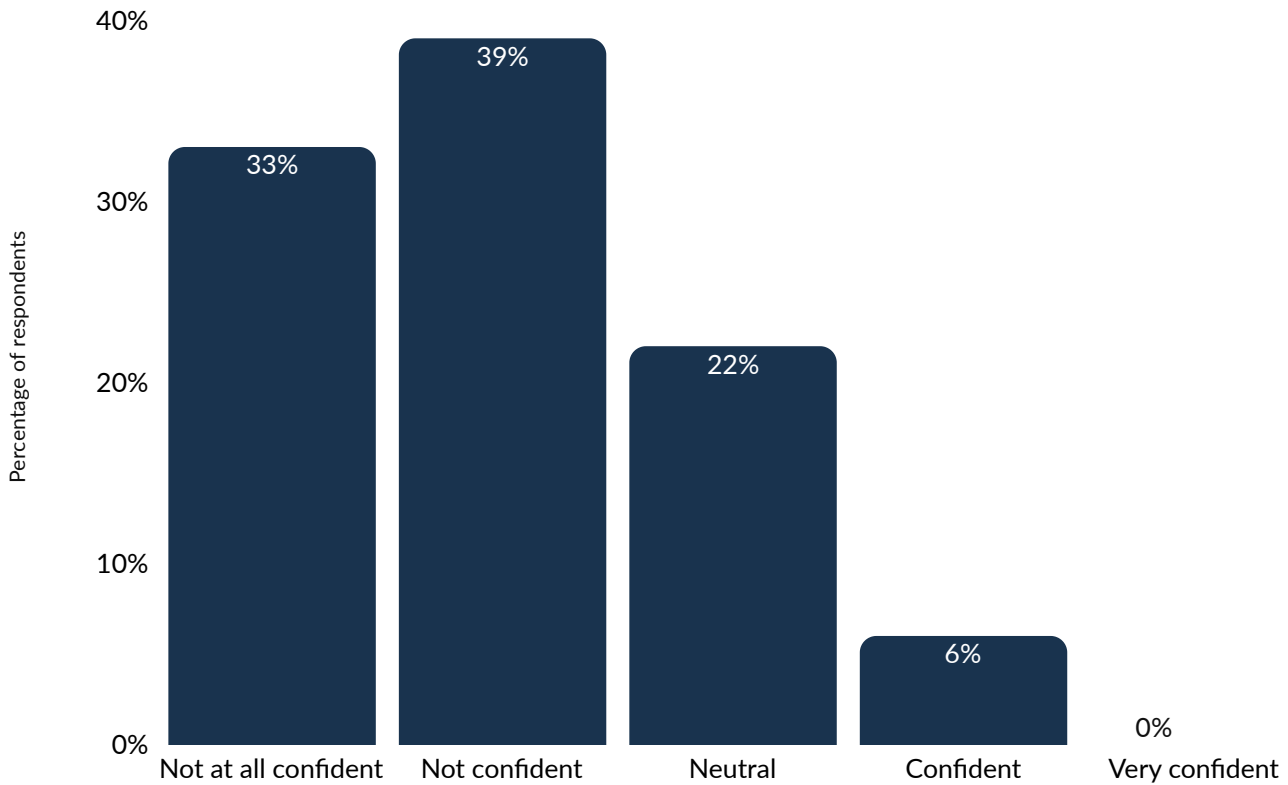
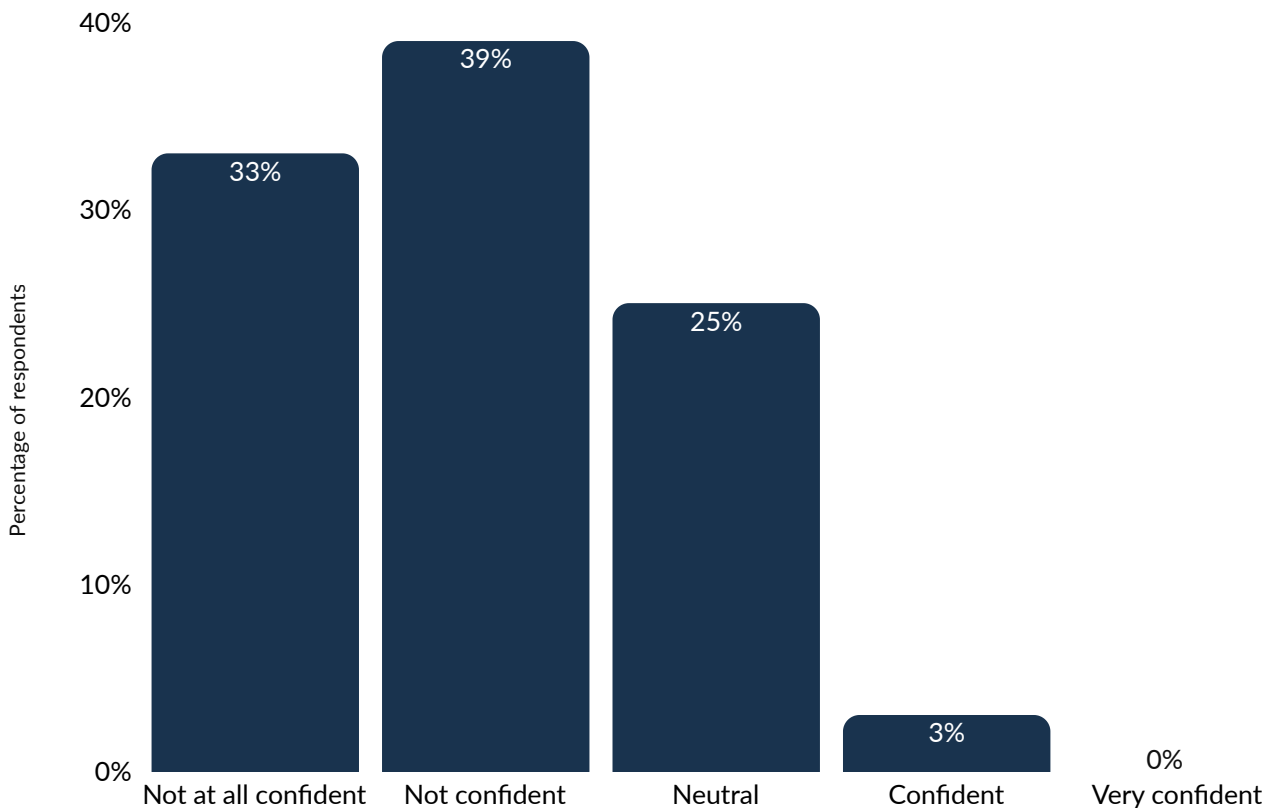


Figure 5: How confident do you feel that the risks associated with disaggregation of people-based services are being or will be adequately considered in the development of all LGR proposals within your area?



Survey respondents were asked what they believe is the most appropriate approach to mitigate the risks and deliver the opportunities from LGR (Figure 6 below).

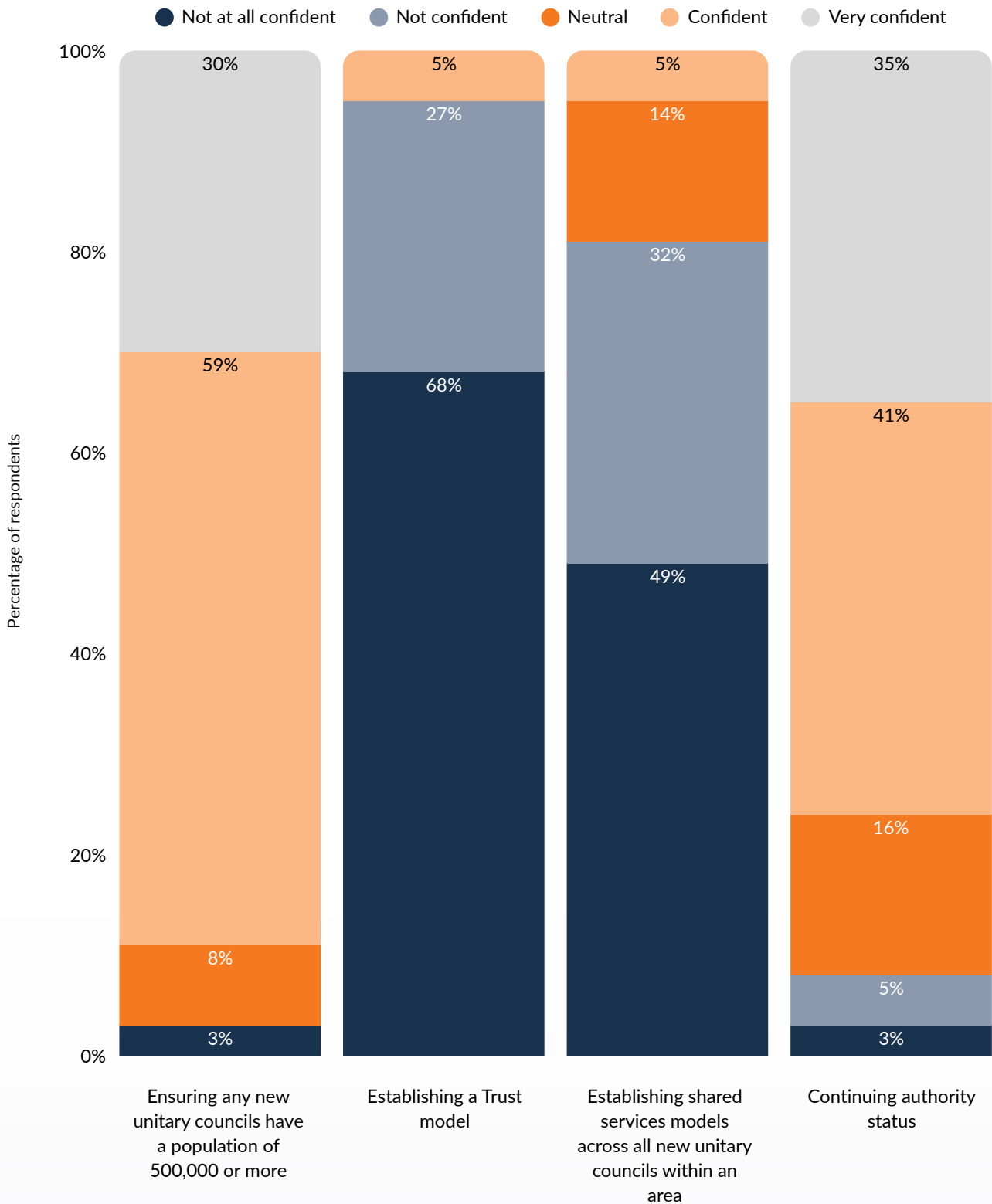
The most supported approach was ensuring that any new unitary councils have a population of 500,000 or more, with 89% of respondents feeling confident or very confident that this would be the most appropriate approach to mitigate the risks and deliver the opportunities of LGR for people-based services. This suggests that larger unitaries are more likely to provide the scale and capacity to enable them to manage complex people-based services, ensure financial sustainability, and reduce fragmentation.

In general, approaches that rely on fragmented delivery models (such as shared services or trusts) were viewed with low confidence by stakeholders who responded to the survey. For example, a trust model received the lowest confidence of all approaches (95% not at all confident or not confident).

The following sections of this report seeks to test and quantify these perceived risks, to inform the planning and implementation of LGR. In doing so, it aims to minimise the potential negative impact on services and the people who draw on the care and support they provide, and maximise the potential opportunities.



Figure 6: What do you believe is the most appropriate approach to mitigate the risks & deliver the opportunities from LGR?



A close-up photograph showing the back of an elderly person with white hair sitting in a wheelchair. The person is wearing a blue long-sleeved shirt. Another person's hand is visible, gripping the wheelchair's handle. The background is a blurred green outdoor setting. A dark blue horizontal band is overlaid at the bottom of the image, containing white text.

04: Deep dive into demand variation

Disaggregation of people services of any sort will see variation in the rate of demand for each new local authority. This is inevitable and will reflect the demographics of the new population and the characteristics of the new authority. For example, if disaggregation led to deprivation being concentrated into one new authority, this authority would expect to see greater demand than the other newly formed authorities. Conversely, the other newly formed authorities may see significantly less demand.

This difference in the rate of demand between the new authorities is of significance, and this analysis has sought to understand its extent and the impact of different population size unitary councils in mitigating the risks.

Where large variation is introduced (i.e. where one or more of the new authorities has significantly more, or significantly less, demand than the other(s)), this must be understood in order for resources to be allocated accordingly, and consideration given to the viability of care supply.

If this is not fully understood and mitigated, there is a risk that newly formed authorities will either be overwhelmed by demand and will not be sustainable in the long-term, or will be left with expensive care settings which are not being fully utilised.

Section 6 provides further details about the cost implications of the projected demand changes, and the Appendix provides detail of the methodology, and modelling assumptions that have been made.

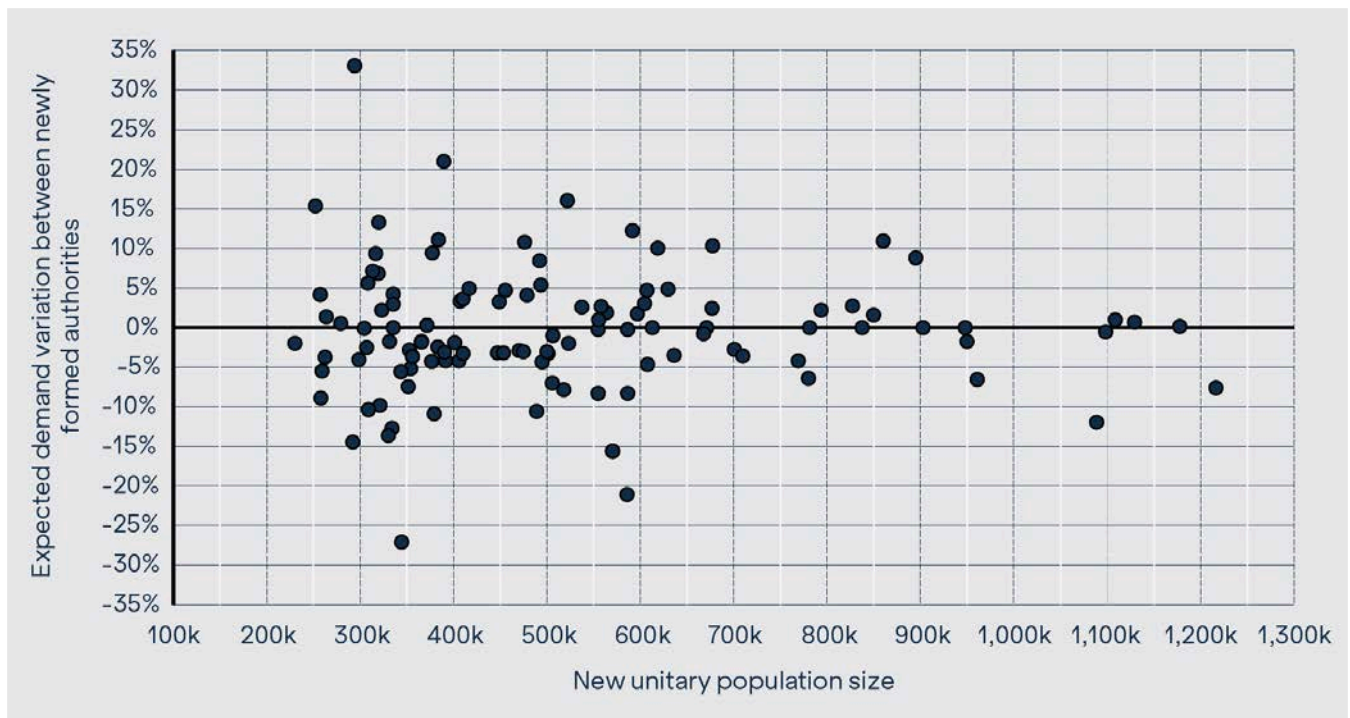


4.1 Projected variation in demand

For each of the reorganisation scenarios and geographies included in the national analysis as part of this programme, the likely rate of total demand for people services (measured by the proportion of the population interacting with people services) has been estimated for each new unitary authority. The new likely rate of demand can then be compared to the baseline position of the existing upper-tier authorities, and compared between the potential new authorities created in a place, to assess the likely variation.

The analysis below in Figure 7 shows clearly that as the size of the new proposed unitary authority decreases, the potential variation in demand becomes more significant. This therefore creates a higher risk that newly formed local authorities will be exposed to extremes in demand variation. As a result they are also more likely to be overwhelmed by demand that may not be sustainable in the long-term, or could be left with expensive care settings which are not being fully utilised.

Figure 7: Demand variation between new authorities (scenario-based analysis)



Another way to consider this is to look at demand variation **between new unitaries created in a given area**. Analysis conducted for this work programme clearly shows that the smaller the newly created unitary, the greater the variation in demand across a county footprint.

There is already complexity in accurately distributing resources across a county area when services are disaggregated, and this is made more significant with greater disaggregation and smaller resulting unitary authorities. This analysis is shown across the two graphs below.

Figure 8: Average total demand variation within each scenario

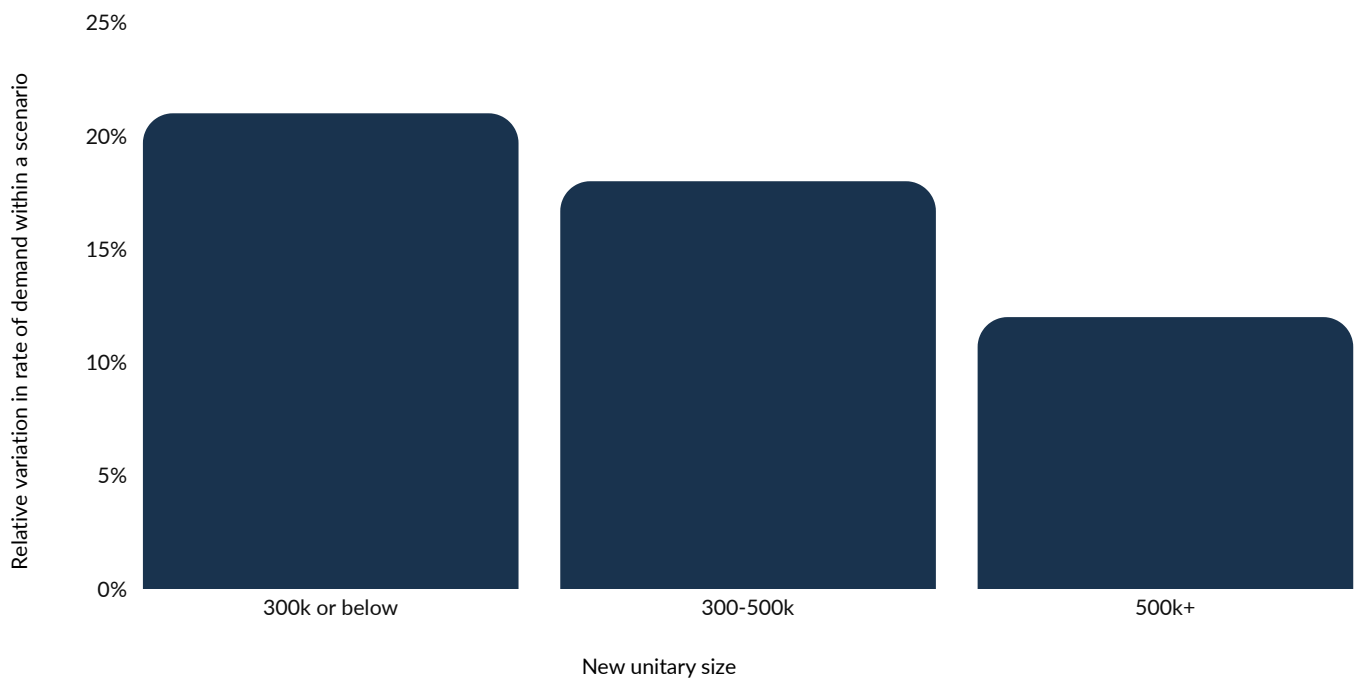
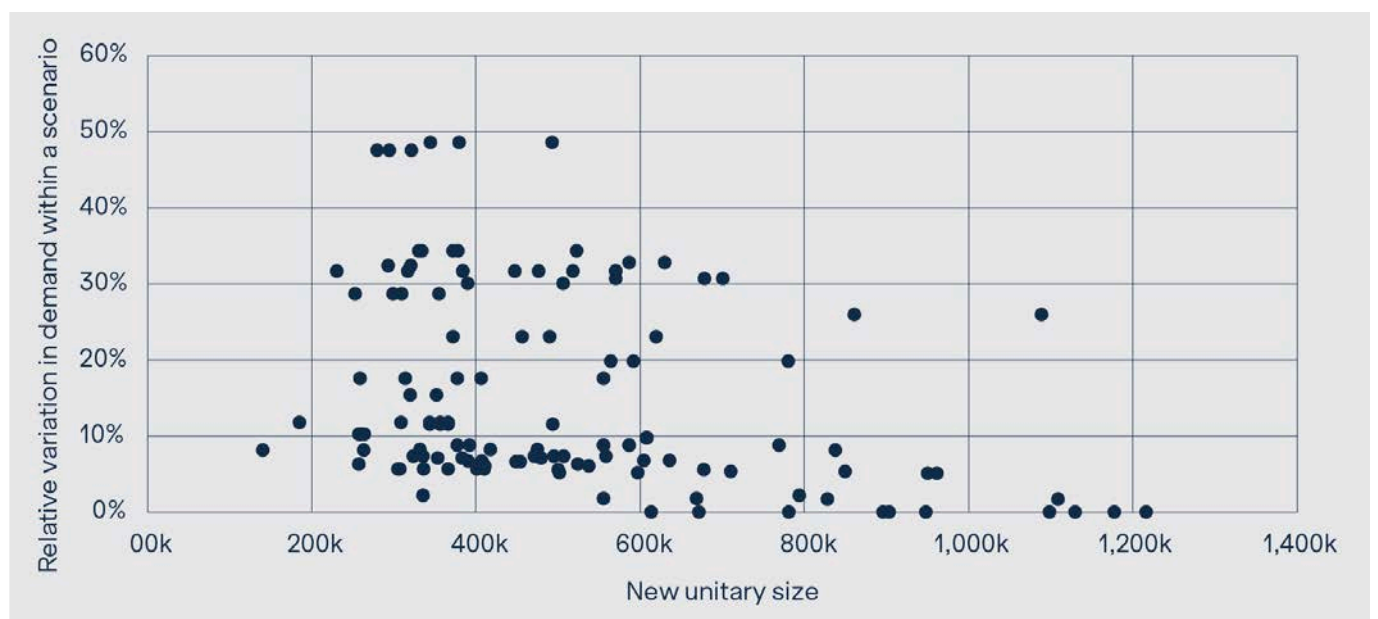


Figure 9: Total demand variation within each scenario

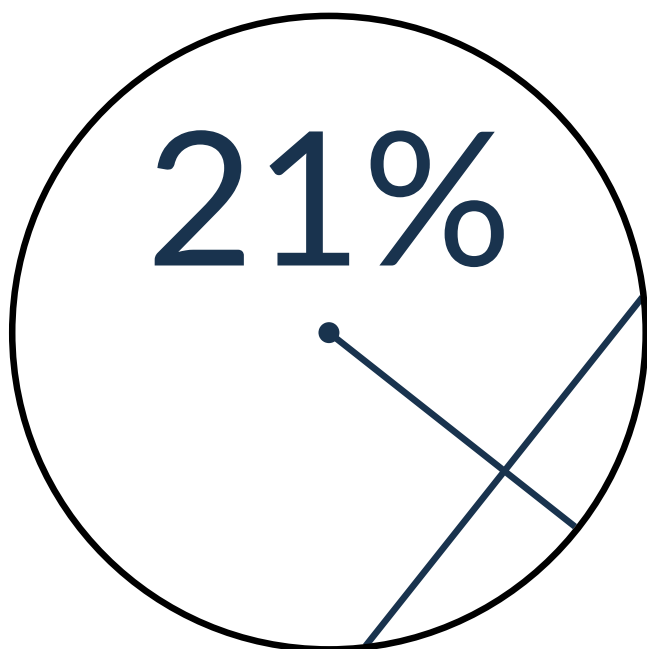


When examining this effect at an individual service level, the trend is largely still present, albeit less pronounced. However, for every service analysed, the variation in demand is shown to be less significant where newly formed unitaries have a population of 500,000 or more.

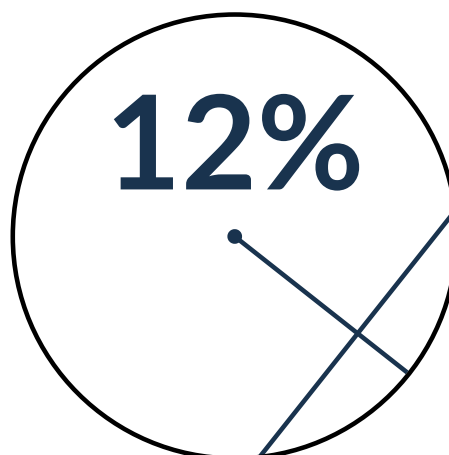
Analysis of demand variation for each of adult social care, children’s social care, and SEND, below, demonstrates this. This illustrates the additional complexity introduced at a service level, as well as the potential risk of demand and resources not being matched across different funding streams of grants, earmarked funding, locally raised tax, and core funding allocation.

Whilst the trend of smaller unitaries seeing greater variation in demand is less clear for individual service areas, this analysis clearly demonstrates that individual scenarios where variation in demand for specific services is very significant, especially when smaller in size. This further highlights the risk to sustainability of newly formed authorities, both in terms of services being overwhelmed by high rates of demand, and, conversely, some services seeing much lower rates of demand and having excess, expensive, supply.

The implication of this analysis is that disaggregation should be minimised, and where disaggregation is necessary, newly formed authorities should be kept at more significant scale. This should in turn be supported by accuracy in future funding allocations and formulas distributing social care grants, to match the variable demand profiles.



Average total demand variation in unitary councils below 300k



Average total demand variation in unitary councils above 500k

Adult social care

Figure 10: Total adult social care demand variation within each scenario

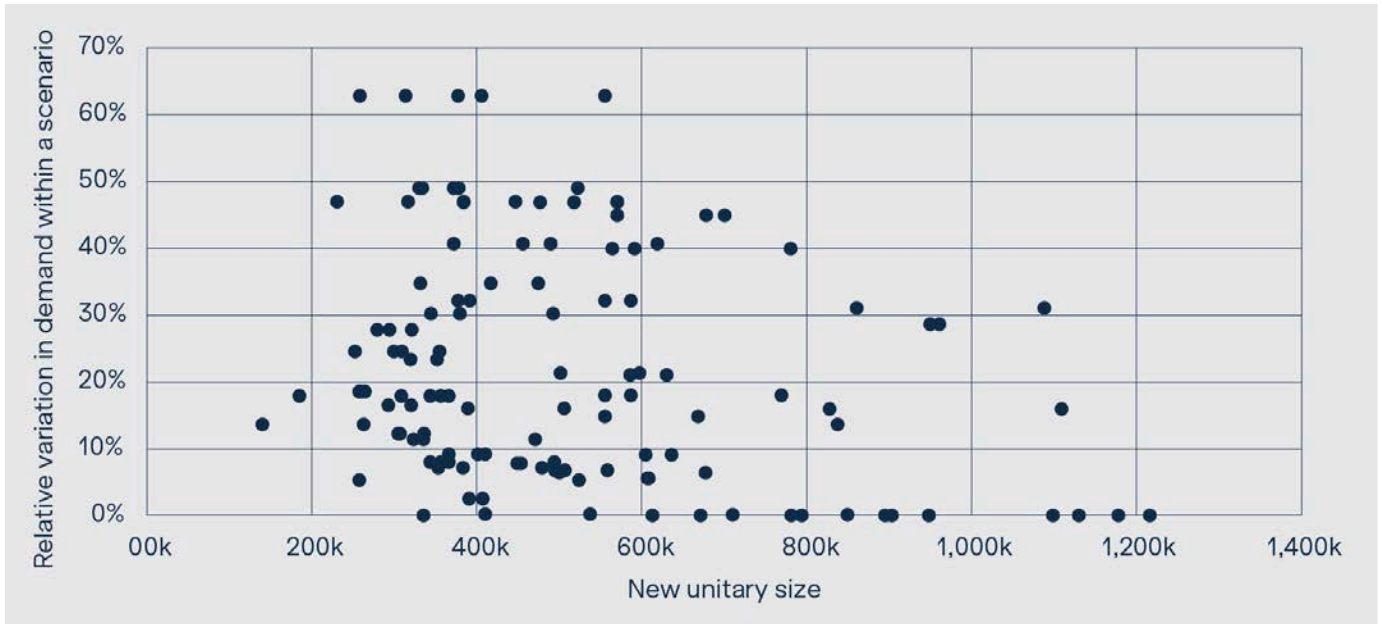
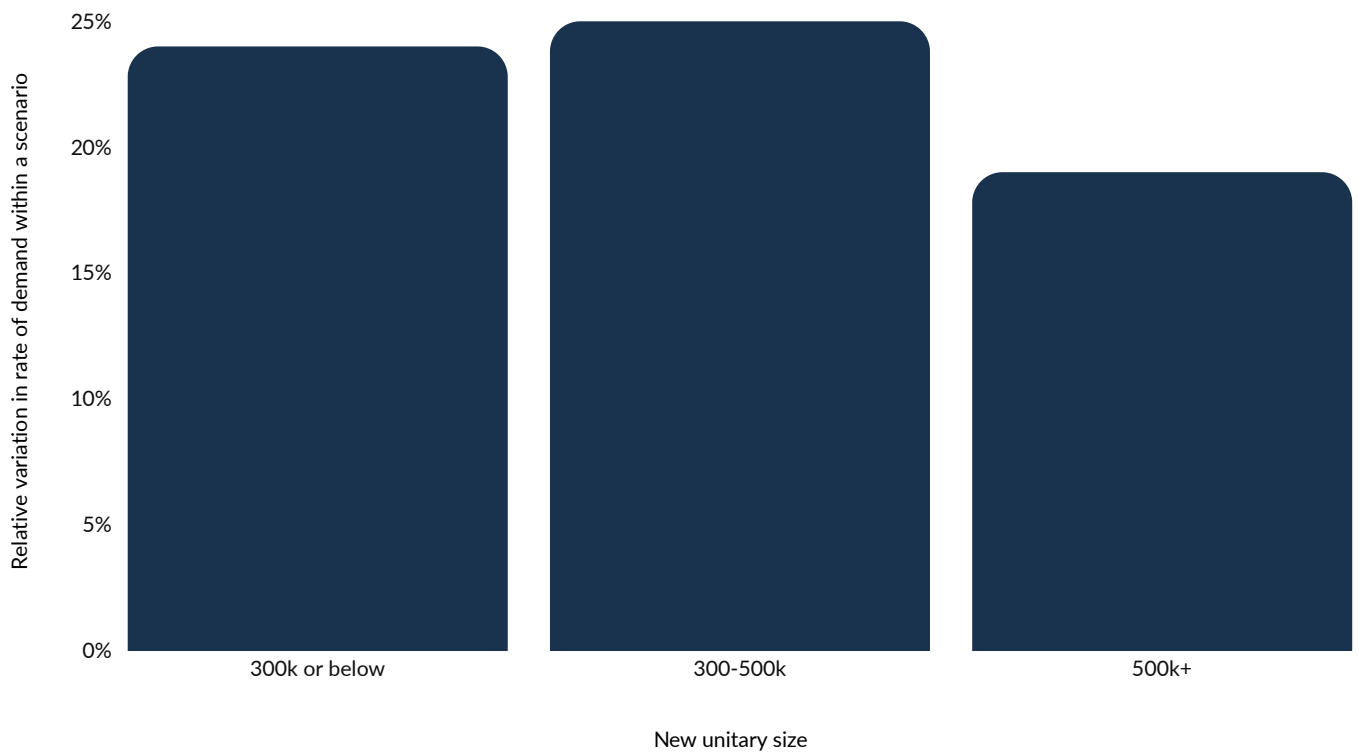


Figure 11: Average demand variation in adult social care within each scenario



Children's social care

Figure 12: Total children's services demand variation within each scenario

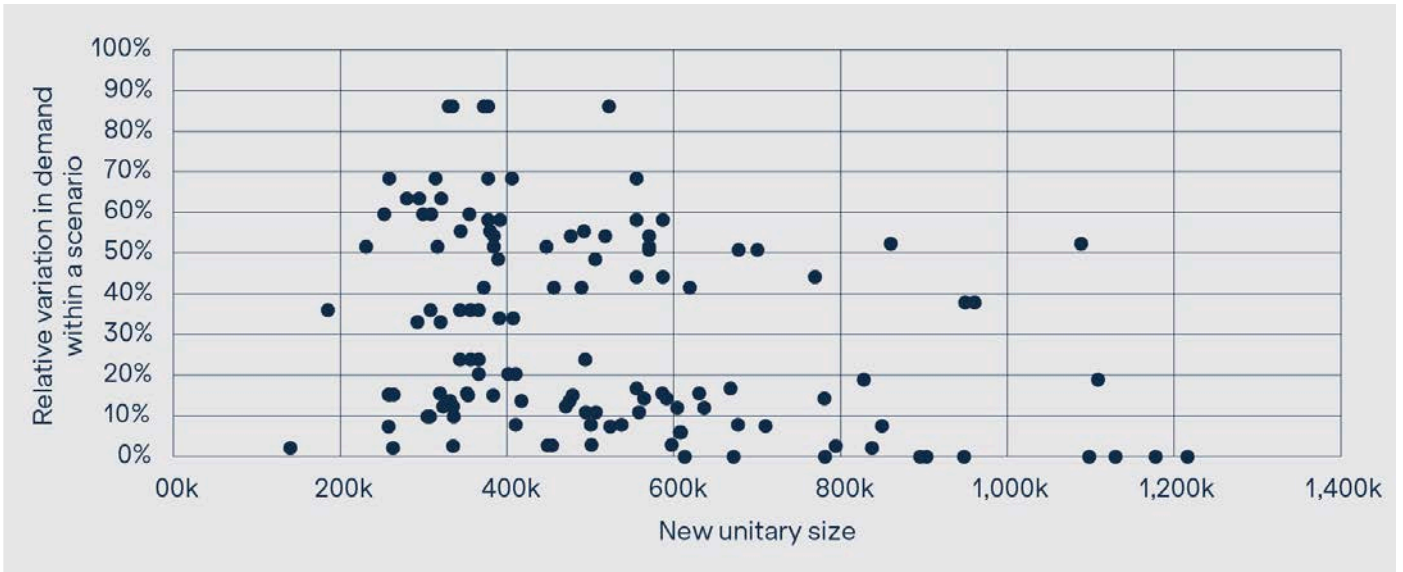
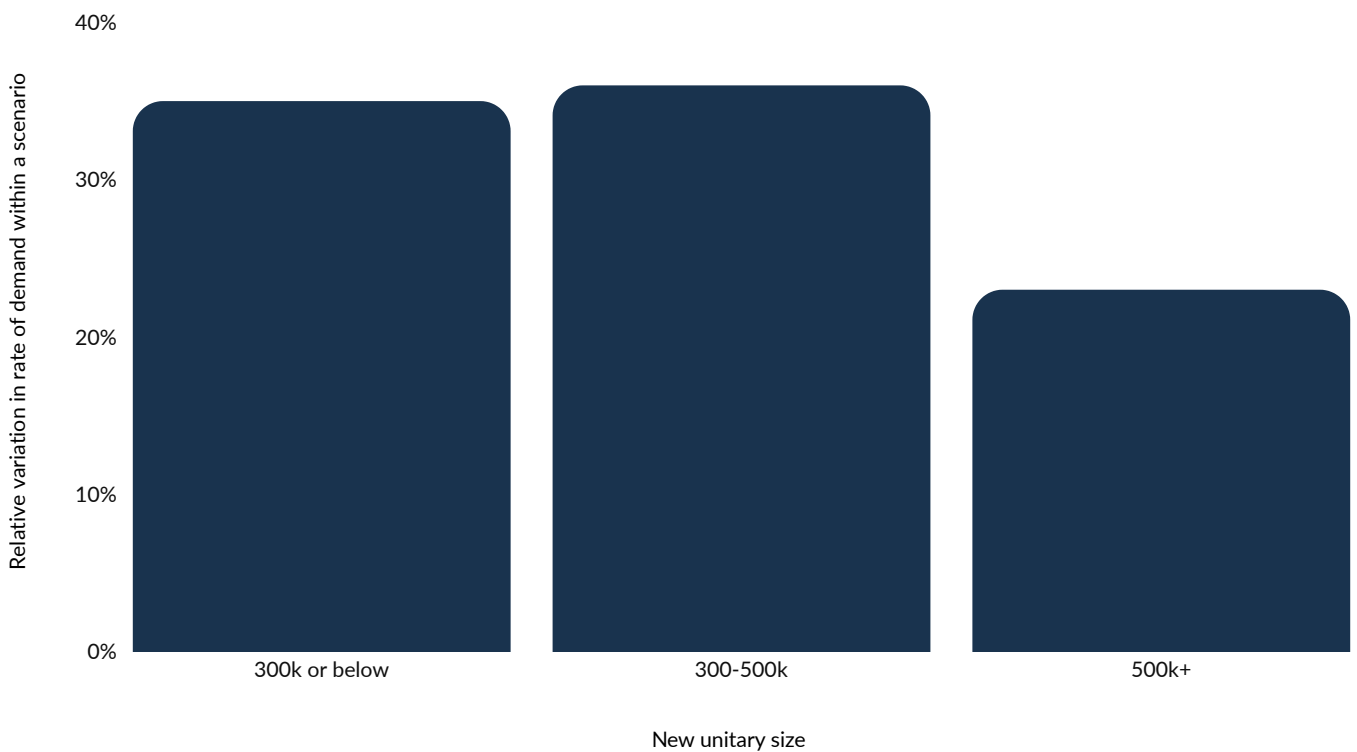


Figure 13: Average demand variation in children's social care within each scenario



Special Educational Needs & Disabilities

Figure 14: Total SEND demand variation within each scenario

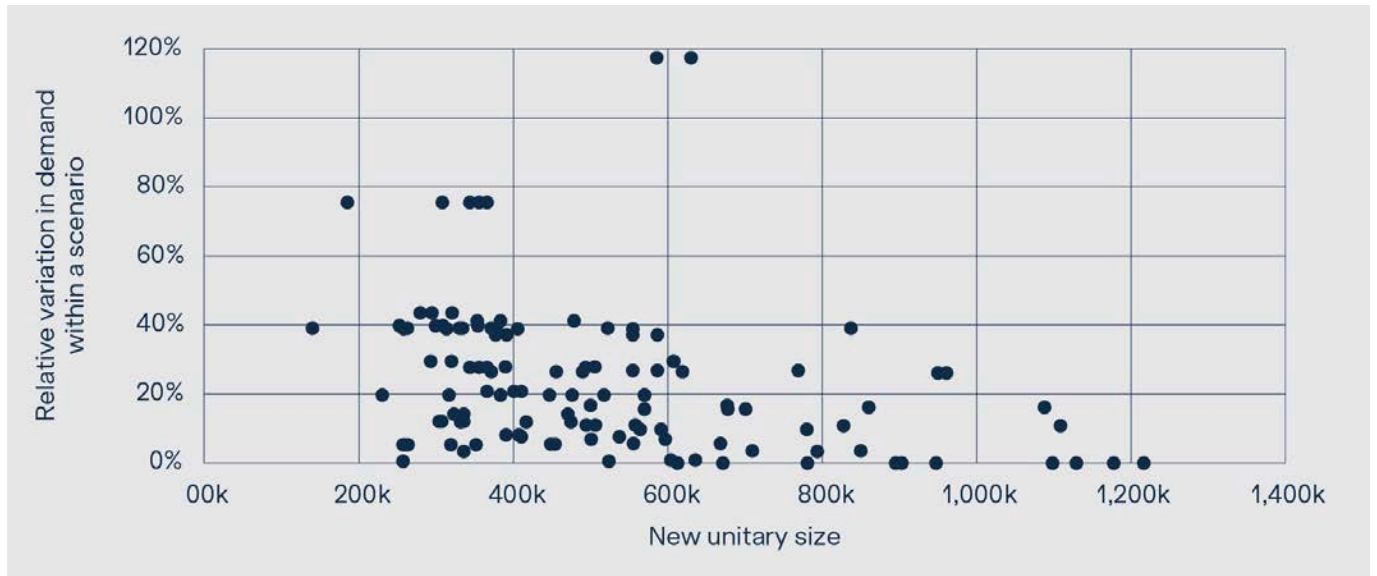
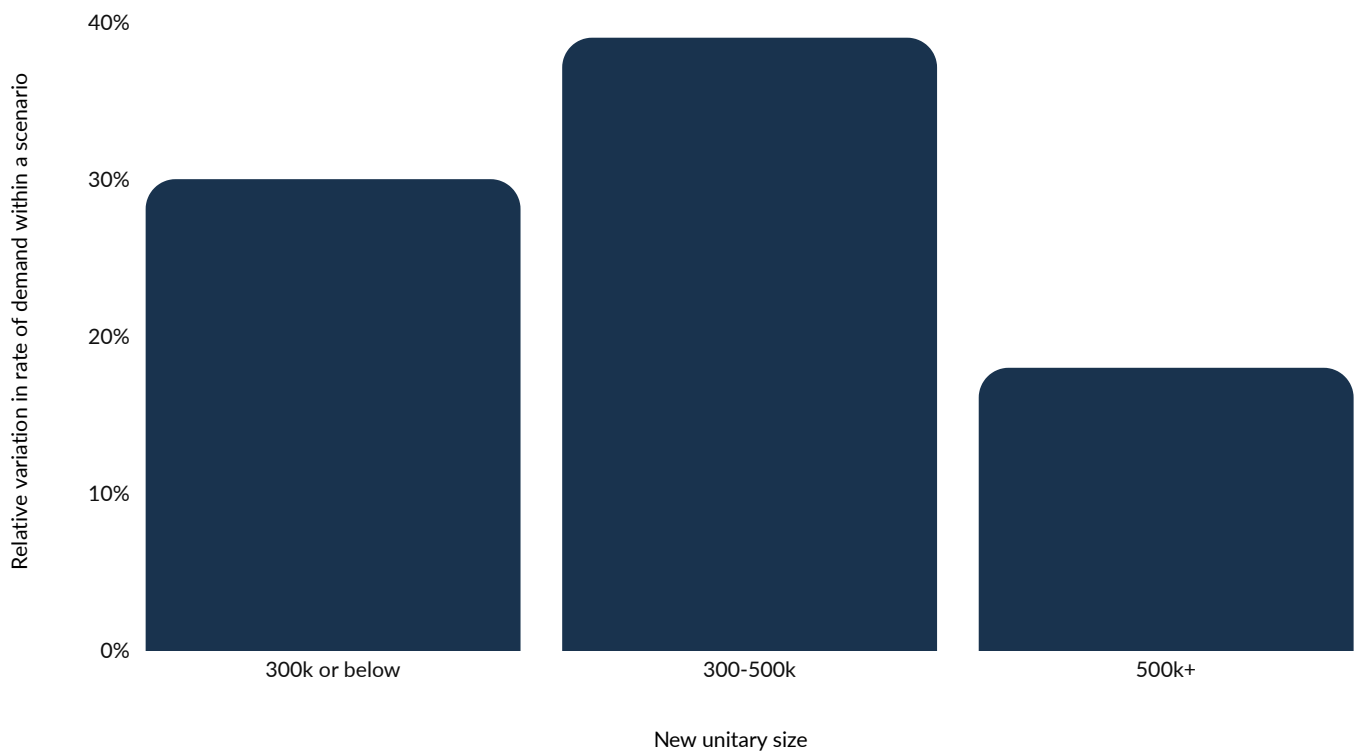


Figure 15: Average demand variation in SEND within each scenario

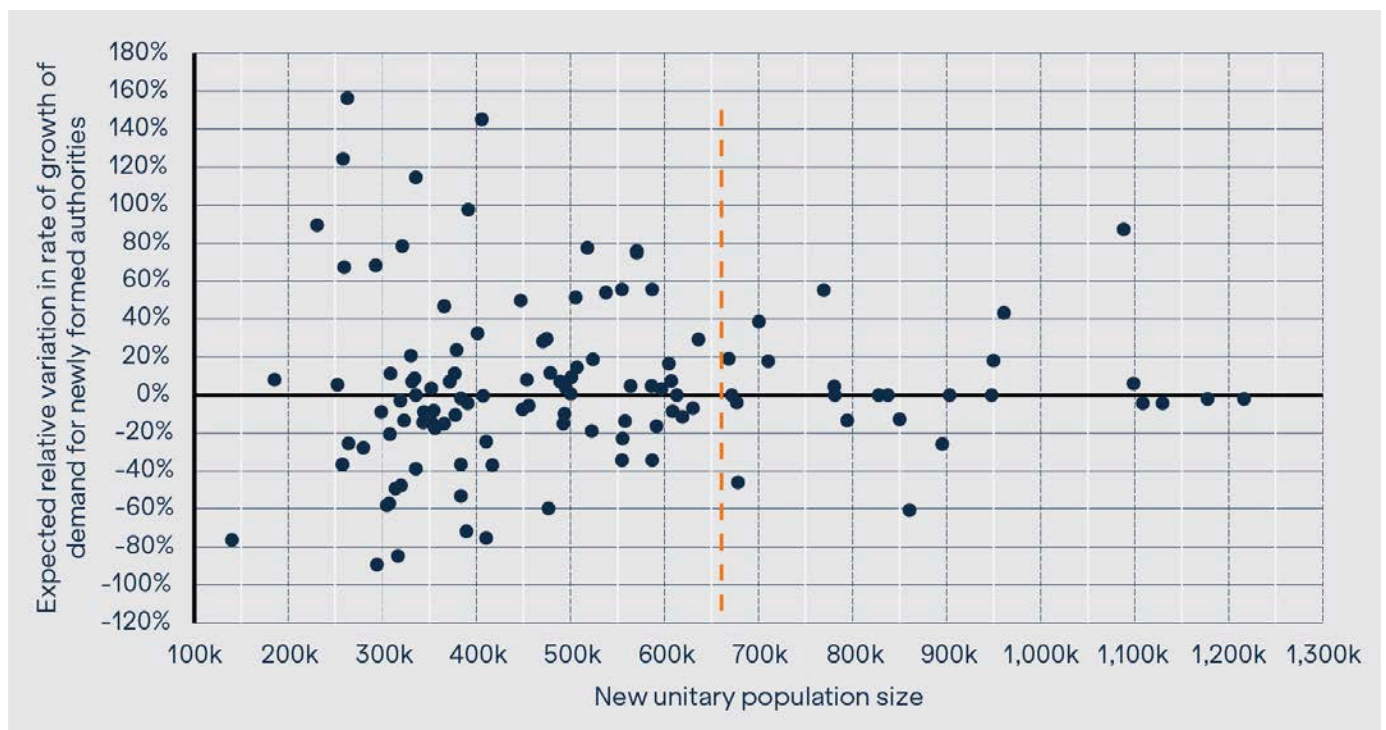


4.2 Rate of demand growth

Further complexity is introduced when considering the rate of growth (or contraction) of demand in the future. Newly formed local authorities who may have similar rates of demand today, may experience different changes in their rates of demand, and will therefore diverge in the future. This programme has analysed the projected rates of growth of demand in each proposed unitary authority, and compared these to the baseline.

This analysis demonstrates that rates of demand growth or contraction will vary more significantly in smaller local authorities. Whilst resources and demand for services may be matched on day one, this may become mismatched very rapidly as demand changes over time. This effect is most pronounced in services for young people with SEND. This underlines the need to minimise disaggregation, maximise the scale of resulting authorities, and ensure that funding is allocated highly accurately.

Figure 16: Relative variation in rate of change in demand measured against baseline, with size of new unitary



Case Study 1

In one local area, a large authority has considered disaggregation into two, three, or four unitaries, and the potential demand for people services has been considered for each. The relative demand changes, as measured against baseline, are shown in each scenario (scenario A is two unitaries, B is three unitaries and C is four unitaries).

Figure 17: Case study - variation in demand with different numbers of unitary authorities



This analysis demonstrates that in Scenario C, where four unitary authorities are being created, more variation in demand is observed as compared to the baseline, than in Scenarios A or B. Similarly, in Scenario B, where three unitary authorities are being created, more variation in demand is observed as compared to the baseline, than in Scenario A. This brings to life the challenge of demand variation created by more significant disaggregation and the resulting unitary authorities being smaller in size.

Summary

This analysis demonstrates the greater the degree of disaggregation, and the smaller the resulting unitary authorities, the greater the variation in demand both on day one, and into the future. Further sensitivity is introduced when this is examined within different services.

This creates a significant challenge and a risk in matching resources to demand for services, both on day one and over time. Minimising disaggregation and ensuring that newly formed local authorities, where possible, remain of significant scale will help to mitigate this risk.

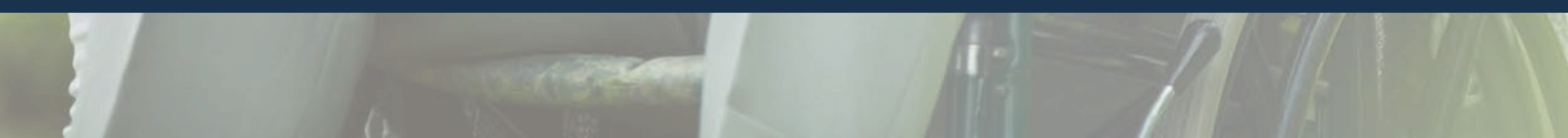
Where disaggregation is unavoidable, it will also be critical to ensure highly accurate distribution of core funding and grants in order to match the more extreme demand profiles anticipated.

The greater the degree of disaggregation, and the smaller the resulting unitary authorities, the greater the variation in demand both on day one, and into the future.





05: Deep dive into ordinary residence and care supply and demand



Many sector stakeholders engaged through this programme expressed a concern about the impact of ordinary residence, whereby demand originates from parts of a county which may not be where the supply of support is most readily available.

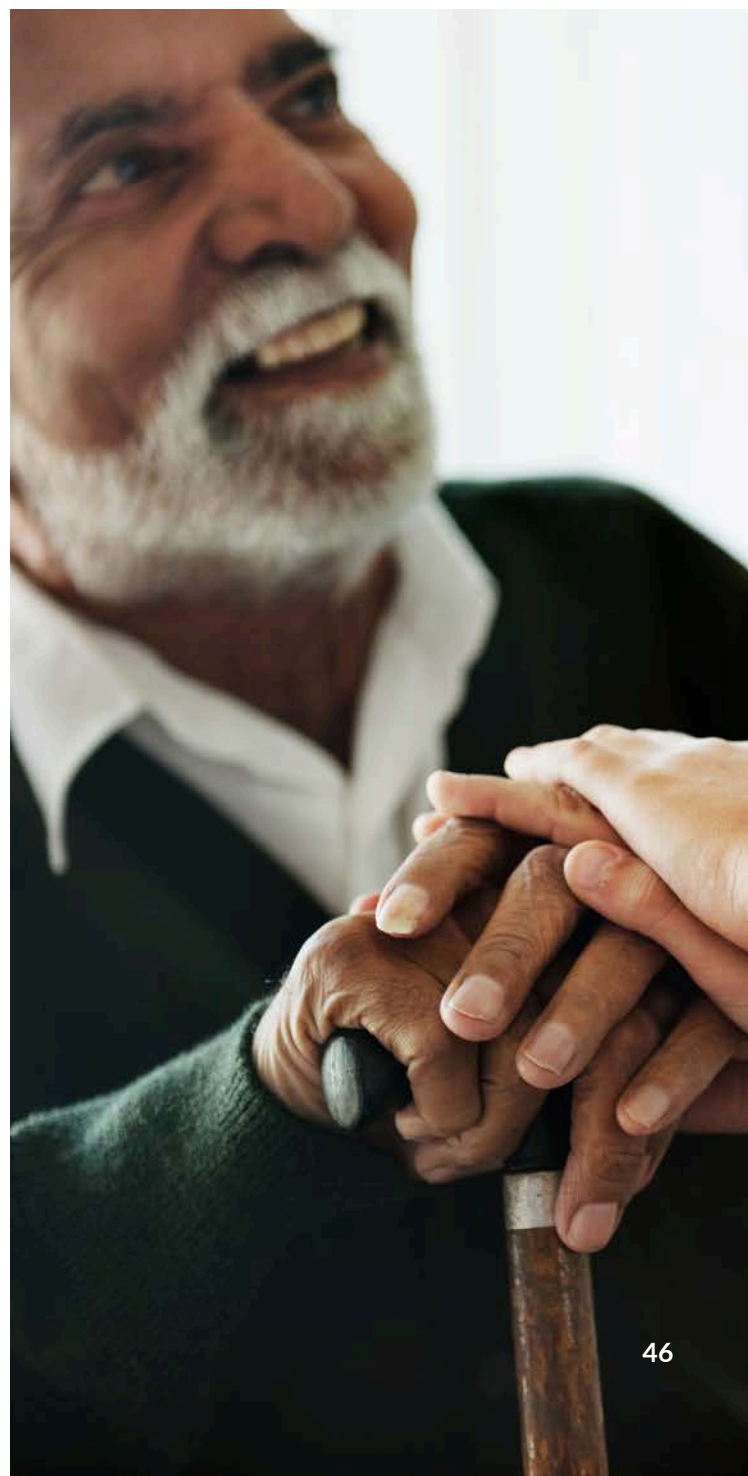
Even when a care recipient's ordinary residence is unaffected by boundary changes, their unpaid or family carer may now be resident in another council area. This may affect the support that the carer themselves receives, but will also have implications for the person they care for, in particular if their care plan is interdependent with the carer's plan.

In understanding the mapping of responsibility and funding, the Care Act establishes that it is the duty for a local authority to meet the eligible care and support needs of adults 'ordinarily resident' in its area.

For those living in residential care, their current ordinary residence may relate to the location of the commissioned provision, not their previous home address. It should be noted that this will not always be easy to determine, and legal arguments may be made in either direction (for example relating to the length of time spent in the placement, whether it is considered temporary or permanent, the reason for the placement etc.). There is a significant potential legal workload for local authorities in determining this, case by case.

At present, supply of care services tends to be most developed in places where there is the largest workforce, space is more readily available, property is most affordable, and where providers are based.

Workforce supply often tends to be based nearer urban areas and towns, who then cover a larger geography in delivery of care. It is not the case that demand distribution will follow the same pattern, and the variation in levels of demand originating in different districts has been demonstrated in Section 4. This leads to a care supply and demand imbalance at a local level.



Today, these local supply and demand imbalances are managed through there being a smoothing effect across a larger geography. Local authorities working across a large and diverse footprint in terms of demography, deprivation, and rural and urban mix are able to develop care supply in those areas where it is economically and practically advantageous to do so, to meet the demand from across the local authority.

Where a county area disaggregates and multiple, smaller unitary authorities are created, this smoothing effect becomes more limited, with less scope to develop care provision in different locations to where demand originates. This creates both a short-term challenge in developing a credible proposal for reorganisation and preparing implementation plans, and a longer-term financial and service provision viability challenge.

In the short-term, local authorities will have a significant transitional challenge, where those receiving care and support are doing so in an area which will form part of a different unitary authority to their original home address.

Therefore, the change in footprint of authorities through LGR will create scenarios where the inherited demand responsibility of newly created authorities is distorted. The extent of imbalance between commissioned provision and originating demand may create challenging scenarios for new authorities, especially in a disaggregation scenario involving smaller unitary councils, where authorities could inherit a cost base that is inflated due to the location of commissioned provision.

The greatest potential impact of this distortion can be seen in the working age adult (WAA) residential cohorts. For these cohorts, demand, cost, and growth can be highly varied across a large county area. Some provision can be lower in volume and highly specialised, meaning it tends to be concentrated in smaller areas of a county area where the conditions are suitable.

Finally, working age people are typically resident in care provision for long periods of time which extends the period for which this distorting effect would be felt.

In the longer-term, local authorities will need to determine how care supply and demand are better balanced on new local authority footprints, and trade this off against the risks and costs of increased levels of out of area placements. This may result in provision needing to be developed closer to where demand originates, and where it is less economically and operationally viable to do so, which may result in higher costs of providing care. This effect has not been modelled in the anticipated unit cost impacts of local government reorganisation.

A further consequence of this may then be excess care capacity in areas where less demand originates. This places significant importance on longer-term planning and commissioning strategies, to ensure enough provision for residents.

An alternative approach would be for local authorities to continue to make use of the existing supply across the original county footprint, and in doing so increase their numbers of out of area placements.

However, as briefly explored in Section 8 of this report, this approach would present a well-documented risk to the quality of care provided. It can also be the case that out of area placements are more expensive, as they would be more likely to necessitate spot purchasing placements, rather than a block contract which is often better value. They would also require greater collaboration between authorities to have a shared commissioning and brokerage strategy. As the survey in Section 3 of this report showed, there is little to no confidence amongst senior social care professionals that shared

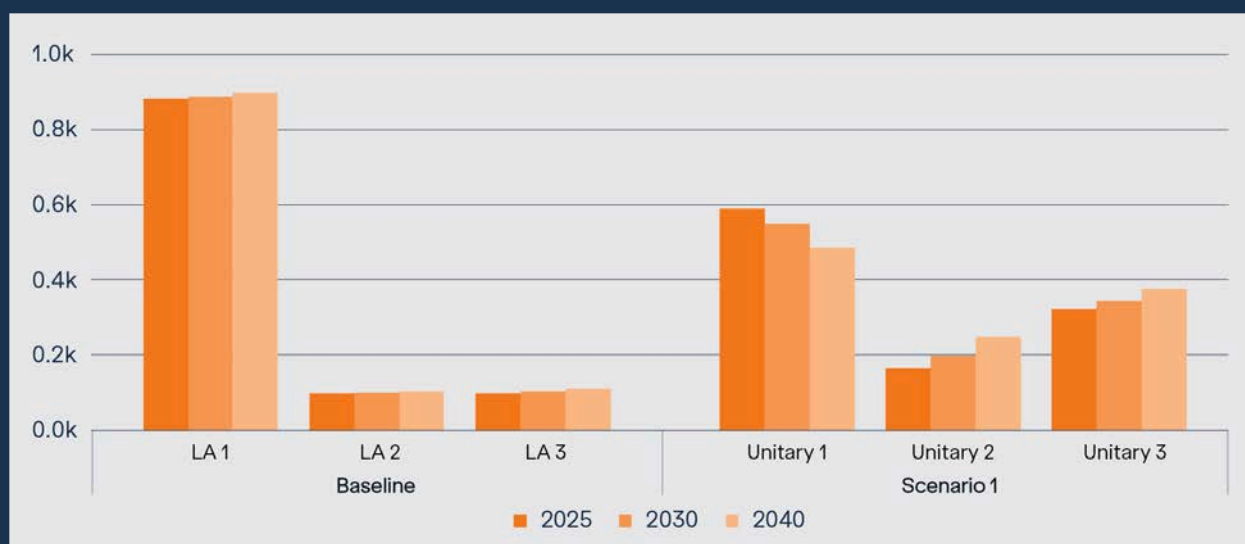
service arrangements of the scale required across county areas can mitigate the risks posed by disaggregation.

The potential scale of legal challenge, judicial review and complexity in determining ordinary residence status should not be underestimated. A further technical point of note for all authorities, once the old placing authorities no longer exist, the legal entity that was the placing authority will cease to exist. This may generate complications where legal challenges in the future are required.

Case Study 2

One disaggregation scenario for a large county area would see one new unitary's WAA residential demand reduce by 15% over 15 years, whilst its neighbouring authority's demand would grow by 50% as a result of ordinary residence (illustrated in the chart below). This presents significant commissioning challenges for developing the provision locally or using out of area placements.

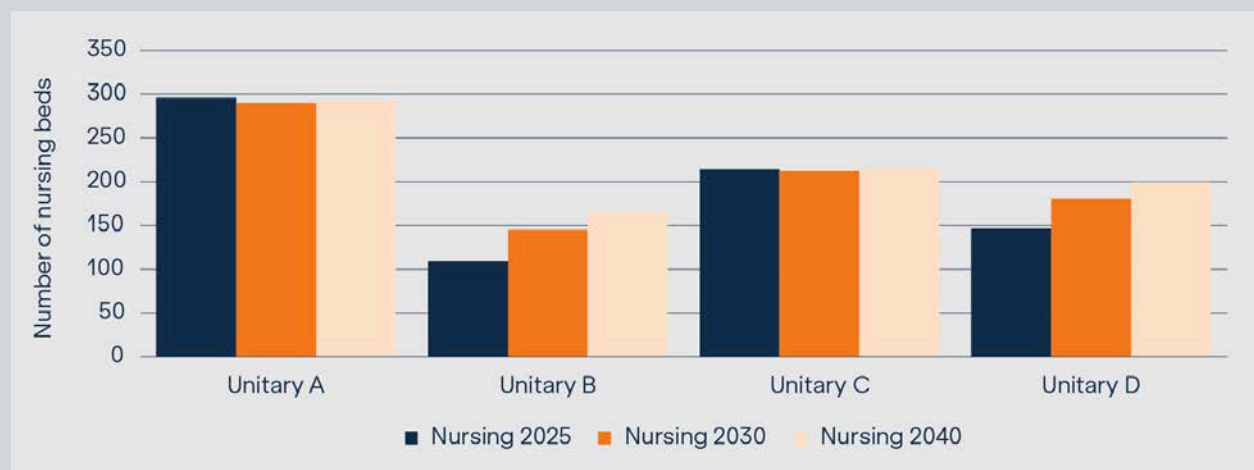
Figure 18: Expected working age adults demand over time in one local area



Case Study 3

Another large county council is exploring the disaggregation of county services into between two and four unitary councils. The below example is provided from the analysis on the four unitary scenario in which the effects of ordinary residence can be seen:

Figure 19: Expected older adults' nursing demand over time in one local area



In this example, unitaries B and D have less nursing provision available in their geography. As such, today, their nursing demand is often placed in the geographies of unitaries A and D, where there is much more supply.

As a result, as LGR goes live, on day 1, B and D will have fewer people supported in nursing care within the authorities. However this will climb as demand originating in B and D will now be placed within these authorities rather than in A and C.

Conversely, in unitaries A and C, the number of people supporting in nursing care will gradually decline, as those residents who originated from unitaries B and D pass away, or move on to different care settings. Whilst demand will naturally climb in unitaries A and C as the population ages, this is fully offset by the ordinary residence effect.

This illustrates the significant challenges created in scenarios such as this one, with unitaries B and D facing difficult decisions about out of area placements and expanding their own provision. Conversely, A and C may have a surplus of capacity as their demand slowly levels off and drops.

Summary

This research shows that disaggregation and the formation of smaller unitary authorities will present a significant challenge to balance the uneven distribution of supply of care and the demand for care within these authorities, which is currently smoothed across larger geographic footprints. Avoiding or reducing the level of disaggregation and maximising the scale of newly formed authorities will minimise this risk.

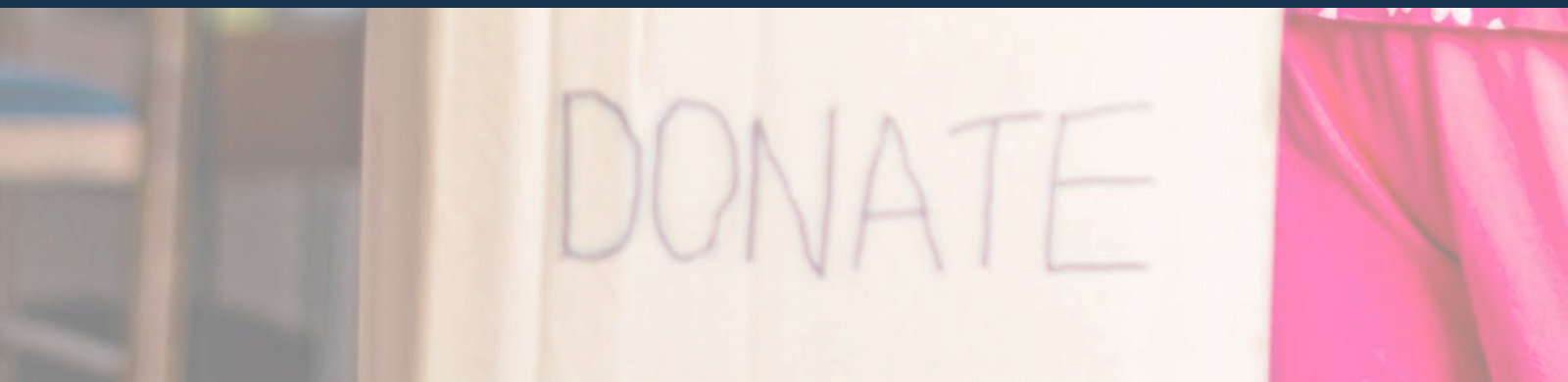
Where disaggregation does take place, authorities will need strategies to manage the long-term reshaping of the market, the ongoing use of out of area placements, and the short to medium-term distortion of demand which will be created when new authority boundaries are drawn.

Disaggregation and the formation of smaller unitary authorities will present a challenge to balance the uneven distribution of supply of care and the demand for care within these authorities.





06: Deep dive into unit costs



Section 4 explored the variation in demand, demonstrating the link between disaggregation, authority scale and demand variation. To provide a full understanding of service costs, this programme has also considered the impact on unit costs of commissioned care across adult social care, children's services and SEND.

6.1 Disaggregation and unit costs

The potential impact of disaggregation on the unit costs of delivering people services is an important consideration when developing, assessing and implementing proposals for reorganisation. This is particularly the case where any analysis is used to inform potential savings projections as a result of reform, including transformation savings, alongside the future financial sustainability of services.

Analysis undertaken to inform savings projections in both adults and children's social care contained within some published business cases¹⁰ appears to have relied on analysis which has suggested that there is no evidence that county councils or larger unitary councils are achieving lower unit costs because of greater buying power in the market as a result of population size.

This analysis appears to be based on simply comparing the average unit cost of different local authority types and by population size,¹¹ with the suggestion that metropolitan and unitary authorities serving a population of between 250,000 to 350,000 are able to deliver lower unit costs. In one business case, for example, a reduction in unit costs to the average within this population bracket has then been used to calculate potential efficiency savings.¹²

However, it would be incorrect to analyse a simple correlation between scale and unit cost across different local types or sizes without controlling for deprivation and median income. Average unit costs across local authority types or sizes will also fail to recognise regional difference in labour and property costs, particularly within northern metropolitan boroughs. That analysis would conflate these different factors and produce conflicting and misleading results on which to base savings projections or judge financial viability of people-based services.

For example in city regions, populations tend to be smaller but deprivation higher; these factors will have conflicting effects on the unit cost of care. Conversely, large county councils will have larger populations but a higher median income, and again these factors will conflict.

It is only through a robust regression analysis where all other factors can be held constant that the true impact of population scale can be isolated and used to estimate the potential impact on unit cost.

6.2 Regression analysis

In order to anticipate the impact of disaggregation on unit costs, regression analysis has been carried out to determine the impact of the multiple factors which affect unit costs.

Analysis was conducted on the rates currently paid for care by upper tier authorities, and the impact of multiple different factors was isolated and explored.

The three strongest relationships are found to be:

- Level of deprivation of the population.
- Median household income.
- Local authority size (as a proxy for purchasing power).

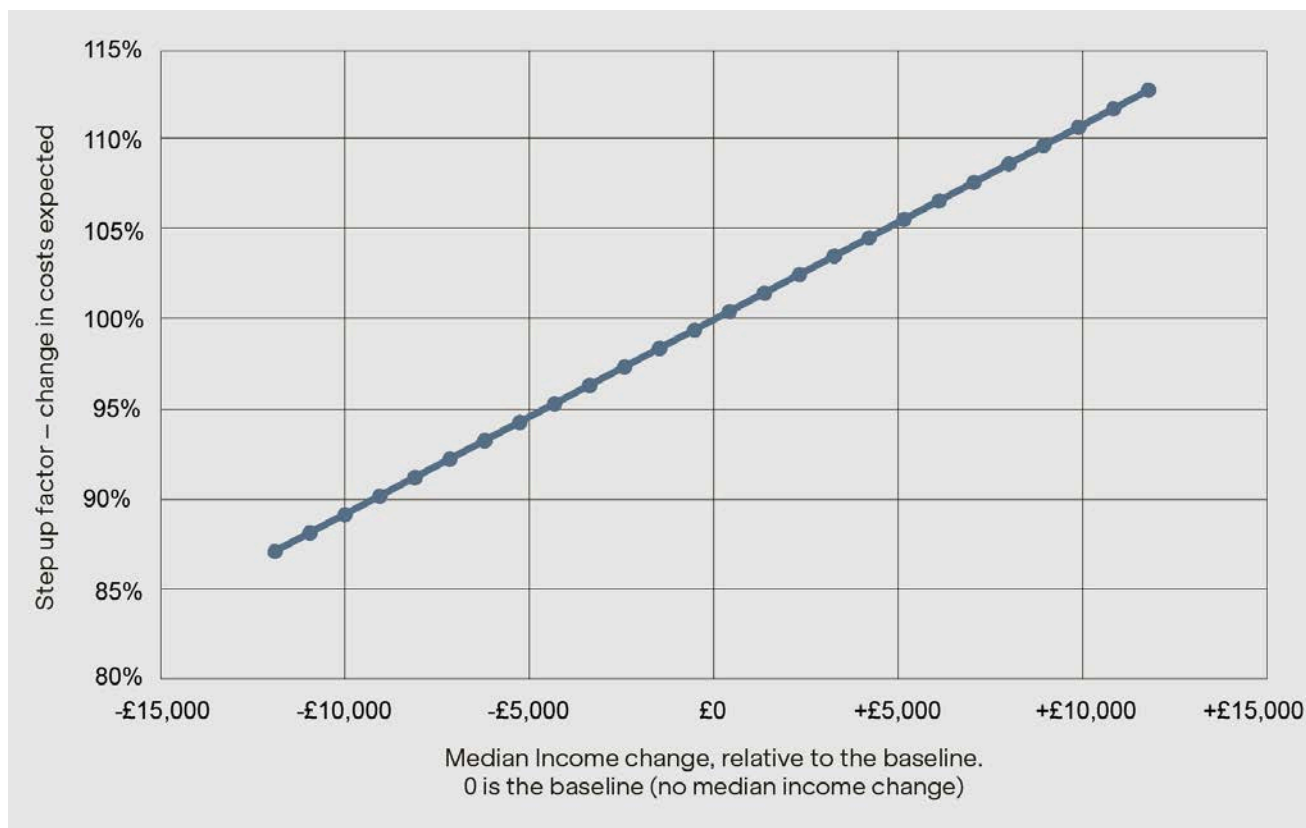
It is important to understand each of these three relationships in turn, and how they may interact with each other.

Median Income

Figure 20, below, shows the relationship between unit cost and median income. This demonstrates that geographies with a higher median income can expect to pay more for care. For every additional £5,000 per year of median income in a place, the unit cost of care increases by 5%, if all other variables are held constant.

This is likely due to a requirement to pay a higher salary to care staff living locally, which increases costs and, in adult social care, a higher proportion of people paying for their own care, which can also drive up unit costs of care.

Figure 20: Impact of median income on unit cost of care



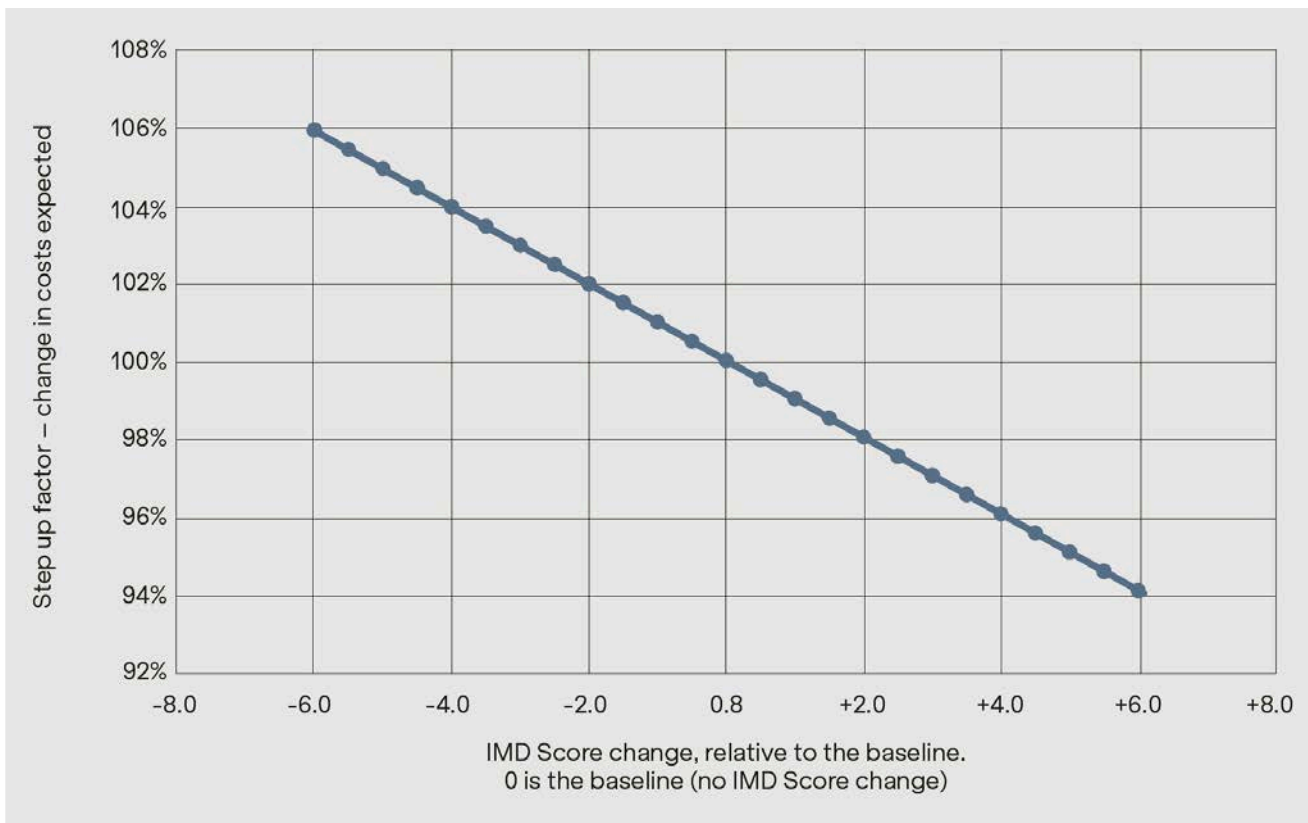
Deprivation

Figure 21, below, shows the relationship between the index of multiple deprivation and unit cost of care. It demonstrates that the greater the level of deprivation, the lower the expected unit cost of care. For every additional two IMD points, the unit cost of care reduces by 2%, if all other variables remain fixed.

This will be partly influenced by an increase in demand for state-funded adult social care in more deprived areas, giving the local authority greater purchasing power as well as the potential for lower wages for a local workforce.

The effect of both of these factors will be net neutral through disaggregation, and will not have an absolute impact on care costs across a county area. However, this will add an additional factor of variation to unit costs in newly formed local authorities. This will be somewhat similar in nature to the variation in demand analysed through Section 4.

Figure 21: Impact of deprivation on unit cost of care



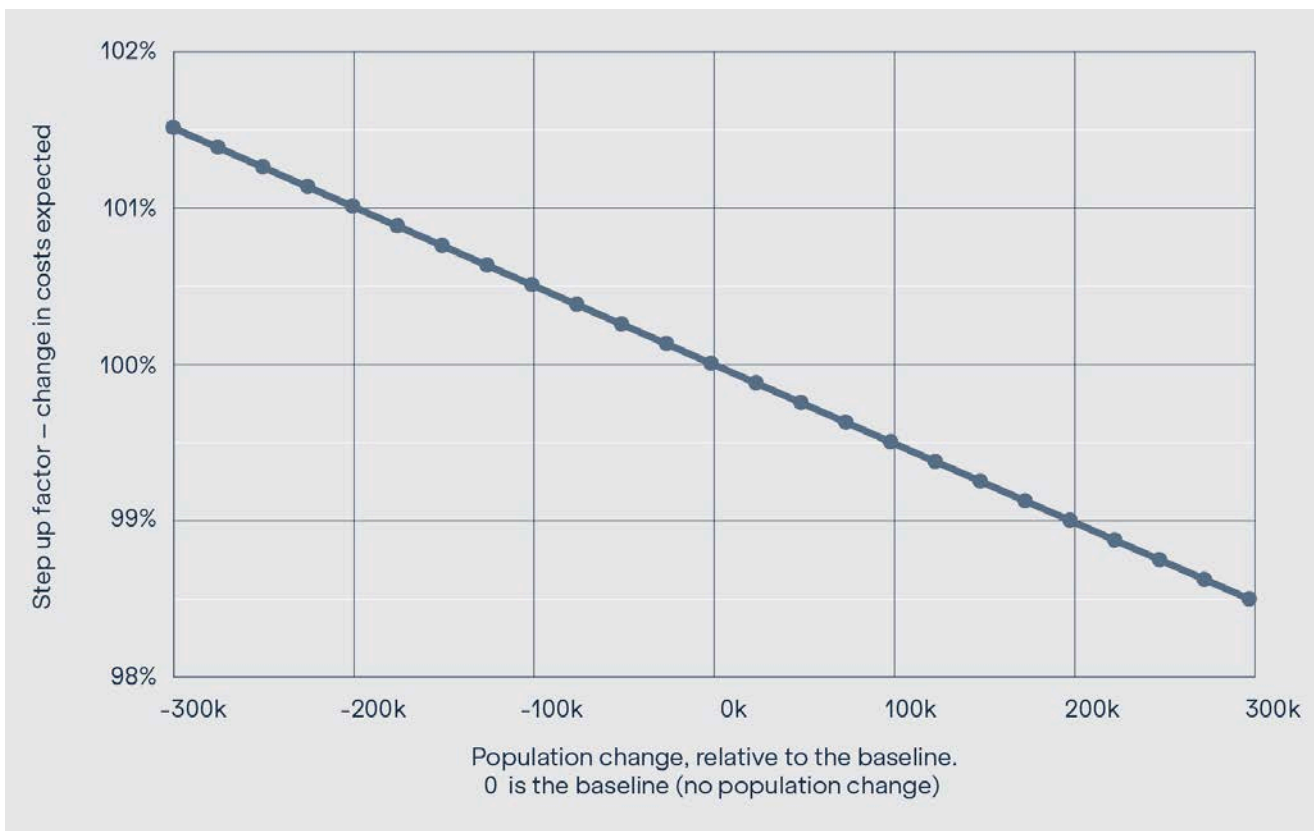
Population scale

Figure 22 below shows the relationship between local authority scale and unit cost, and demonstrates that the larger the population supported, the lower the unit cost. For every additional 200,000 population, the unit cost will reduce by 1%. This is likely due to the increase in purchasing power for the local authority.

Whilst this may appear a small relative change, where disaggregation takes place, the population of new unitary councils will reduce by many hundreds of thousands of residents compared to the existing county council, depending on the size of the LGR geography and the number of proposed unitary councils. This will mean in the largest counties, this could result in populations reducing by a million or more residents.

With existing county councils commissioning care worth many hundreds of millions of pounds per year, reductions in population scale will result in a very significant material and absolute cost increase where disaggregation takes place.

Figure 22: Impact of scale on unit cost of care



6.3 Financial modelling

While the regression analysis demonstrates that a general trend of disaggregation into smaller authorities will lead to an increase in the unit cost of care, the extent of the cost increase will be dependent on the size of the local authorities created.

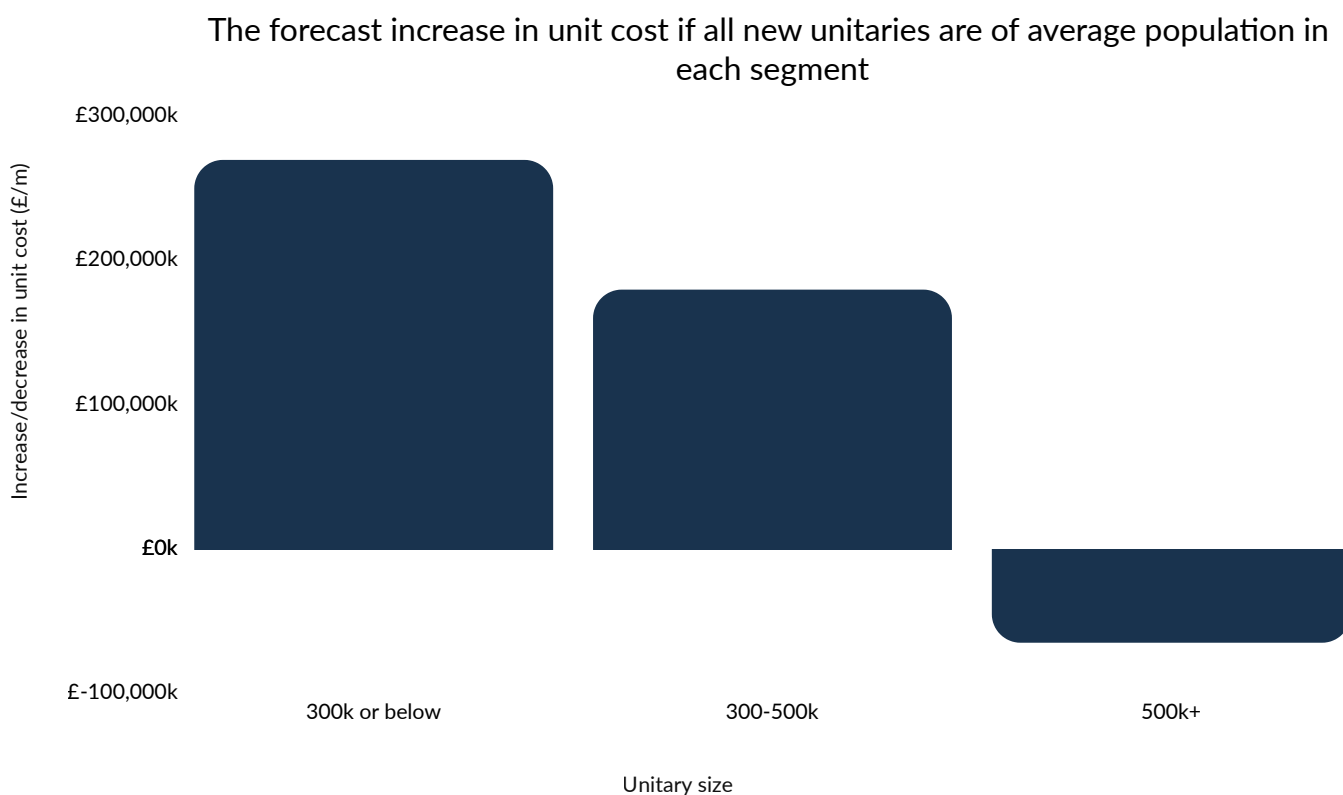
In order to demonstrate this and allow consistent comparison with the demand variation analysis, this programme’s national analysis below examines the impact of LGR resulting in county areas being made up of unitary authorities of 300,000 population or below, between 300,000 and 500,000 population, or 500,000+ population. This is shown in Figure 23 below.

As can be observed, if all new unitary councils were below 300,000 in population, this would result in additional unit costs solely as a result of reductions in purchasing power of over £270m per annum.

This programme’s modelling suggests an additional £180m of annual costs if all authorities had a population of between 300,000 and 500,000. In contrast, if all new unitary councils had a population of above 500,000, a net reduction in unit costs of £65m could be expected.

This analysis presents net figures, which account for the impact of existing neighbouring unitaries being aggregated into larger councils, which may see their scale and purchasing power increase, and unit cost decrease. This therefore accounts for the additional positive financial benefit where all unitary councils are of a population of 500,000 or more. The issues related to the aggregation of smaller unitary authorities are explored more in Box 4 below.

Figure 23: Forecast increase in unit cost



Case Study 4

One medium sized county council modelled as part of this programme disaggregating into either two or three smaller unitary authorities. In this example, the scenarios which disaggregate into two authorities have an average increase in unit cost of 1.5%, introducing additional unit cost pressure of close to £7m per annum across the two new authorities.

Figure 24: Percentage increase of unit cost of care and population for scenarios in a medium sized local authority



The scenario which disaggregates into three smaller authorities (which have populations below 300k) has an average increase in unit cost of 2.8%, introducing additional unit cost pressure of close to £11m per annum across the three new authorities.

This analysis also illustrates the uneven distribution of unit cost pressure across the authorities, in particular in the case where three authorities are created rather than two.

Box 04: Impact and equality of aggregation on different areas

The main themes explored in this report relate to the implications of the disaggregation of people-based services, where this is being considered or proposed. Nonetheless, for several county areas where disaggregation is being considered, this is likely to be accompanied by a degree of aggregation of services between neighbouring unitaries and county councils.

11 of the 19 county areas who participated in this work are considering some degree of aggregation with one or more neighbouring unitary authorities. This is often alongside disaggregation in other areas of the county, which introduces additional complexity.

The analysis conducted for this report looks at the relationship between scale and demand for people services, the costs of provision, and quality of service delivery. It demonstrates the benefits of scale and the risks of losing scale through fragmentation and disaggregation.

It can also be shown that for smaller unitaries being aggregated into larger authorities, there can be a positive effect when measured by comparing to the baseline performance of the original unitary authority.

It is the case that, in a future state where the population is served by a larger number of smaller authorities, this increases the risks outlined through this analysis. However, there will be significant segments of the population - those living in smaller, existing unitaries, often in more urban and deprived areas - which may see some level of aggregation and which may stand to gain.

This could lead to a debate around the extent to which the system is redesigned to favour these populations, at the expense of those living within larger upper tier county council areas.

Summary

This analysis demonstrates that as local authorities become smaller and lose purchasing power, this change has a significant material impact upon the unit costs of care.

This presents a financial case for avoiding disaggregation where possible. Where this is not possible, it highlights the importance of minimising the levels of fragmentation and increasing the size of the newly formed unitary authorities, and maximising purchasing power. Where this is compromised, the costs need to be modelled and understood as part of the business case for local government reorganisation. A 1% increase in unit cost per 200,000 reduction in population is an appropriate working assumption.

This analysis also demonstrates the impact of median income and deprivation on unit costs of care. Whilst the effect of this will be net neutral through disaggregation, this will add an additional factor of variation to unit costs in newly formed local authorities, similar in nature to the variation in demand.

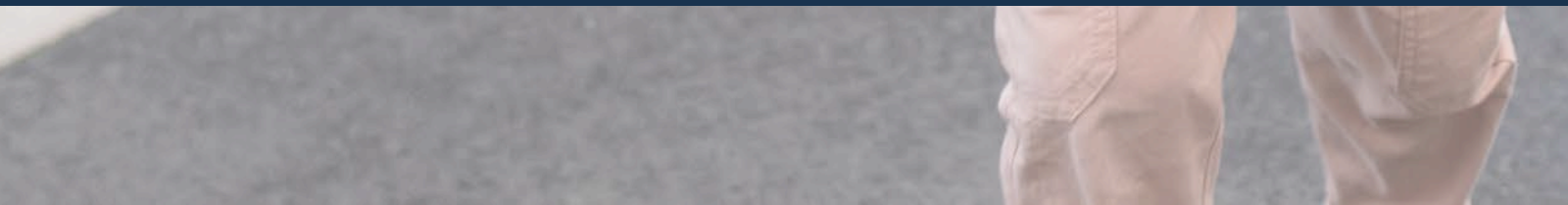
With many business cases containing analysis of unit cost delivery to inform future savings projections, it is critical the government fully assess the assumptions to test the robustness of any underpinning analysis which suggests large recurring savings could be achieved.

As local authorities become smaller and lose purchasing power, this has a significant material impact upon the unit costs of care.





07: Deep dive into senior staffing costs



Where disaggregation of people services takes place through local government reorganisation, additional staffing is highly likely to be required. Even where identical direct staffing ratios are maintained (i.e. where caseloads are consistent before and after), overall numbers of management will almost always increase.

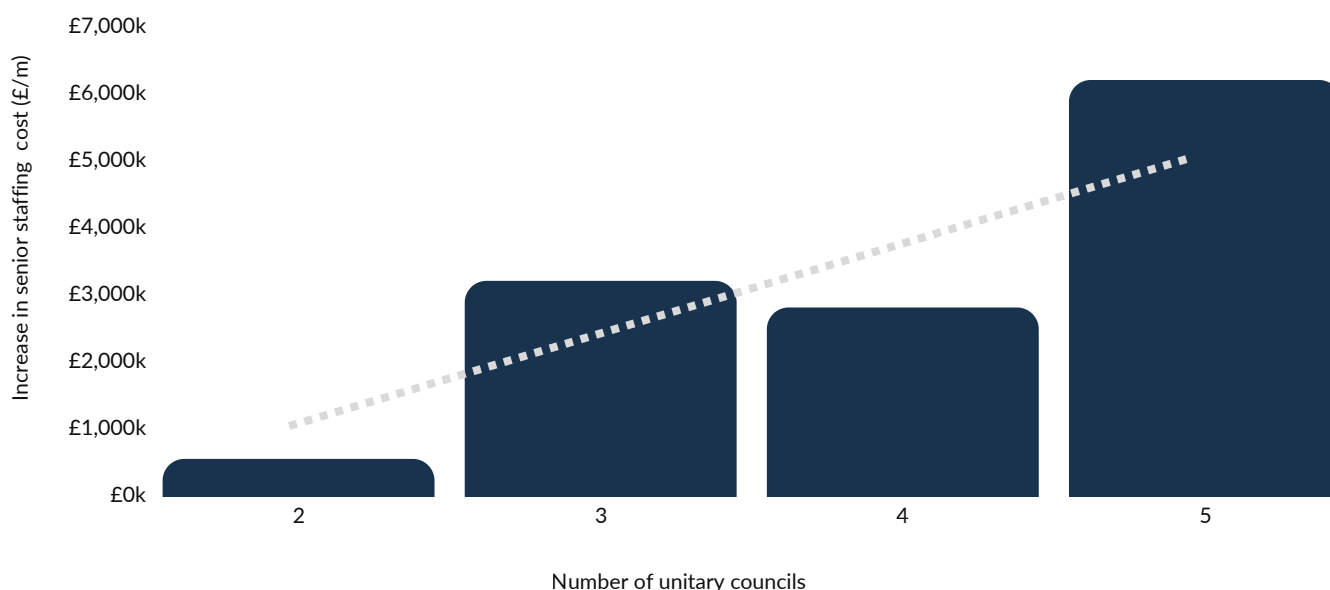
The analysis for this programme has sought to model the changes required to senior staffing in the different scenarios. The work has focused solely on modelling the management and senior leadership teams within people-based services required in newly formed authorities, and assumes that caseloads remain constant. This analysis has also excluded the staffing costs for supporting functions such as commissioning, HR, and business intelligence, along with all other staffing required in disaggregation, for example corporate management teams (CEO's, Finance Directors, directors of other disaggregated services).

7.1 Impact on staffing requirements

As a minimum, as new organisations are created, additional senior statutory leaders will be legally required to manage them. In a scenario where an average 500,000 population is achieved across all county areas and their neighbouring unitaries, this will result in up to nine new local authorities (moving from a baseline of 37 to 46), and the need for up to nine new Directors of Adult Social Care and Directors of Children's Social Care, as well as roles across the wider leadership and management team. This is before any wider changes to the management team are accounted for.

Figure 25 below shows a summary of this analysis, averaging the increased cost of staff in scenarios where two, three, four, and five new unitaries are created. This suggests that depending on the size of the local authority, an additional £1-3m of total senior staffing spend is required per additional unitary created, or approximately an additional 10-35 senior staff across people services.

Figure 25: Average increase in the cost of senior staffing with the number of unitaries, taken as average of modelled scenarios



7.2 Financial modelling

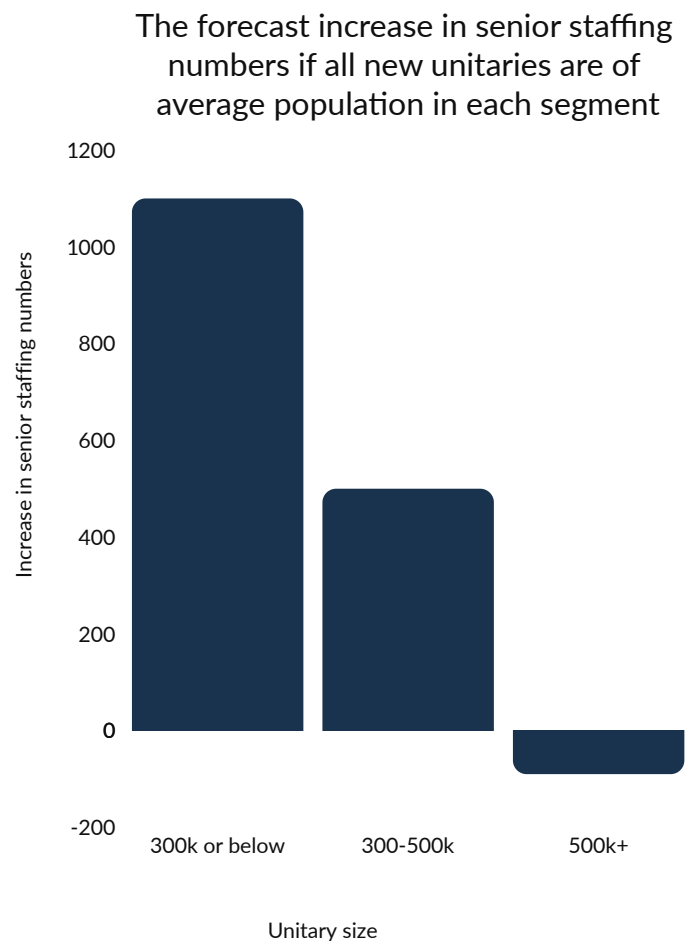
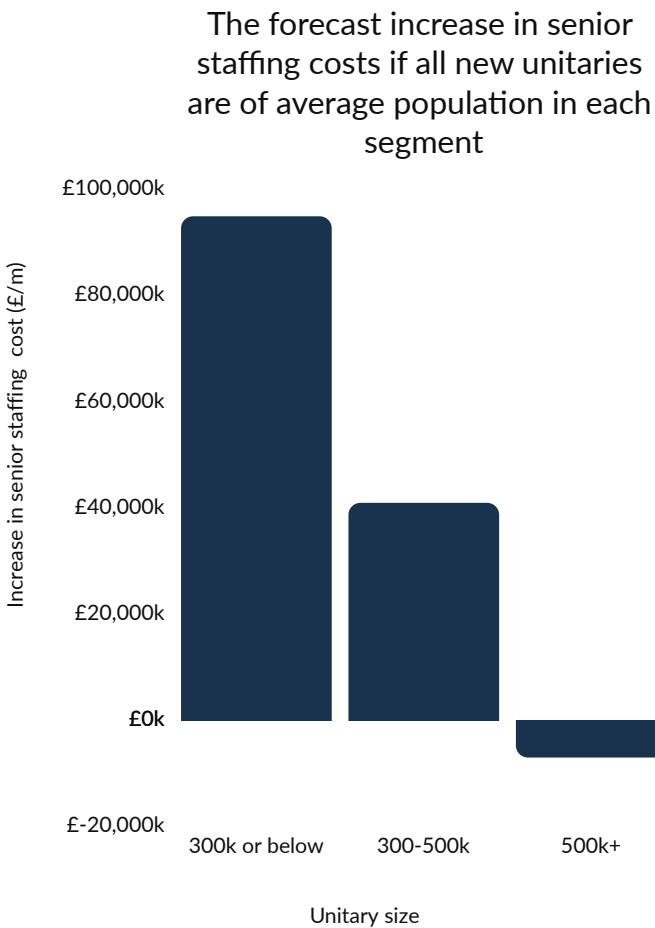
To allow consistent comparison with the demand variation and unit cost analysis, Figure 26 examines the anticipated change in staffing cost if all county areas disaggregated into authorities of 300,000 or lower population, between 300,000 and 500,000 population, or 500,000+ population.

As can be observed, if all new unitary councils were below 300,000, this would result in a requirement for over 1,000 additional management and senior roles, with an estimated annual cost of £95m.

This programme’s analysis suggests nearly 500 additional senior staff and annual cost of £41m if all authorities were between 300,000 and 500,000 population. In contrast, if all new unitary councils were above 500,000 in population, a net reduction in senior management could be experienced.

Figure 26: Forecast increase in staffing cost

Figure 27: Forecast increase in staffing numbers



Case Study 5

In one local area, the staffing expenditure in people services totals £115m for 2025, split at present between two local authorities.

Under LGR, direct delivery staffing costs within people services in this area are projected to increase only in line with demand. However, leadership and management costs are projected to increase by £2.8m annually. Based on an average total staffing cost of £83,673 per annum per management FTE in this local area, this would represent an additional 34 management posts in this local area's people directorates, under a proposal to move to three unitary authorities.

Beyond the financial implications, finding sufficient, suitably qualified, experienced and willing individuals to fulfil these roles is expected to be a significant challenge for the sector. New roles could be even more demanding, with the requirement to manage the process and implementation of reorganisation, alongside the additional change, uncertainty, opportunity, and risk this brings. This is before any accelerated attrition is considered, which was highlighted through the engagement in this programme as a potential consequence of significant upheaval across the sector.

Recruitment and retention challenges will also increase as more authorities are created, and as competition in the marketplace likely increases. This may be particularly evident in some areas due to the variation in geography being considered – the challenges of 'hard to recruit' areas in large geographies can be mitigated to a degree by recruiting to the larger geographic area and spreading the workforce.

However, this advantage tends to be eroded for smaller authorities which have less flexibility of how their workforce can be deployed.

According to a recent Skills for Care report, the turnover rate for adult social care in local authorities in 2023/24 was 13% (in line with the national average). However, the report¹³ also cited the current adult social care vacancy rate as being 8.3%, which is 5.5% above the UK average, thereby highlighting capacity pressures already existing within the system. Similar issues are observed in Children's Services and SEND, and increased competition in the market will put further pressure on these current rates. Maintaining full coverage across the working week can also be challenging with a smaller number of staff employed in the organisation.

Smaller authorities are likely to face further workforce pressures in their ability to provide and maintain specialist service areas, whose viability is often influenced by scale. One example of this is the distribution of Approved Mental Health Professionals (AMPHs). There is a legal requirement to ensure that an area has enough AMPHs serving it to carry out the duties set out in the Mental Health Act. Previous guidance (albeit now outdated) from the Social Care Inspectorate suggested a ratio of AMPHs to population of between 1:7,600 and 1:11,800.

Developing relatively small and specialist teams, such as AMPHs, in smaller local authorities will both be more costly, in that it will require a greater overhead, and may be less attractive in terms of professional development and career pathways. The cost of this effect is not included in the financial analysis in this report.

Summary

This analysis demonstrates that creating a larger number of smaller authorities will lead to a significant requirement for additional staffing across people services.

This analysis has focused solely on management and senior leadership roles.

There is a significant financial consequence of this, with an additional £1m-£3m of staffing required per unitary created, but perhaps a more significant challenge in developing, recruiting and retaining the associated roles. This is before the potential consequence of any accelerated attrition, which could result from upheaval in the sector.

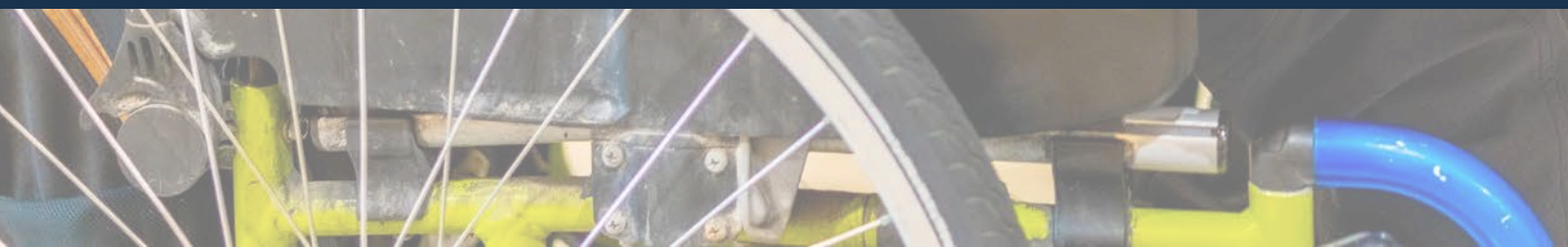
This effect can be mitigated by appropriately avoiding or minimising the level of disaggregation, and therefore eliminating or reducing the requirement for additional staff. In addition, LGR will need to be supported by a workforce strategy to support the development, recruitment and retention of managers and senior leaders across adult social care, children's safeguarding and SEND.

This analysis demonstrates that creating a larger number of smaller authorities will lead to a significant requirement for additional staffing across people services.





08: Deep dive into service quality and partnerships



Sections 4 and 6 have demonstrated the risks potentially caused through disaggregation of demand variation and unit cost of delivering people services. However, the risks associated with service performance, quality and outcomes are equally, if not more, important, given the high-performance in most existing county councils.

Through the engagement carried out for this programme, service directors hypothesised that people-based services delivered by larger local authorities were typically more highly rated by regulators. Therefore disaggregation posed a risk that service quality would be negatively impacted by disaggregation.

To investigate this, further analysis was conducted, seeking to isolate the impact of scale on the ratings provided for children's services by Ofsted, and for adult social care by CQC.

8.1 Scale and service quality

Previous national analysis has suggested there is no relationship between the population size of unitary authorities and their performance in areas including children's services and adult social care. This also suggested that smaller authorities are more likely to receive a 'good' or 'outstanding' rating.¹⁴

However, in order to test the relationship between scale and performance, firstly any analysis must also include all published data. Appendix 3 shows that currently 16 county councils are rated as either good or outstanding by Ofsted for children's services, with only one county council rated as inadequate, and five as requiring improvement.

Exclusion of any subset of councils from this analysis would have a significant distorting effect on any conclusions and serve to skew the results. In the case of previous analysis¹⁵ where county councils have been excluded, this has skewed the results negatively, given the comparatively high ratings of these existing councils and their large scale.

When all available data for Ofsted inspections is included, and the the raw data is simply plotted against population without controlling for other factors, it clearly shows a positive relationship between scale and Ofsted ratings (see Figure 28 below).

But secondly, in order to fully test the relationship between population and performance, a statistically robust analysis needs to control for other factors with a known relationship with children's services outcomes, such as deprivation and median income. This can only be done through a regression analysis.

For this programme of work, a regression model was built that accounts for population, indices of multiple deprivation, median income and region to forecast expected Ofsted score, developed from nationally available datasets. The data source for population size vs Ofsted rating is the ILAC data, including all published ratings.

This regression model (which controls for deprivation and median income) indicates a positive coefficient on population against Ofsted score. This indicates that a larger population size will result in a higher probability of a more positive Ofsted score. The relationship is illustrated below in Figure 29. This analysis therefore confirms that larger authorities are indeed more likely to receive a good or outstanding Ofsted rating for children's services.

Figure 28: Distribution of Ofsted ratings by authority size

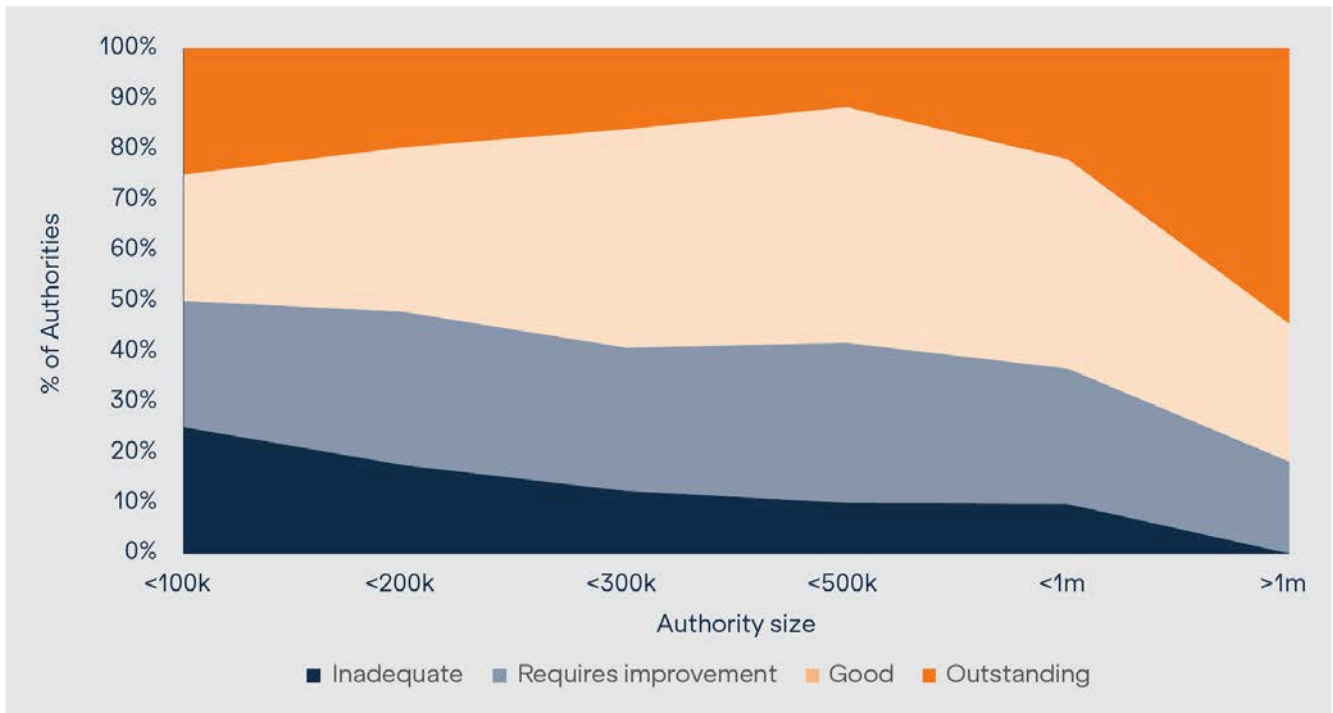
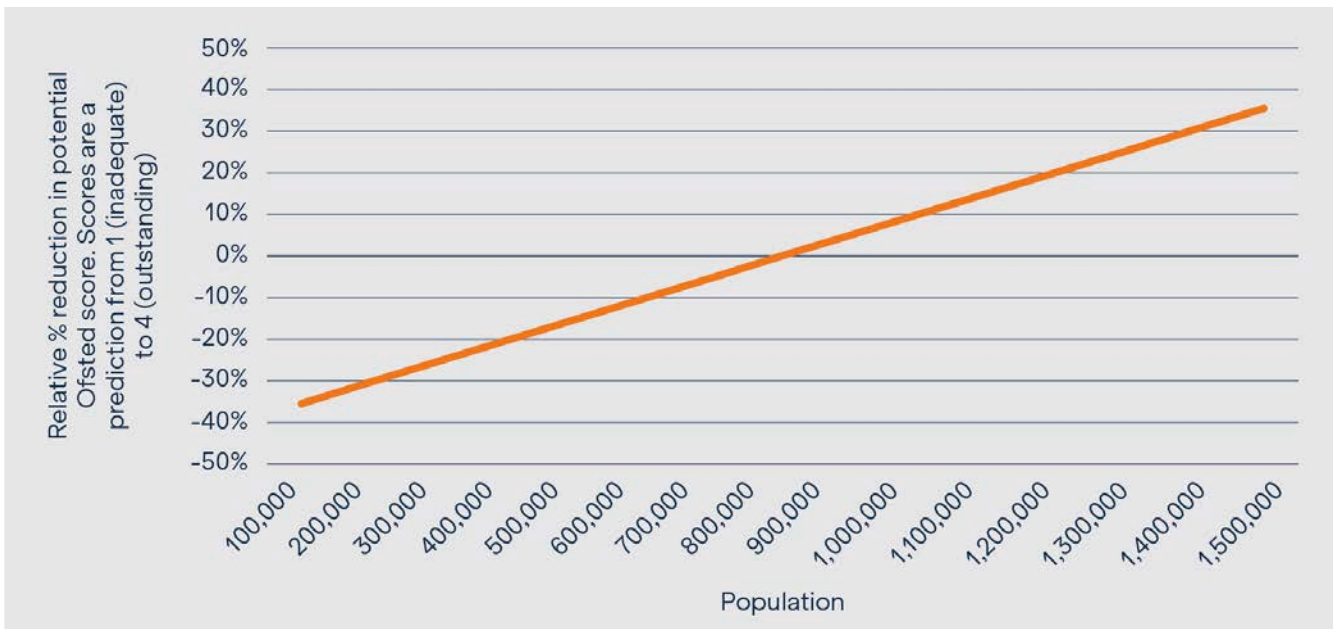


Figure 29: Regression analysis of Ofsted ratings



A similar analysis was carried out for CQC ratings of adult social care and this is shown in Figure 30. The current relationship when outcome is simply plotted against population without controlling for other factors (based on CQC ratings available in September 2025) is shown below in Figure 30 and appears to show the emergence of a similar trend.

Figure 31 (below) shows the regression analysis. There are fewer data points currently available here, given that this is a new inspection framework, and as such the results are less clear, and should be interpreted with more caution.

The flat line from the regression analysis indicates no relationship when other factors are controlled for, however this should continue to be monitored as more inspections are completed. Whilst not indicating the same positive relationship seen for Ofsted scores, this analysis can at least provide a degree of confidence that there is no negative relationship, i.e. that larger councils see lower inspection scores.

Figure 30: Distribution of CQC ratings by authority size

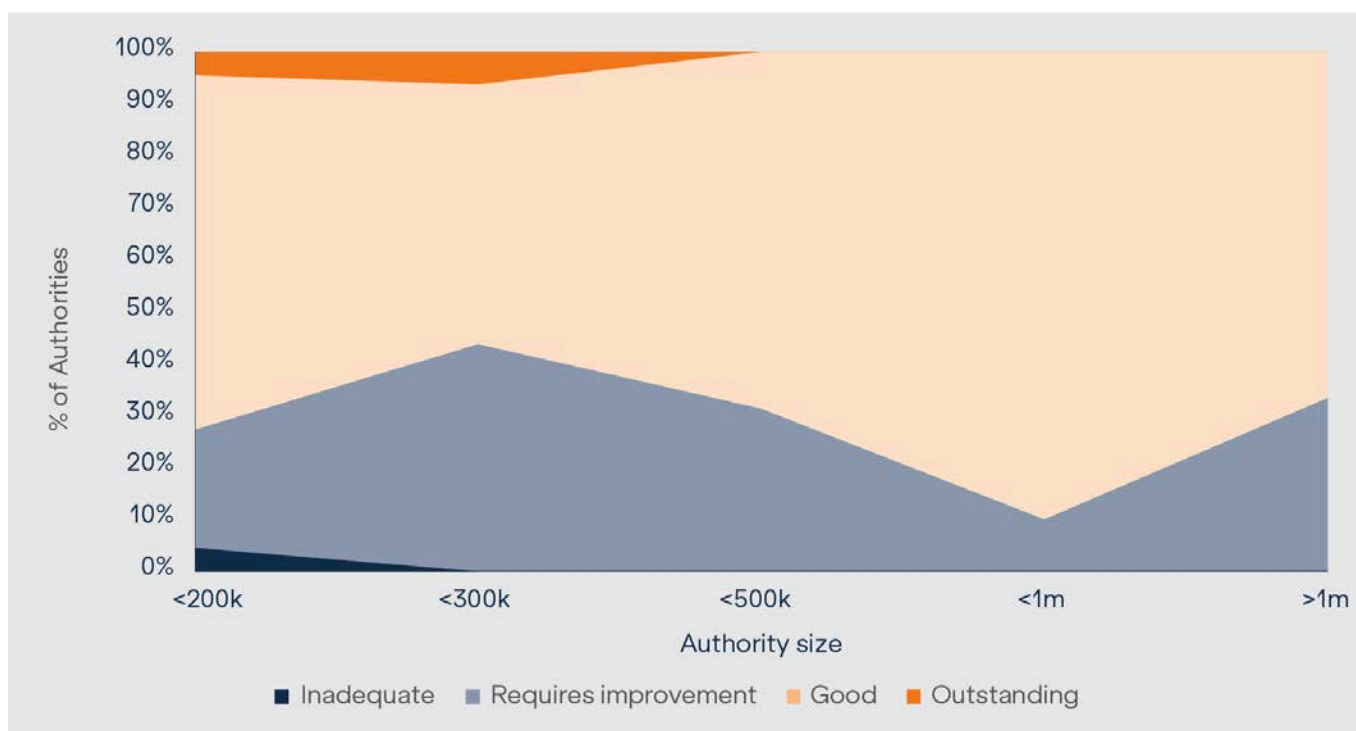
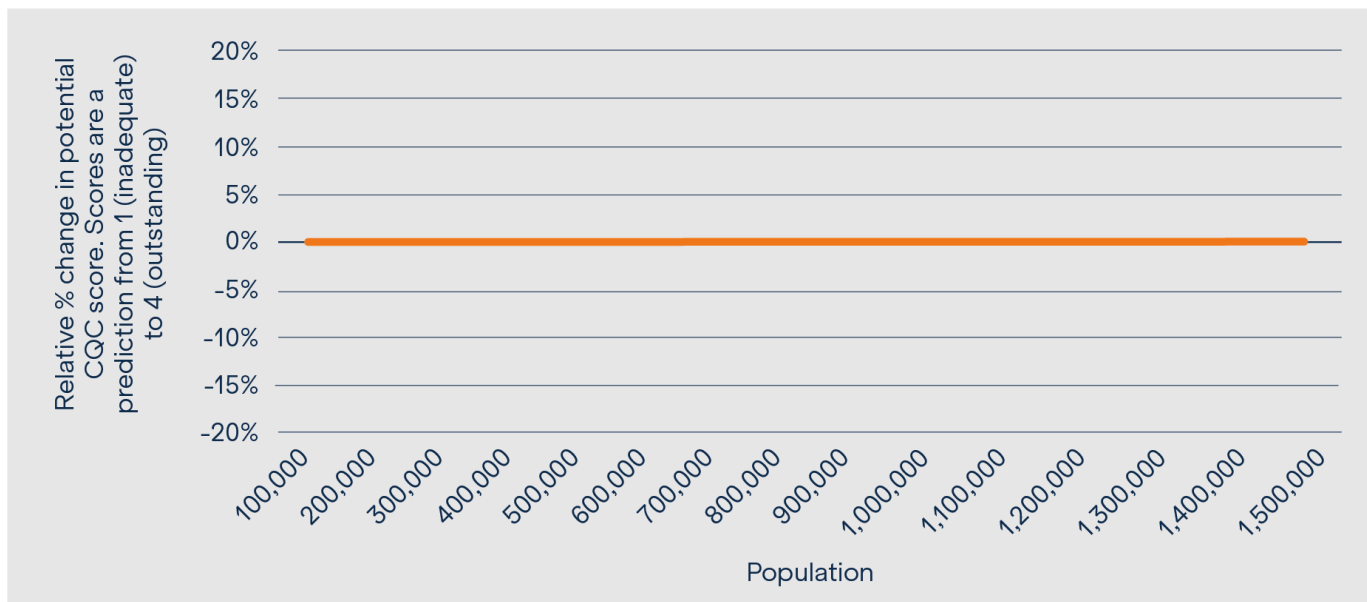


Figure 31: Regression analysis of CQC ratings



8.2 Disaggregation and service quality impact

This analysis suggests that if county areas are disaggregated into smaller unitary authorities, there is a risk that the overall quality of people services may be reduced.

When seeking to explain this relationship, service directors engaged through this programme suggested that larger local authorities can:

- Afford to have more resource dedicated to practice development, quality assurance, management oversight, and transformation.
- Generally offer improved opportunities for staff, increasing the quality of applicants and minimising vacancy rates.
- Attract more experienced senior managers and leaders.

It is also the case that smaller local authorities are, on average, likely to make more out of area placements. Out of area placements have been highlighted by several bodies (including government, ADASS, ADCS, and the LGA) as posing a greater risk to the quality of care and requiring additional assurance and oversight.

The factors behind this include less direct quality assurance from the placing local authority; a lack of flow of information and data; challenges in care management; the quality and frequency of reviews and support planning; and increased isolation of the person being cared for.

The overall risk of reduced quality of services may be further exacerbated by the fact that disaggregation will create additional senior management posts as new services are created (as explored in Section 7), with a shortage of experienced people to fill them. This may lead to further quality risk, as new senior leaders get to grips with running services undergoing significant operational transition.

It is important to note that whilst (on average) upper tier county council services will be getting smaller, some neighbouring unitaries included in proposals will be increasing in overall size. Therefore, these authorities may benefit from an increase in quality because of their increased scale.



8.3 Strategic partnerships

With shifting boundaries of local authorities and ICSs, there is a risk and an opportunity in aligning new units of service delivery. This includes alignment and partnership working with wider partners, such as the police, the voluntary sector, and private service providers.

LGR presents an opportunity for partners to better align around place, and critical to this will be the number of partners required to work together, and the potential for partnerships to be co-terminous.

Minimising the number of partners involved, and the number of transitions and handovers required between services helps maximise effectiveness of place-based working and reduces quality of care risks introduced through handovers between organisations. Practically this means ensuring boundaries are consistent with partners at a neighbourhood level.

If this is not achieved (and if police, VCS, health, social care, and schools all cover different footprints), then risks might include multiple handovers between different organisations and commissioners, an increased likelihood of there being gaps in care support and ultimately a more complex and less efficient system.

Analysis for this programme indicates that there are currently 22 ICBs that interact with the 37 baseline county and unitary authorities. On average, these ICBs each interact with 2.73 authorities.

If every county area analysed in this programme were to disaggregate county council services and merge with neighbouring unitary authorities (where applicable), with an average population of 500,000, this would result in nine additional upper-tier local authorities (forming 46 new authorities compared to the baseline of 37). This would result in an average of 3.14 local authorities per ICB, meaning that on average nine of these 22 ICBs would interact with an additional authority. This analysis has been carried out prior to the new ICB clusters being confirmed and as such does not take this into account.

Case Study 6

As an example, in one county area, one ICB currently only interacts with a county council and one of its neighbouring unitaries. For 85% of its complex discharges, it works with one authority. This county council analysed the implications of disaggregation into two or three unitaries. This would mean that the number of authorities this ICB interacts with would increase from 2 to 3 or 4 and so, in the worst case, this would potentially double the number of meetings and staff required to handle these interactions.

Summary

This analysis demonstrates that there may be a quality risk in disaggregating people services, if the resulting services are materially smaller. Whilst there are a significant number of factors affecting service quality, including demography and deprivation, as well as how the service is delivered, this analysis demonstrates that smaller services are less likely to be rated as good or outstanding by Ofsted.

In considering mitigation for this, alongside seeking to avoid or minimise levels of disaggregation, workforce and leadership development will be critical to ensure that there are sufficient capable senior leaders to run newly formed services. They will need to navigate the significant operational transition into new services and authorities, as well as put in place an operating model which can drive high quality despite the potential reduction in scale. They are likely to therefore need additional development and support to undertake these challenging roles.

Moreover, in disaggregating people services through local government reorganisation, due attention needs to be paid to the footprints of local partners. Disaggregation that results in an increase in the number of service transitions and handovers will increase the complexity of the local system, and introduce additional risk to the quality of care and a potential reduction in efficiency. If possible, LGR should be used as an opportunity to drive greater co-terminosity and reduce overall system complexity.

This analysis demonstrates that smaller services are less likely to be rated as good or outstanding by Ofsted.



09: Deep dive into distribution of deficits in the High Needs Block

Section 4 explored the variation in demand, and specifically, in special educational needs and disabilities (SEND). As the analysis showed, the potential variation in SEND demand resulting from disaggregation is particularly acute. However, it is not just future SEND demand that creates additional risk in any disaggregation scenario, but how historic High Needs Block (HNB) deficits will be managed.

Analysis for this work has explored how historical SEND deficits might be distributed across proposed new unitary authorities, and the potential impact of these deficits on the newly formed authorities.

9.1 Impact of High Needs Block deficit distribution

HNB deficits held by local authorities, as a result of overspends and the statutory override, are arguably the single biggest financial risk facing CCN member councils.

These deficits are currently estimated to reach £2.7bn across CCN member councils by March 2026. Previous research indicates that without the statutory override, 18 county and unitary councils would be insolvent overnight, equating to half of all CCN member councils.¹⁶

Therefore, how the proportion of these deficits currently held by county councils may be distributed as a result of LGR is a fundamental question for the financial sustainability of the newly formed authorities, particularly where disaggregation takes place.

To examine this, district-level data on SEND and EHCP demand and costs over the past three years was used to estimate each proposed unitary council's contribution to historical spend against the High Needs Block. This provided a proxy for the proportion of each upper tier authority's High Needs Block deficit (where this exists) with each proposed unitary being allocated a portion of the county-wide historical deficit based on its share of this historical spend. There is significant variation in this deficit apportionment, depending on if and how disaggregation is carried out.

Perhaps more pertinently, this analysis then looked at the relationship between that estimated deficit for a new unitary which may be carried over, and the future estimate of SEND spend against the High Needs Block, which could be a proxy for future High Needs Block apportionment.

This analysis attempts to assess the potential financial risk for each new authority, by looking at the relationship between inherited debt and the potential revenue budget.

Where the ratio of the potential revenue budget to the inherited debt is lower - that is, the potential deficit equates to a greater proportion of the potential annual revenue budget - this indicates a higher potential level of financial risk to the authority. Savings of a much greater proportion would be required to pay back any inherited debt.

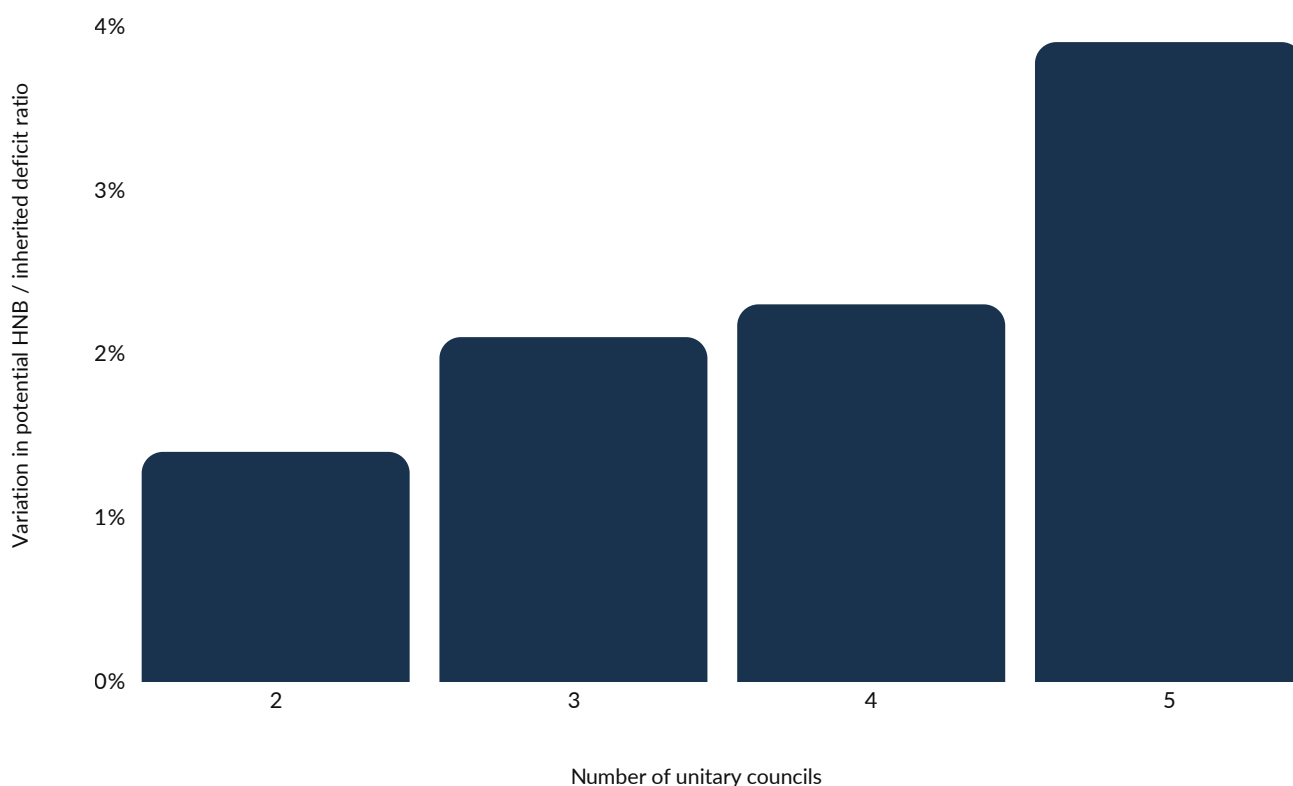
The analysis below demonstrates that there is a greater level of variation in the level of risk as the number of unitary authorities increases (and the scale of these reduces). This analysis is sensitive to the current level of deficit; how this deficit is apportioned based on historic demand; and the future demand trajectory.

Whilst there is significant variation in the starting point of each authority, for some newly formed unitary authorities, their inherited High Needs Block deficit will be much larger in comparison to their potential budget than for their neighbours.

This is particularly the case where a larger number of unitaries are being created in an area and suggests significant financial inequality being created, which may demand disproportionate and unevenly distributed savings to be delivered in the future.

This analysis is summarised in Figure 32 below.

Figure 32: Average variation in ratio of 2040 spend to inherited deficit by number of unitary authorities

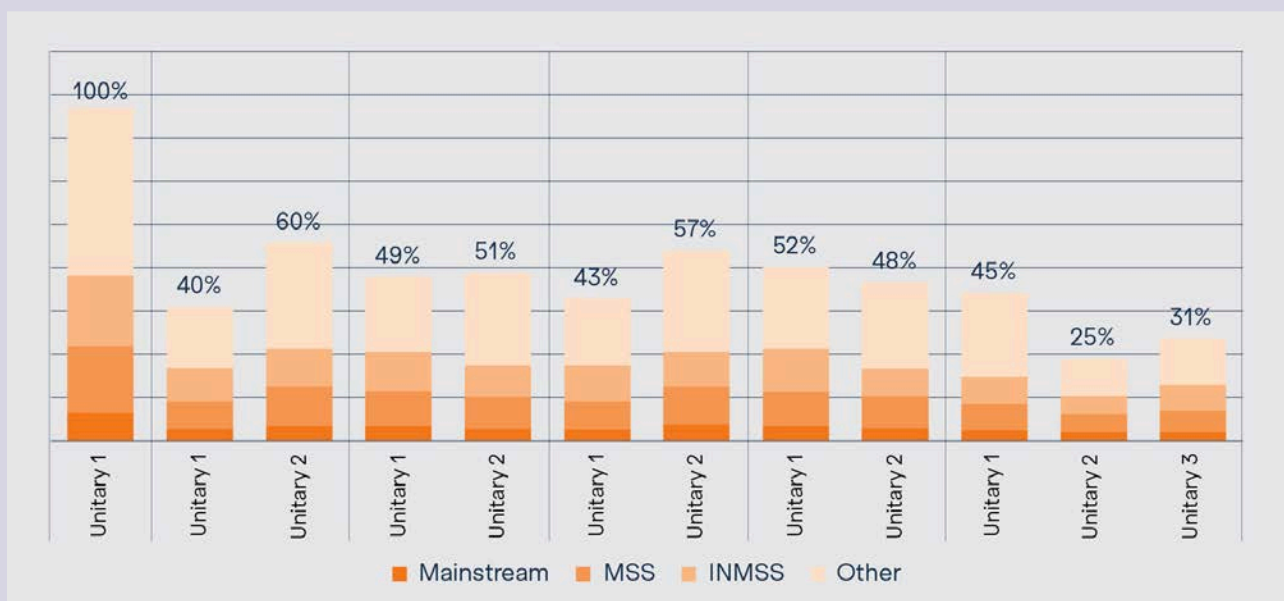


Case Study 7

One county area modelled as part of this programme the impact of splitting the county council into two or three new unitary authorities. The analysis conducted through this programme sought to estimate how the High Needs Block deficit could be apportioned to each new authority, depending on their historic contribution to expenditure and demand.

The figure below shows how this apportionment could vary, both for different variants of a 2 unitary model, and particularly where greater disaggregation is introduced in a 3 unitary model.

Figure 33: potential variation in High Needs Block apportionment



It can be seen in the 3 unitary model, where all authorities are between 300k and 500k population, that one authority may inherit 45% of the deficit, whereas another may inherit 25%. This analysis highlights the potential financial risk for the proposed authorities inheriting a larger proportion of the existing deficit.

Summary

This analysis demonstrates where there is more significant disaggregation, with more unitary authorities created, there is the potential to introduce uneven financial risk related to deficits in the High Needs Block. Avoiding or minimising levels of disaggregation will mitigate this risk. However, where disaggregation is required, the risk passed to new authorities must be fully evaluated, and financial mitigation proposed.

Risk levels will be highly sensitive to the way in which current High Needs Block deficits are apportioned amongst newly formed authorities, and this will need to be given considerable thought, in relation to estimated High Needs Block apportionments and budgets for those new authorities. Perhaps more fundamentally, this analysis provides further incentive to determine a long term solution for accumulated deficits in the High Needs Block, and to seek a resolution to this before new authorities are created and before deficits have to be passed on to newly formed authorities.

This analysis demonstrates where there is more significant disaggregation, with more unitary authorities created, there is the potential to introduce uneven financial risk related to deficits in the High Needs Block.



10: Conclusions

Through analysing the potential unitary scenarios of 19 county areas, engaging with colleagues from across the sector as they prepare for LGR, and those who have already been through it previously, this programme of work has sought to provide an evidence base for the potential impact of reorganisation on people services.

The report's findings indicate that decisions about unitary authority size and configuration will have profound, long-lasting impacts on the most vulnerable members of society who depend on people-based services.

While LGR presents significant opportunities for improved service delivery and democratic accountability, this analysis reveals substantial risks if reorganisation results in excessive fragmentation of people-based services through disaggregation.

The evidence analysed strongly suggests that maintaining larger-scale unitary authorities is essential to preserve service quality, control costs, and ensure financial sustainability.

Disaggregation should be avoided or minimised where possible, but where it cannot, the analysis suggests unitary authorities with populations in excess of 500,000 are those most likely to be able to reduce the risks of extreme demand variation, increased unit costs, and deterioration in service quality.

Where disaggregation takes place, careful attention is required to maintaining appropriate scale, ensuring equitable resource distribution, and coordinating with wider public service reforms.

Without proper mitigation of identified risks, reorganisation could significantly harm service quality, increase delivery costs, introduce additional operational complexity, and potential threats to the viability of newly created authorities.

These risks must be considered within the context of the severe demand-led pressures facing people services, and the pressing need to preserve investment in preventative services to reduce existing challenges within the system.

However, with appropriate planning and scale considerations, LGR offers the potential for transformational improvements in how local government serves its communities.

10.1 Priorities for government

Based upon this programme's findings, a set of conclusions can be drawn which highlight key priorities for government to consider in moving to the next phase of LGR and assessing, selecting, and implementing proposals put forward by local areas.

These priorities are intended to enable the clear opportunities and benefits of LGR to be fully realised whilst mitigating the risks. These priorities are summarised here and are underpinned by the evidence presented throughout this report.

The analysis undertaken and the engagement carried out with the sector has identified ten key priorities for government:

01

Local government reorganisation should seek to avoid or minimise disaggregation.

This is to mitigate the risks of variation in rate of demand; increased unit costs of commissioned care; and a detrimental impact on service quality – all of which the analysis in this programme has highlighted. In some county areas, this is best achieved by prioritising proposals that avoid disaggregation through county-wide unitary authorities. Where disaggregation is to take place, the analysis suggests that at a minimum the government should ensure that new authorities are above their stated criteria of 500,000 or more. The analysis indicates this will best mitigate the risks of variation in demand, whilst also reducing the anticipated increase in staffing cost and unit cost of care.

02

The government should scrutinise and rigorously evaluate all proposals against their own statutory criteria, with a particular focus on, and due weighting for, the impact on people-based services.

The assessment of the impact of disaggregation and the potential ‘fragmentation’ of high-cost services should incorporate a much wider range of factors than the financial impact on the potential savings profile from LGR. These include the potential upward pressure on unit costs due to reductions in purchasing power; workforce deployment and the recruitment and retention of staff; reductions in provider capacity and placement sufficiency; and risks to the continuing quality of services.

03

Given the expected level of competing proposals and range of assumptions underpinning these, particularly in relation to the disaggregation of people-based services, **the government should consider appointing an independent body to evaluate proposals to ensure the long-term sustainability of local government in non-metropolitan England.**

04

Particular attention should be given to the variation in demographics and associated demand in people-based services, ensuring the assessment of proposals results in the best alignment of resources, needs, and assets. This will avoid incorporating inequality in service provision and access, which would ultimately risk the long-term sustainability of new authorities. The analysis in this programme has shown the significant potential variation in demographics and demand, depending on where the boundaries of new authorities may be drawn. Populations below 500,000 or more experience heightened risk of extreme demand profiles, potentially overwhelming resources, or leaving authorities with insufficient service users to maintain viable provision. This variation is particularly pronounced in SEND services.

05

Structural Change Orders (SCOs) and implementation arrangements for reorganisation should ensure that upper-tier councils have a majority on implementation governance, particularly on Joint Committees and when countywide services are being disaggregated. Given the additional costs, and risks, associated with the impact of reorganisation on people-based services demonstrated in the analysis, particularly where disaggregation is necessary, it is essential that those authorities with the experience, expertise and responsibility for delivering those services have due representation in governance that enables them to lead the implementation of local reform within an area.

06

Where disaggregation takes place, proactive mitigation of issues related to workforce and leadership development will be vital, and upper tier authorities should be enabled to take the lead on this. Depending on the scale of new local authorities, as new organisations are created, additional senior leaders will be required to run them. If service quality is to be maintained and optimised, this will require considerable planning and workforce development, to ensure there is a pipeline of senior leaders prepared to step into these roles. Further focus on leadership development may also be required, since the roles in new authorities could be even more demanding, with the requirement to manage the process and implementation of reorganisation, alongside the additional change, uncertainty, opportunity, and risk this presents.

07

Where disaggregation takes place, develop and implement a specific plan (supported by relevant legislation if necessary) to address the issues of ordinary residence. With demand originating from parts of a county which may not be where supply is most readily available, in the longer-term there is likely to be a need to actively reshape care provision, potentially creating supply in areas where costs are higher. In the shorter-term, there will need to be clear processes and policy to account for the distorting effect of those currently receiving care in what will become a different local authority to their home address at the point of placement.

08

Coherence with ICS restructures should be prioritised to maximise opportunities for public service reform and to ensure alignment at place level and co-terminosity where possible. This will substantially improve the efficiency of system-wide resources and activities and will provide more clarity for residents who expect alignment. To enable this, newly forming ICS's need to proactively engage thoroughly with local authorities as they go through the process of LGR, as well as the other way around, in particular ensuring alignment of neighbourhood and place work. Alignment of geographies and boundaries with other strategic partners, such as police and fire, should also be prioritised wherever possible to minimise system complexity.

09

A solution to be developed and implemented to address the issue of the statutory override on the High Needs Block budget. Unless this is addressed, a substantial deficit will be divided up between new, smaller local authorities, substantially constraining their ability to maintain service quality and to innovate for improvement. The precise allocation of the deficit will be a challenging process to navigate, and the future success and viability of an authority will be highly sensitive to this being done accurately.

10

Ensuring alignment with wider reform across people services. It will be critical to ensure that local authorities are able to develop change plans to reform service delivery whilst preparing for reorganisation, rather than having to choose what to prioritise. Key areas of focus should be the NHS 10 year plan, Baroness Casey's independent commission on adult social care, reforms to children's safeguarding, and reform to the SEND system, including a long-term decision on HNB deficits.

10.2 Priorities for local planning and transformation

This programme of work has highlighted several implications for county areas to consider when forming their proposed new authorities. These include practical considerations - which should feature in the next stages of local planning - as well as potential models of service delivery which could form part of service transformation plans, both in the preparation for, and in implementation of LGR.

Building on engagement with the sector and upon the principles set out by officers who have already been through reorganisation, practical considerations for local planning should include:

01

Ensuring that LGR is taken as an opportunity to continue to transform services, beyond just being 'safe and legal'. This will be key to realising the benefits, and mitigating the risks set out through this report. Local authorities can consider how they start to orientate their existing transformation programmes towards realising the benefits of reorganisation and preparing for new service models where required, alongside achieving operational and financial improvement and preparing for wider service reforms. This amounts to a significant amount of work, and should be properly planned, resourced, and phased, making the most of the time between now and reorganisation going live to help to maximise the positive impact.

Explicit plans can be drawn up to ensure the benefits of reorganisation will be realised. These specific areas include:

- **Integration with housing:** New unitaries will have responsibility for both homelessness and general needs housing, and social care services. Considering the operating model for these services and early priorities for integrated working, well in advance of reorganisation, will enable opportunities to be maximised. Initial areas of focus could include supporting access to general needs housing for care leavers and adults living with learning disabilities, leveraging increased scale and leverage in procuring temporary accommodation, and offering a more holistic, multi-agency response to support homelessness prevention.
- **Prevention:** New unitaries will have access to a wider set of resident data, including benefits, council tax and other revenue collection, social care and housing data. Connecting this data within a single organisation can support more effective identification of vulnerability, financial challenges, homelessness, involvement in violence, breakdown in carer relationships, crises requiring social care support for people of all ages, and physical and mental health deterioration. This will provide new authorities with a powerful asset to work proactively and preventatively to intervene earlier and prevent or delay the need for formal council services. Early thought can be given to how this data will be managed, how it might be analysed, and where the capacity might be found for proactive outreach.
- **Strategic use of assets:** New unitaries will have a wider range of assets, from libraries to day centres, housing, and office space. Forming an early strategy for how these assets might be used to fulfil the breadth of services provided by new councils will also enable early decisions to develop or dispose of assets, generating capital funding to invest in further service development or transformation.

03

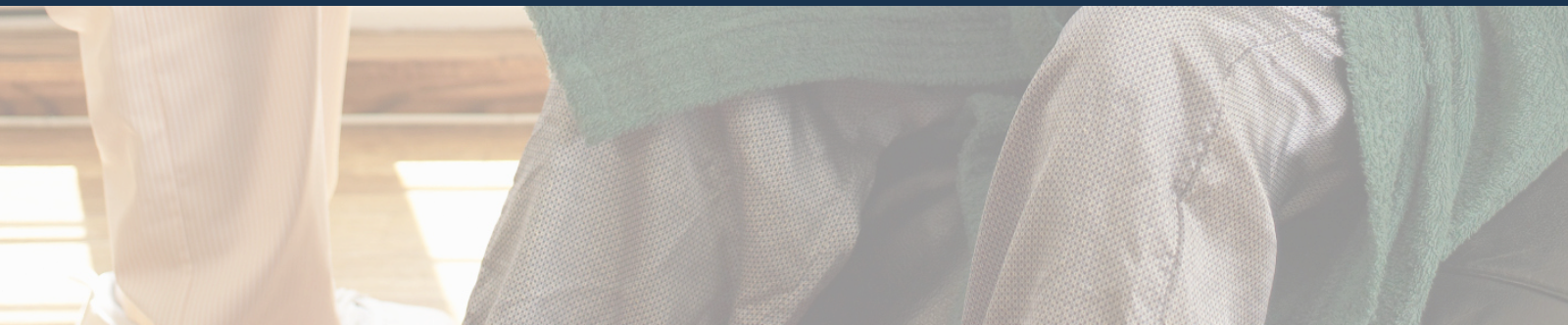
Ensure new demand profiles are fully understood and planned for with strategic commissioning, including the issue of ordinary residence. This programme has demonstrated the significant variation in demand introduced as services are disaggregated into smaller units, and the additional complication of ordinary residence creating a distortion between demand and supply as new authorities are formed. This will need to be understood at the level of individual provision (and is supported by the individual analysis provided through this programme), to help commissioners to develop appropriate capacity.

04

Aligning with strategic partners, in particular health, wherever possible. This will minimise the complexity of newly forming health and social care systems, maximising service quality and productivity. Engaging with integrated care systems as far as possible, understanding how merger plans are progressing, how places and neighbourhoods will develop, and the responsibilities held at these levels will all be an important input to shaping reorganisation. This may enable new unitary authorities to take a more leading role in the development of health and social care at 'place' level, as well as the development of integrated neighbourhood health.



11: Footnotes and Appendices



Footnotes

1. Excludes spending on SEND. Figures obtained from PwC/CCN Spending Need forecasts 2022/23-2029/30
<http://www.countycouncilsnetwork.org.uk/download/5436/?tmstv=1727446691>
2. LGC, 2nd April 2025
<https://www.lgcplus.com/politics/governance-and-structure/exclusive-over-50-lgr-options-still-in-play-02-04-2025/>
3. LGiU. State of Local Government Reorganisation(LGR) England (April 2025)
4. PwC: Evaluating the impact of scale in proposals for local government reorganisation (March 2025)
<https://www.countycouncilsnetwork.org.uk/download/5696/?tmstv=1758803910>
5. MHCLG. English Devolution White Paper (December 2024)
<https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper#delivering-our-plans>
6. MHCLG. Local government reorganisation: summary of feedback on interim plans (June 2025)
<https://www.gov.uk/government/publications/local-government-reorganisation-summary-of-feedback-on-interim-plans/local-government-reorganisation-summary-of-feedback-on-interim-plans>
7. PwC: Evaluating the impact of scale in proposals for local government reorganisation (March 2025)
<https://www.countycouncilsnetwork.org.uk/download/5696/?tmstv=1758803910>
8. CCN: Local government reorganisation – evaluating the financial impact of population thresholds (March 2025)
<https://www.countycouncilsnetwork.org.uk/download/5701/?tmstv=1759351765>
9. CCN Press Release (March 2025)
<https://www.countycouncilsnetwork.org.uk/councils-warn-of-financial-catastrophe-in-12-months-time-with-unmanageable-send-deficits-risking-bankruptcy/>
10. Case for Change: Three Councils for Suffolk (September 2025)
<https://www.eastsuffolk.gov.uk/assets/Your-Council/LGR/Three-Councils-For-Suffolk-Case-for-Change.pdf>
and Creating a Local Future for Essex: Five Unitary Councils for Essex (September 2025)
<https://www.essexlgrhub.org/proposals>
11. Peopletoo: Local Government Reform – An Adult and Children’s Service’s Lens
<https://tdcdemocracy.tendringdc.gov.uk/documents/s77885/A.1%20Appendix%20F%20-%20PeopleToo%20Paper%20LGR%20Opportunities%20for%20ASC%20and%20Childrens%20Services%20July%202025.pdf>
12. Appendix 5 - Creating a Local Future for Essex: Five Unitary Councils for Essex (September 2025)
<https://www.essexlgrhub.org/proposals>
13. Skills for Care (October 2024)
<https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx>
14. District Councils Network Press Release (March 2025)
<https://www.districtcouncils.info/performance-data-undermines-case-for-mega-councils/>
15. Ibid
16. CCN Press Release (March 2025)
<https://www.countycouncilsnetwork.org.uk/councils-warn-of-financial-catastrophe-in-12-months-time-with-unmanageable-send-deficits-risking-bankruptcy/>

Appendix 1 - detailed methodology for individual county area analysis

Overview of scope

This work focuses on the people the council supports and the demand on commissioned care for people in future scenarios. The financial cost analysis includes the cost of this care, and direct senior staff and management in these services.

This work does **not** look to model the disaggregation of **corporate and support functions or wider infrastructure spend**, and the cost of them in future scenarios.

Demand modelling methodology

To model how demand is expected to vary by geography and change over time, the population has been segmented. This enables forecasts for new geographical footprints to be provided, and enables the analysis to control for the impact of deprivation and population density in its forecasting.

When the features that have the biggest impact on Social Care demand for a population are considered, it is evident that these are age and deprivation. The model has segmented an area's population by age and used the smallest practical geography to control for deprivation, as a smaller geography provides more accuracy.

For each segment (i.e. U18 in MSOA x) of the population:

- Segment demand = segment population x segment prevalence

Through making a series of sensible assumptions on how prevalence and population is expected to change within a segment, expected demand in that segment can be forecasted. See Diagram 1 below.

Diagram 1 - Demand modelling approach

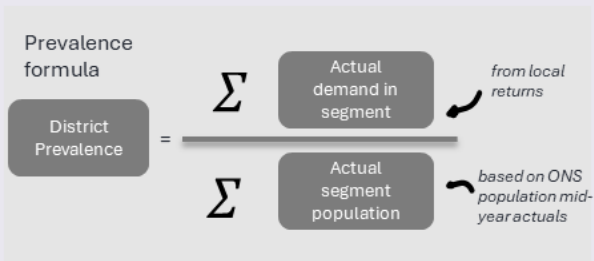
Data inputs

Participating authorities were engaged in this work and data was provided by them

Metric	Data source used
Number of long term service users at year end for the last 3 financial years	Council data returns
Population for each district	ONS population projections and actuals

Methodology - prevalence

The prevalence associated with each district for each demand type and provision has been calculated.



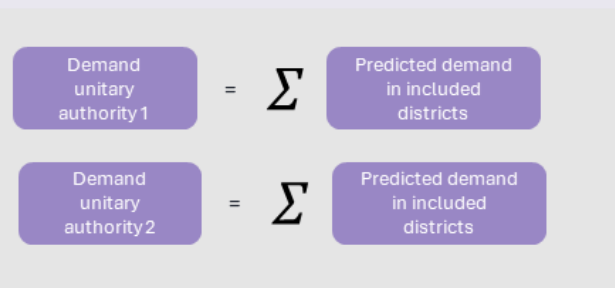
This calculated prevalence for each district is then combined with the population projections to give us a demand by district for each year.

Output

- The demand for each provision type in each unitary authority for 2025, 2030 and 2040

Methodology – combining demand

The demand for each of the new unitary authorities is then calculated depending on what districts are selected



Approach to modelling populations

To model population, the following datasets have been used:

1. Forecasts: ONS population projections (at a District level) (2018).
2. Historical trends: ONS population estimates (at an MSOA level) (2023).
3. Analysis: Combining population projections with population estimates.

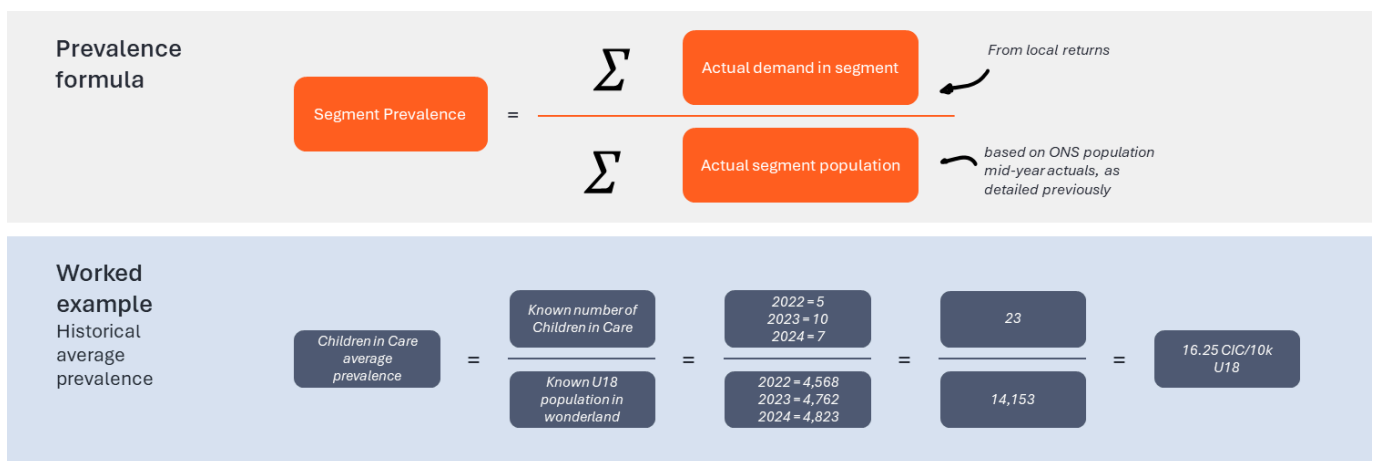
Where they exist, ONS population projections have been used, however:

- Looking at ONS Projections vs ONS Estimates there is occasionally a discrepancy at a district level. Where there is a significant difference, a simple model has been applied based on historic trends to projected forward
- To get MSOA % population of a local authority, historic proportions have been used with some trend adjustments where needed
- To get age group projections, historic MSOA distributions have been used
- To reflect a projected increase in older adults, the proportion of 65+ residents has been scaled up to match ONS national projections, whilst scaling down the 0-17 age group to reflect a declining birth rate.

What is meant by prevalence

The following approach has been used to project prevalence:

Diagram 2 - Approach to modelling prevalence



Approach to unknowns within the data return

To handle where values in data returns have been redacted, or where demand data has been given for districts / MSOAs which are ‘Out of County’. The following approach has been taken:

Redactions:

- Where MSOA-level data returns are heavily suppressed, the analysis has instead been run using the district-level data return.
- Where cost data is redacted, the average cost of districts / MSOAs with data for that year has been used.
- Where no more detailed information has been provided, 2.5 has been assumed. This is as instances of 5 or more would be included.

Unknown and Out of County:

- Where ‘unknown’ locality data, UASC, or Out of County data has been provided, this has been redistributed across districts / MSOAs within the current county.
- For demand data, this demand has been spread out across the current county through weighting against the relevant population segment (e.g. U18s for Childrens). This is essentially a likelihood that the unknown demand came from a certain district / MSA within the county.
- To account for the fact that Out of County placements may differ in cost to in-county placements, where cost data is provided, the average unit cost for each demand type per district / MSA has been back-worked. This ensures total forecasted costs remain accurate & constant pre and post value re-distribution.
- Unit costs at a district level may appear greater than that provided in the data return, if the cost data provided for Out of County / Unknown placements are greater than in-county, to account for the greater cost of Out of County placements.

Modelling changes in prevalence over time

Adults and Children’s Social Care

To project prevalence going forward, for ASC and CSC, the average prevalence from actuals has been calculated, for the period FY21/22 through FY23/24, and the same prevalence going forward applied. These years were chosen (1) to avoid influence from COVID-19 and (2) as longer-term data is rarely available, for the same set of districts, utilising the same methodology.

For ASC, in the longer term, a prevalence trend has then been proportionally modelled back towards originating demand.

SEND

As the prevalence of SEND has greatly increased over the past few years, a linear increase for type of SEND setting has been modelled for each district / MSA. Where there was not a clear linear increase, the average prevalence was used instead.

The SEND prevalence for each setting type is ‘frozen’ at the year that the total SEND prevalence across setting types reaches 5.5% of the under 24 population segment. Any years afterwards will have this fixed prevalence.

Other aspects of the report (Home to School transport, Absences and Exclusions etc.)

The programme’s approach to modelling other sections of the report are detailed further into this methodology appendix.

Population segments used

These are used for both prevalence calculations, and for the weighted redistribution of unknown data.

Table 1 - Population segments used

Cohort	Population segment used
ASC: Older Adults	65+
ASC: Working Age Adults	18 – 65
CSC: Children's Social Care	Under 18
SEND (and Home to School transport)	Under 25

Placement vs originating prevalence

It is well understood that there are more placements in some parts of the county than others, relative to local demand. As a result, service users are placed in areas of the county that are not the same as their originating address. **This means that the data currently shows an artificially distorted view of need across the county.** As the population tends to its “natural” demographics, this distortion would be expected to unwind over time, and social care need to equalise across geographies. This phenomenon will only impact “placement” based services (e.g. Residential Care), and not community services (e.g. domestic care).

For each service, cost and demand analysis have been produced for 2 key scenarios, summarised in Table 3 below.

Length of stay

In the longer term, the prevalence is expected to trend back towards the distribution of prevalence suggested from originating data (or where unavailable, domestic care demand).

For longer term forecasts (2030 and 2040), and for three types of placement care – Nursing Care, Residential Care and Supported Living - the prevalences have been blended between placement prevalence and originating prevalence with the weightings on the right.

Table 2 - Length of stay calculations

Trend towards originating prevalence over the long term			
Age group (WAA or OA)	Type of care	Year	Weighting
OA	Nursing	2030	30%
		2040	0%
	Residential	2030	20%
		2040	0%
	Supported Living	2030	20%
		2040	0%
WAA	Nursing	2030	80%
		2040	50%
	Residential	2030	80%
		2040	50%
	Supported Living	2030	80%
		2040	50%

Table 3 - Placement vs originating prevalence

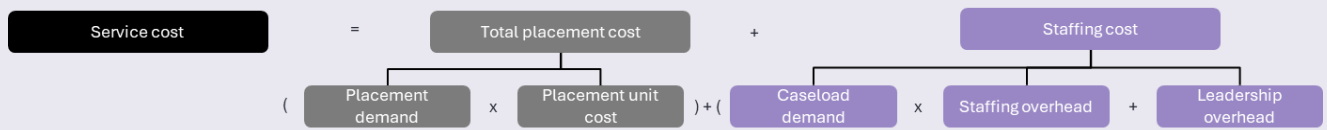
Service	Day 1 prevalence (2025)	Long term population driven prevalence (2030 and 2040)
Childrens: Children in Care	It has been assumed that these placements will be distributed with respect to their originating address , not the placement address.	No change in prevalence: the analysis has been performed based on the child’s originating / parental address, which will not change as a result of the location of the child's placement.
Adult: Residential Care, Nursing Care and Supported Living placements	Using known demand and cost data for each placement provides a forecast for each district based on service users currently placed in that locality . These forecasts will have demographic distortions baked in as services users are not expected to be moved due to changes in boundaries.	The long-term population driven prevalence forecast is shaped towards the distribution of service users by originating address where known. As the population across the county tends to its natural demographics, the prevalence of Nursing Care and Residential Care placements is expected to tend to the same distribution between districts as Nursing Care and Residential Care demand by origin. Where this data is unavailable, the prevalence rate of domestic care has been used (as this service does not result in service users changing address). For the longer term forecasts a prevalence rate has been used that is distributed in this way.
Adult: Other care types	For Other care types, or where placement information is not available, the forecast for each district is based on the service user’s originating address.	No change in prevalence: the analysis has been performed based on the service user’s originating address .

Table 4 - Summary ASC, CSC and SEND demand modelling

Cohort	Assumptions for Day 1 (2025)	Assumptions for 2030 & 2040 (where this differs)	Handling of neighbouring unitaries
Older Adult	<ul style="list-style-type: none"> For Day 1 only, prevalence remains the same as past average per district / MSOA, based on placement address. For OP, use population 65+ for prevalence and population forecasts. Practice is consistent across current LA footprints. 	<ul style="list-style-type: none"> For residential-type settings, assume "natural" demographic demand is proportionally spread as per originating address where available or as per dom care between districts / MSOAs. For OA: Assume average placement duration of 2 years. 	<p>Where demand & cost data has been provided for neighbouring unitaries:</p> <ul style="list-style-type: none"> Where this includes demand originating in that neighbouring unitary, this demand has been used to calculate the prevalences in the districts / MSOAs of the neighbouring unitary.
Working Age Adult	<ul style="list-style-type: none"> For Day 1 only, prevalence remains the same as the past average per district / MSOA, based on placement address. For WAA, use population 18-65+ for prevalence and population forecasts. Practice is consistent across current LA footprints. 	<ul style="list-style-type: none"> For residential-type settings, assume "natural" demographic demand is proportionally spread as per originating address where available or as per dom care between districts / MSOAs. For WAA: Assume average placement duration of 15 years. 	<p>Where this data has not been provided:</p> <ul style="list-style-type: none"> If this data is unavailable or the data only shows current placements in that neighbouring unitary (but not demand originating within that neighbouring unitarity). Instead, the average prevalence from districts/MSOAs currently within the local authority have been used. This is to avoid demand appearing lower in scenarios with neighbouring unitaries.
Children's	<ul style="list-style-type: none"> For Day 1 and 2030 & 2040, prevalence remains the same as past average per district / MSOA. Use U18 population. Assumed that spend will be divided by originating address rather than placement address, therefore analysis completed based on parents' address (not placement address) Practice is consistent across current LA footprints. 		
SEND	<ul style="list-style-type: none"> Prevalence is calculated from U25 population and will increase over time as per the trend in the district / MSOA over the past 3 years. This increase is included in Day 1 (2025) projections. A linear regression model has been used, capped at 5.5% of population. If this resulted in negative or no linear forecast, it has instead been assumed that the prevalence will stay the same over time. Breakdown by setting in same proportions as the average over the time period data is available for. 		<p>Where this data has been provided</p> <ul style="list-style-type: none"> Similarly, this data has been used without modifications. <p>Where this data has not been provided</p> <ul style="list-style-type: none"> The total number of EHCPs from the national Government SEND report have been used. This is at LA level, so the prevalence for all MSOAs within an LA where national data has been used will have the same starting prevalence. To split this by SEND provision type, The same average % has then been applied.

Cost modelling methodology

Diagram 3 - Approach to modelling cost



Data inputs

Metric	Data source used
Average unit cost for each provision type for the last three financial years	Council data returns
Staffing costs	Council data returns

Total placement cost

Placement costs are distributed using the same methodology as described in the demand slide. An average weighted unit cost is calculated for each new authority and multiplied by the demand.

Newton have also included a regression analysis for the impact of organisation size on unit cost (factoring in; median income, IMD and population).

Staffing cost

Newton do not model any costs from more operational staff. This cost therefore splits with the proportion of demand.

However, Newton do model the additional leadership and senior management costs. This cost therefore increases as you disaggregate.

Output

- Expected unit cost for each provision type in each unitary authority for 2025, 2030 and 2040.
- Total cost for each service for each new unitary authority

This programme's cost analysis has been limited to assessing the impact of LGR on two key drivers of spend:

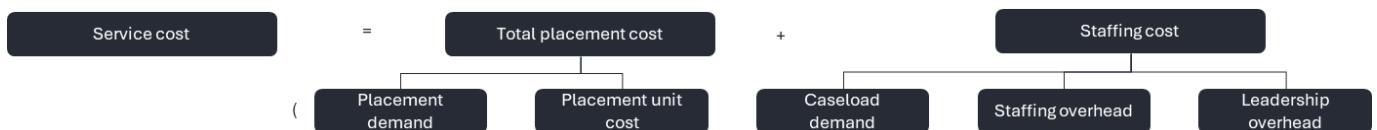
1. Provision costs: the cost of placements, homecare, and supporting SEN provision.
2. The senior staffing cost associated with identifying need and supporting residents.

Where sufficiently granular data has been provided, this extends to the areas included in Table 5:

Table 5 - Cost analysis approach - placements and staffing

Service	Description	Services in scope		
		Adult	Childrens	Education
Placements	Analysis on unit cost of placements and homecare. This will extend to estimating the impact of scale, population density, complexity, self funding, OOA placements, Inflation and equalisation of rates.	<ul style="list-style-type: none"> • Nursing • Residential • Domiciliary • Supported Living • “Other” 	<ul style="list-style-type: none"> • Children in Care placements 	<ul style="list-style-type: none"> • Mainstream School • MSS • IMSS • ‘Other’ • Home to School transport
Staffing	Analysis of the distribution of staffing spend across the proposed unitaries, and any anticipated changes in organisation structure.	<ul style="list-style-type: none"> • All Council Adult Social Care directorate staffing 	<ul style="list-style-type: none"> • All Children’s Social Care directorate staffing 	<ul style="list-style-type: none"> • All Council Education directorate staffing

The overarching governing equation is:



Unit costs

In a similar manner to the demand modelling, the same population segmentation approach has been used to help model costs across the county. As part of the data returns, participating areas provided data on unit costs. Cost was then modelled at the same geographic level to help control for complexity (driven by deprivation etc.) and local cost variation (e.g. higher rents in urban areas).

Unit cost has been modelled by individual setting (i.e. OP Nursing) to ensure that cases of comparable complexity are being compared so-far as is possible within non-PID data.

Placement demand is taken as per the approach discussed in the previous section.

To provide average rates over larger geographic areas, a demand weighted average has been used. This average is also used where no data is available (for example, for neighbouring unitaries where data was not received).

This means that if increasing need is forecast in an expensive area of the county, and a reduction in need in a less expensive area, the average unit cost would adjust to account for this.

The unit cost is the cost of a setting placement, or providing a service such as Home to School transport for one service user. As unit costs are forecast forward, there are several factors that have been considered to assess the impact of LGR summarised in Table 6.

Table 6 - Factors considered that influence unit costs

Factor	Hypothesis	How have we considered the impact of this?
Scale	That smaller authorities have less buying power and so will pay more for placements as they are outcompeted by larger LAs and the private market.	Using both national and individual data returns will identify any correlation between unit cost and scale. If any strong trend is identified, an expected increase in unit cost rate will apply as a result.
Population density	It is more expensive to deliver care in areas with lower population density due to increased travel time.	
Complexity	More complex cases have a higher associated cost of care and caseloads are increasing.	By modelling costs at a small geographic scale, these factors are controlled. As the underlying population changes (gets older, poorer or less dense), the aggregated cost will change to reflect this as there will be more service users with a higher average cost.
Self funding	Different areas of the county will have differing levels of self funders, which means that different unitary authorities will need to contribute differing percentages of the total cost of care.	
Out of area placements	It costs more to place service users outside an authority.	Out of county costs have been used where they have been provided, and an average cost has been used where they are unavailable.
Inflation	Placement costs will increase in cost regardless of complexity or authority boundaries.	A compounding 3.328% inflation has been assumed in line with 10 year CPI & average earnings index. When taking the average cost of a place, historical costs have also been uplifted to account for inflation at a 5.81% rate.
Equalisation of care rates within a LA	Where an existing unitary authority is absorbing neighbouring MSOAs/districts and is paying a materially higher unit cost, and additional demand added to these contracts will be at this higher rate.	The expectation is for this not to impact many scenarios, but the unit cost of the existing unitary will be assumed where this is higher.

Staffing costs – senior leadership

Whilst these senior staff might make up a relatively small proportion of the number of employees in an organisation, due to higher salaries they make up a disproportionate percentage of current staffing spend. For scenarios whereby total demand on an organisation is smaller, this leadership overhead can make up a significant proportion of spend.

It has been assumed that the director level leadership team for each directorate is fixed in its scale, and that by increasing the number of authorities in a geography, it would be needed to duplicate this team across each service.

The senior leadership team spend has been calculated as a fixed overhead for the baseline scenario. This has then been uplifted by inflation, and scaled by demand with a 50% weighting (e.g. a 50% reduction in demand would result in a 25% reduction in this cohort). It has been assumed that senior leadership includes staff with salaries >£70k/annum/FTE.

Suppression handling

Where placement cost values in data returns have been redacted, the following approach has been taken to “filling in the blank”.

- Where an average over a larger geographical area is known, the missing value has been set for all unknowns to that average.
- Where a total at a larger geographical area is not known, a flat average of the known data has been assumed.

Unit cost regression analysis

Hypothesis: Smaller authorities have less buying power in the market, so all things being equal, they pay more for the same provision.

As a response to feedback, analysis was conducted to assess the impact of scale on unit cost. To do this, Older Adult Residential Care bed unit costs (as provided in the ASCFR data) were focused upon – these are the most consistent setting, have the biggest population size and the data-set is most readily accessible nationally.

The factors that best explain the difference in cost between authorities were considered:

- Population size of relevant cohort (i.e. 65+) – ONS estimates 2023.
- Median income - Earnings and hours worked, place of residence by local authority: ASHE Table 8 2024.
- IMD – Indices of Multiple Deprivation 2019.

A linear multivariable regression model was used to identify the trend in this dataset and a statistically significant correlation was found between smaller authority population sizes and higher unit costs, in combination with these additional factors.

As the population size, IMD and median income for each geography are known, it was possible to calculate the expected increase or decrease in cost by varying the population size, predicted IMD and predicted median income in the model compared to the baseline scenario.

For each proposed authority, a relative cost factor was then calculated that could be applied to each unitary to calculate the expected unit cost. For where neighbouring unitary data has been provided, the step-up factor has not been applied in the baseline case. This has been applied to Adult and Children's placement costs but not to SEND or Home to School Transport.

Service quality regression analysis

A regression model was developed to isolate the impact of scale on the ratings provided for children's services by Ofsted, and for adult social care by CQC. Controlling for authority location, deprivation and median income in this way indicates whether the probability of an authority achieving good or outstanding changes as the authority size changes. The sources for population size, median income and deprivation are as shown as part of the unit cost regression analysis. CQC and Ofsted ratings available in September 2025 were also used.

A linear multivariable regression model was used to identify the trend in this dataset and a statistically significant correlation was found between smaller authority population sizes and lower probability of achieving good or outstanding ratings, in combination with these additional factors.

As the population size, IMD and median income for each geography are known, it was possible to calculate the expected increase or decrease in cost by varying the population size, predicted IMD and predicted median income in the model compared to the baseline scenario.

Within the bespoke analysis provided to each local authority, an indication of the likelihood of a new authority achieving a good or outstanding rating based on its likely characteristics has been calculated, based on the new unitary sizes. This gives a score of 1 – 4 which relates to the probability of achieving inadequate (1) to outstanding (4).

This relationship is summarised and presented in the national report.

Appendix 2 - Methodology for combining individual scenarios

The local analysis carried out for each of the county areas included scenarios of different numbers of unitary authorities, and often multiple variants comprising the same number of unitaries but with different boundaries, according to the options being considered locally. For example multiple scenarios exist where a county area is being disaggregated into two unitaries, but with boundaries drawn in different places.

In order to aggregate this analysis and produce a national picture, a consistent approach to the number and potential size of unitary councils across different areas was taken, reflecting the size of the population and potential number of unitary councils. Therefore, in collaboration with local areas, a single most likely configuration of 2, 3, 4 and 5 unitary options for each area was selected to provide a basis for consistent and comparative analysis.

Four or five unitary scenarios were only included for geographies with a population of more than 1 million people and which had a four or five unitary scenario shortlisted. Twelve areas with a population below 1 million had the option of a county-wide unitary authority included within the scenario-based analysis. This resulted in 58 scenarios and 146 different unitary footprints being selected for inclusion within the national analysis.

The unitary authorities included within these scenarios were then segmented into population groupings, relating to the total population of the proposed authority. These groupings were:

- Authorities with a population lower than 300,000.
- Authorities with a population of 300,000 to 500,000.
- Authorities with a population greater than 500,000.

Demand, unit cost and quality metrics for each of these unitary authorities were measured against the county baseline. For the demand analysis and High Needs Block analysis, the relative positions of different unitaries were measured against each other. This provided a fair basis to produce average positions and ranges for each population grouping in order to draw comparisons. Where analysis is presented as measured against a baseline, the baseline includes neighbouring unitaries where these are included in proposed LGR scenarios.

Appendix 3 - Children's services Ofsted Ratings

County Council	Rating
Cambridgeshire County Council	RI (2024)
Derbyshire County Council	G (2023)
Devon County Council	I (2024)
East Sussex County Council	G (2023)
Essex County Council	O (2023)
Gloucestershire County Council	G (2025)
Hampshire County Council	O (2024)
Hertfordshire County Council	O (2023)
Kent County Council	O (2022)
Lancashire County Council	G (2022)
Leicestershire County Council	O (2024)
Lincolnshire County Council	O (2023)
Norfolk County Council	G (2022)
Nottinghamshire County Council	G (2024)
Oxfordshire County Council	G (2024)
Staffordshire County Council	RI (2023)
Suffolk County Council	RI (2024)
Surrey County Council	G (2025)
Warwickshire County Council	G (2021)
West Sussex County Council	RI (2023)
Worcestershire County Council	G (2023)

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