

Evaluating the impact of scale in proposals for local government reorganisation

Updated financial analysis
March 2025





Contents

Introduction	3
Updates to methodology	4
Methodology	5
Summary of aggregated scenarios	13
Scenario 1: single unitary	14
Scenario 2: two unitary authorities	15
Scenario 3: three unitary authorities	16
Scenario 4: four unitary authorities	17
Scenario 5: five unitary authorities	18

Introduction

In 2020, the County Councils Network (CCN) commissioned PwC to undertake a study on [‘Evaluating the importance of scale in proposals for local government reorganisation’](#). Drawing on quantitative financial modelling, the report set out at a national level the range of potential financial benefits that could be realised through the establishment of unitary local government.

The purpose of the 2020 report was to consider the importance of scale in proposals for local government reorganisation. Focus was given to the potential costs, risks and implications associated with the process of disaggregating the services delivered by county councils in scenarios where more than one new unitary could be established within existing county geographies.

The implications of scale and disaggregation were assessed through the prism of four unitary scenarios based on existing county council boundaries. Other types of reform could also be considered, such as the merging of small unitary authorities with a neighbouring county and/or district councils. However, these additional approaches to reorganisation were not explored in the report published in 2020 and have not been considered as part of the 2025 update.

The financial calculations set out in the 2020 report were based on data provided by a representative sample of county councils, supplemented by other sources of publicly available information. PwC’s work with multiple local authorities undergoing reorganisation and transformation programmes was used as the basis for the assumptions in this analysis.

The figures cited in the report drew on input data from the then 25 two-tier county areas. Each area was modelled, differentiating this analysis from previous studies where averages had been used.

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

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

Within the White Paper and since, the previous 2020 report by PwC UK has been cited by Government and others to demonstrate the scale of potential efficiency savings that can be achieved through reform.

Given the time elapsed since the original report, PwC UK has updated the financial modelling that underpinned the 2020 report.

The purpose of the update is to inform national policy decisions and discussions with the most-to-update data and analysis, while also providing local areas with an indicative benefits range.

This report seeks to provide an overview of the approach undertaken by PwC and the aggregated results of the analysis. With PwC UK retaining the intellectual property of the local government reorganisation model used for the analysis, within this report, a high-level overview of the approach to the modelling and development of assumptions is provided.

CCN has separately undertaken a population threshold analysis based on the data provided by PwC UK. That analysis has been developed and published solely by CCN.

Updates to methodology

As with the previous study conducted in 2020, the updated modelling presented in this report draws on input data that is publicly available from all 21 two-tier county areas, with each area individually modelled. As previously stated, the modelling does not include the merging of small unitary authorities.

Specific adjustments to PwC's modelling since the 2020 report include:

- Baseline data and calculations have been fully updated using the latest revenue 2023 – 2024 outturn data submitted to the Ministry of Housing, Communities & Local Government.
- When calculating the benefits of aggregation of district services, percentage assumptions have been updated to reflect cost reduction across councils in the previous four years and in line with previous work undertaken for CCN.
- The costs associated with disaggregation and transition have been uplifted by inflation based on the Bank of England figures.
- In updating the modelling, PwC's most recent work with multiple local authorities undergoing reorganisation and transformation programmes has been used as the basis for the assumptions in this analysis, alongside PwC UK activity analysis conducted with existing unitary councils.
- Removing four county council areas that have recently reformed into unitary authorities.

- Including a four unitary scenario for councils with a population in-excess of 1m and a five unitary scenario for councils with a population above 1.3 million.

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

While presenting a robust, evidence-based high-level analysis of the costs and benefits of local government reorganisation both nationally and across all two-tier areas, it is important to recognise there are inevitably limitations to the modelling undertaken given that it has been developed at a national level.

For instance, the analysis still excludes the merging of small unitary authorities and solely relates to the remaining 21 two-tier areas. Moreover, while the most recent national and locally available data has been incorporated and assumptions have been updated, this will not account for all local factors effecting the savings and cost profiles of each individual area. For example, local views on phasing of costs and benefits and on assumptions to be applied will all have an impact on the potential benefit able to be realised.

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

Methodology

Overview

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

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

The following costs and benefits have been considered:

- **Benefits of aggregation:** Three types of spend are apportioned with percentage reductions then applied. Democracy benefits use the number of districts multiplied by an average cost.
- **Transition costs:** Fixed costs and proportional redundancy costs incurred (excluding disaggregation). These are one off costs of reorganisation.
- **Cost of disaggregation:** Recurring costs of splitting county-wide services into multiple unitaries. This would also include the reduction in benefit from reorganisation to multiple unitaries, as opposed to a single unitary option.

The logic model and approach to assumptions are set on the following pages.

Definitions - Methodology

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

Inputs

Data required from councils



Benefits of aggregation

Three types of spend are apportioned, with the percentage reductions then applied. Democracy benefits use the number of districts multiplied by the average costs



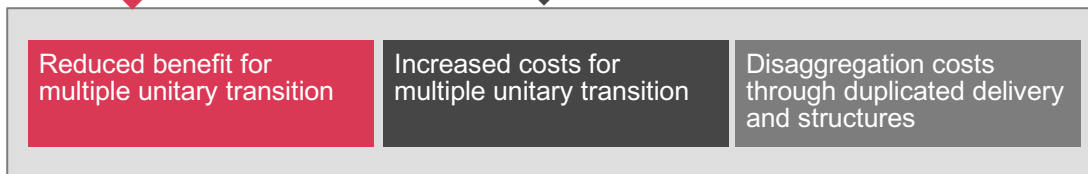
Transition costs

Fixed costs and proportional redundancy costs Incurred (excluding disaggregation)



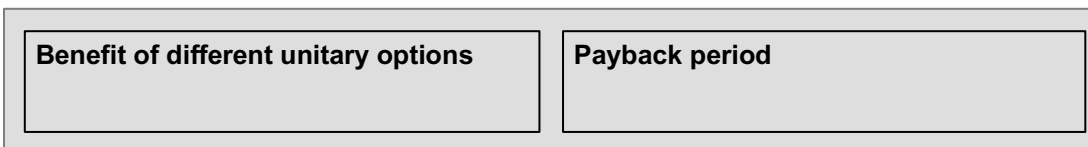
Cost of disaggregation

Assumptions of the cost of splitting county-wide services.

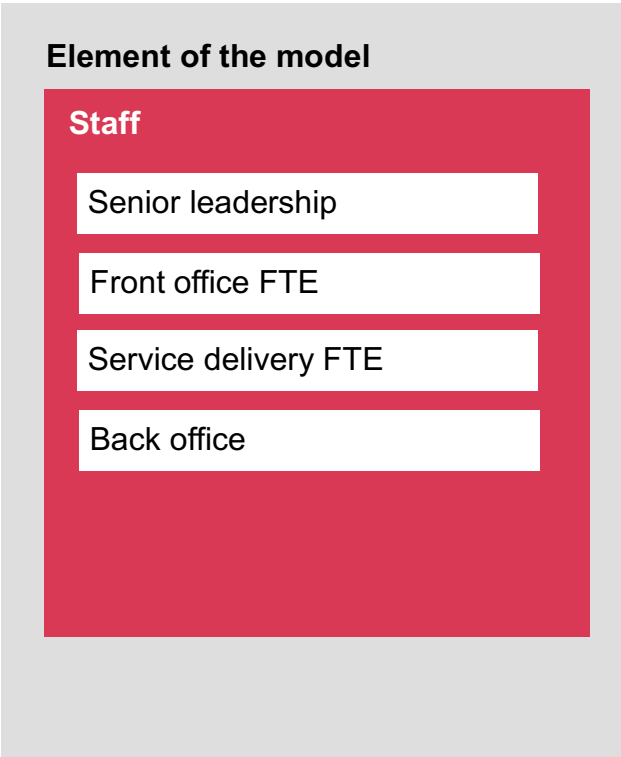


Outputs

Assumptions of the cost of splitting county-wide services.



Benefits of aggregation



Methodology

1 The combined County and District Councils spend on staff has been estimated, and grouped into senior leadership, front office, service delivery, and back office spend based on local authority averages.

2 Percentage reductions have been applied to front office, service delivery and back office full-time equivalent (FTE). These reflect the efficiencies gained from removing duplicated activity.

3 Percentage reductions have been applied to front office, district service delivery and back office full-time equivalent (FTE). These reflect the efficiencies gained from removing duplicated activity.

4 An additional benefit has been calculated from removed District senior leadership posts, including on-costs.

Benefits of aggregation

Element of the model

Third Party Spend

Non-addressable

Addressable

Methodology

1

The addressable third party spend combined between County and District Councils has been calculated using proportioned net expenditure to provide a baseline. Third party spend relating to property has been excluded.

2

A percentage reduction in third party spend has been applied due to the greater purchasing economies of scale that will be gained through consolidation.

3

These percentage reductions are higher for a single unitary authority and revised down in each multiple unitary scenario due to forgone economies of scale.

Benefits of aggregation

Element of the model

Property

Property

Methodology

1

The combined net expenditure on property has been calculated using net expenditure figures for the County and District Councils.

2

This is spend relating to the ongoing running costs of office spaces such as those used in energy, cleaning and routine repairs rather than from the one-off sale of rationalised council office space. In addition, any benefits resulting from the rental of available office space has been excluded.

3

A percentage reduction has been applied to the property baseline to provide the estimate property benefit.

Element of the model

Democracy

Councillor allowances

Elections

Methodology

1

By aggregating Districts into one or more unitary authorities, fewer councillors will be required and therefore a saving can be made from base and special responsibility allowances. The average cost of a District council democratic structure has been estimated and multiplied by the number of District councils present within the boundary.

2

Consolidating local authorities will also reduce the number of elections required, thus presenting a benefit. The average annual cost of a District election has been calculated and multiplied by the number of District councils.

Cost of disaggregation

Element of the model

Duplication

Duplicated senior leadership

Duplicating county service delivery

Duplicated democratic structures

Methodology

1

The following costs of disaggregation only apply in scenario where there are multiple unitary authorities. Depending on the scenario, multiple sets of senior leadership will be required to run distinct authorities. This cost has been calculated using the costs of senior leadership at a representative council to tier three.

2

By disaggregating services that are currently county wide, for example adult's and children's services, additional FTE will be required to account for lost efficiency. The amount of effort used in service delivery management supervision has been used as a proxy to estimate the size of the increase required in each multiple unitary scenario.

3

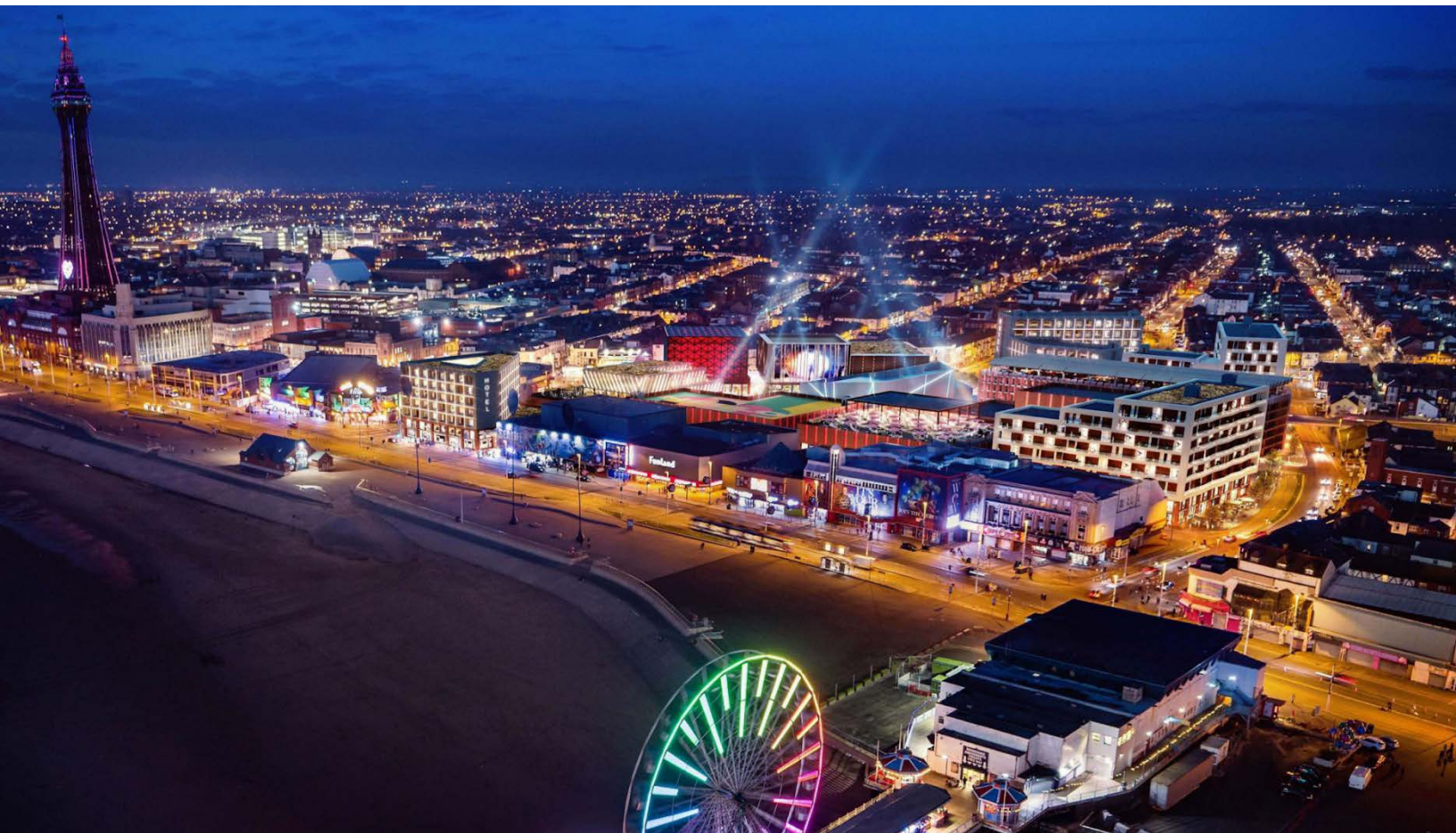
The cost of a representative county democratic structure has been estimated as an additional cost that would be incurred from having multiple unitary authorities.

Definitions – Disaggregation

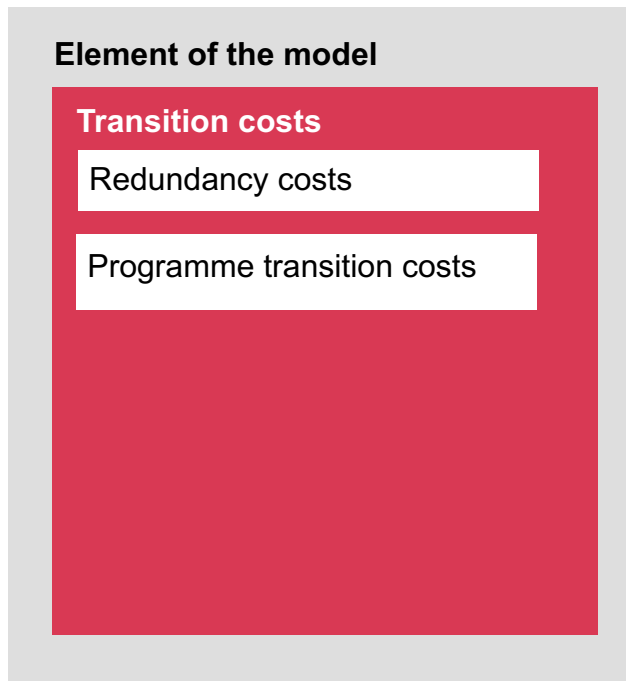
In instances where reorganisation takes place, thought needs to be given to the number of new unitaries that could be established in any given geography. If more than one new unitary were to be created, this may require services that have been previously delivered by a county council to be split or disaggregated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

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

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



Cost of transition



Methodology

1

One-off redundancy costs will be incurred when re-organising local authorities. These have been calculated as a proportion of the benefit resulting from FTE reductions and therefore is higher in a single unitary model than in a scenario where there are multiple unitary authorities.

2

There are several transition costs that will be incurred when closing existing local authorities and creating new authorities. In transitioning to a single unitary authority, these costs will only be incurred once, whereas in each scenario where there is more than one unitary authority many of these costs will be incurred at least twice.

Definitions – Transition costs

This list of transition costs has been considered as part of this modelling as they apply consistently but is indicative and not exhaustive:

- Rebranding and implementation.
- External support costs.
- Internal programme management.
- Creating the new council.
- Contingency fund.
- Organisation closedown.
- Public consultation.
- ICT costs.
- Shadow Chief Exec/member costs.
- Redundancy Costs.

Summary of aggregated scenarios

In line with the 2020 analysis, the following pages summarise the results of the aggregated analysis for 21 county council areas from the implementation of one, two or three unitary authorities in each area. For the county areas with population in-excess of 1 million, PwC UK has also considered a four unitary scenario. In addition, for those with a population above 1.3 million, PwC UK considered a five unitary scenario.

1

Single unitary in each area:

21 unitary authorities replacing the current two-tier system.

2

Two unitary in each area:

42 unitary authorities replacing the current two-tier system.

3

Three unitary in each area:

63 unitary authorities replacing the current two-tier system.

4

Four unitary in selected areas:

24 unitary authorities replacing the current two-tier system across six county areas.

5

Five unitary in selected areas:

15 unitary authorities replacing the current two-tier system across three county areas.



Scenario 1: Single unitary authority

The table outlines the results from quantitative analysis for all 21 two-tier areas in England for a single unitary scenario.

Key metrics under Scenario 1 (single unitary)	Value
Total Annual Benefit (£)	693,971,700
One-off Transition Costs (£)	-425,628,100
Annual Disaggregation Cost (£)	N/A
One-year impact of disaggregation (£)	N/A
Five-year impact of disaggregation (£)	N/A
Net benefit after five years (£)	2,870,737,400
Recurring benefit after five years (£)	693,971,700

Scenario 2: Two unitary authorities

The table outlines the results from quantitative analysis for all 21 two-tier areas in England for a two unitary scenario.

Key metrics under Scenario 2 (two unitary)	Value
Total Annual Benefit (£)	572,728,900
One-off Transition Costs (£)	-562,447,900
Annual Disaggregation Cost (£)	-290,022,900
One-year impact of disaggregation (£)	-517,774,800
Five-year impact of disaggregation (£)	-2,162,837,700
Net benefit after five years (£)	707,899,700
Recurring benefit after five years (£)	282,706,000

Scenario 3: Three unitary authorities

The table outlines the results from quantitative analysis for all 21 two-tier areas in England for a three unitary scenario.

Key metrics under Scenario 3 (three unitary)	Value
Total Annual Benefit (£)	491,750,500
One-off Transition Costs (£)	-700,356,500
Annual Disaggregation Cost (£)	-474,704,900
One-year impact of disaggregation (£)	-901,099,100
Five-year impact of disaggregation (£)	-3,608,803,200
Net benefit after five years (£)	-738,065,900
Recurring benefit after five years (£)	17,045,700

Scenario 4: Four unitary authorities

The table outlines the results from quantitative analysis for six two-tier areas in England for a four unitary scenario.

Key metrics under Scenario 4 (with populations in-excess of 1 million)	Value
Total Annual Benefit (£)	176,240,100
One-off Transition Costs (£)	-251,064,800
Annual Disaggregation Cost (£)	-267,962,400
One-year impact of disaggregation (£)	-470,709,000
Five-year impact of disaggregation (£)	-2,018,960,700
Net benefit after five years (£)	-753,736,200
Recurring benefit after five years (£)	-91,722,200

Scenario 5: Five unitary authorities

The table outlines the results from quantitative analysis for three two-tier areas in England for a five unitary scenario.

Key metrics under Scenario 5 (with populations in-excess of 1 .3 million)	Value
Total Annual Benefit (£)	81,314,900
One-off Transition Costs (£)	-145,812,100
Annual Disaggregation Cost (£)	-198,953,700
One-year impact of disaggregation (£)	-331,252,300
Five-year impact of disaggregation (£)	-1,429,469,600
Net benefit after five years (£)	-754,335,100
Recurring benefit after five years (£)	-117,638,900

Contacts

For more information on this report, please contact:

Ben Pykett

PwC | Partner

Mobile: 07841 786900

Email: ben.pykett@pwc.com

PricewaterhouseCoopers LLP

2 Glass Wharf, Bristol, BS2 0FR

Erica Ballmann

PwC | Director

Mobile: 07903 164784

Email: erica.ballmann@pwc.com

PricewaterhouseCoopers LLP

7 More London Riverside, London, SE1
2RT, UK

pwc.co.uk

This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2025 PricewaterhouseCoopers LLP. All rights reserved. 'PwC' refers to the UK member firm and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

RITM0191063