

8. COST EFFECTIVE, HIGH QUALITY SERVICES

8.1 Potential for savings

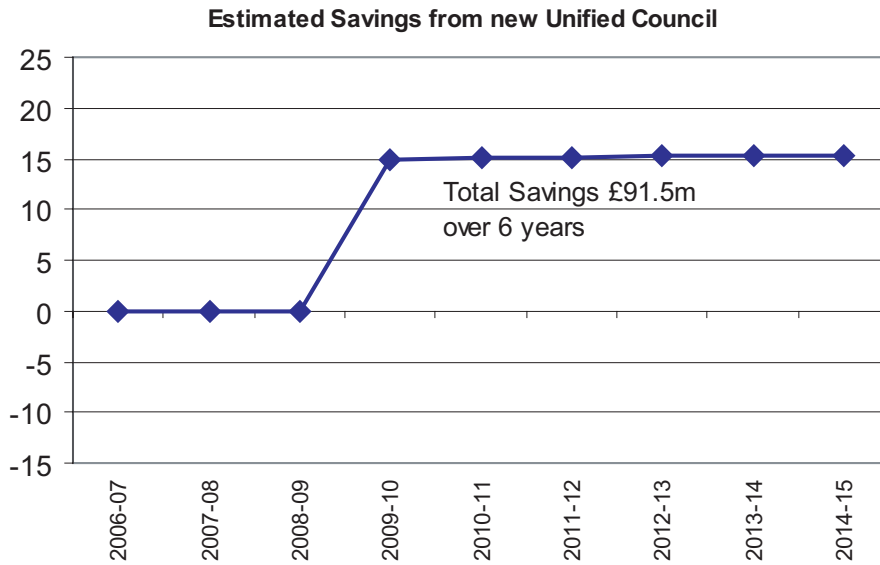
We can demonstrate a sound financial business case for the creation of a unified council for Cornwall. Our proposals will create ongoing savings of around £17m per annum after unification. £2.3m of these savings will be used to pay for the enhanced community engagement. Leaving approximately £15.4 per annum (appendix 4 outlines the financial case in more detail) for reinvesting in services or for limiting increases in council tax.

These savings will be secured by:

- rationalising the delivery of support services and front office functions,
- cutting overheads by reducing the number of management posts,
- improving commissioning and procurement practices,
- removing duplication within the existing layers of local government, and
- by increasing capacity to generate income through investment and debt restructuring.



Figure 4: Estimated Net Savings



8.2 Strategic commissioning

Commissioning as a process applied to public services is a relatively recent concept. It provides an opportunity to challenge the historical or traditional pattern of services and to secure cost benefits and improve the quality of service provided.

Some of the benefits relate directly to economies of scale and so the move to a single authority for Cornwall would provide an opportunity to realise these benefits to a greater extent. However, our ambition is to take a far more holistic view of the collective demand across the whole area and to consider with partners how best this might be met, including the provision of locally responsive services.

The formation of a new council is an opportunity to change the inherited legacy of services and special or historical relationships between the seven councils and suppliers, with the likelihood that this will deliver significant savings. The county council is already developing this approach within the directorates of Adult Social Care and Children, Young People and Families, and will look to expand this to other areas of service provision.

8.3 Transition costs

An initial assessment of transition costs has been undertaken and includes costs for the following areas:

- redundancy and early retirement payments,
- unifying IT systems and providing a sound IT infrastructure county wide,

Part One: Our proposal for a single Council for Cornwall

- audit costs to ensure that financial control is maintained in the transition period, and
- Treasury costs to complete a financial closure of the accounts of the county and district councils following the creation of the new council.

Redundancy, voluntary early retirement costs, and job evaluation costs will be incurred in reorganising local government in Cornwall. These costs, and the impact on staff, will be mitigated wherever possible within an agreed transition management plan (see

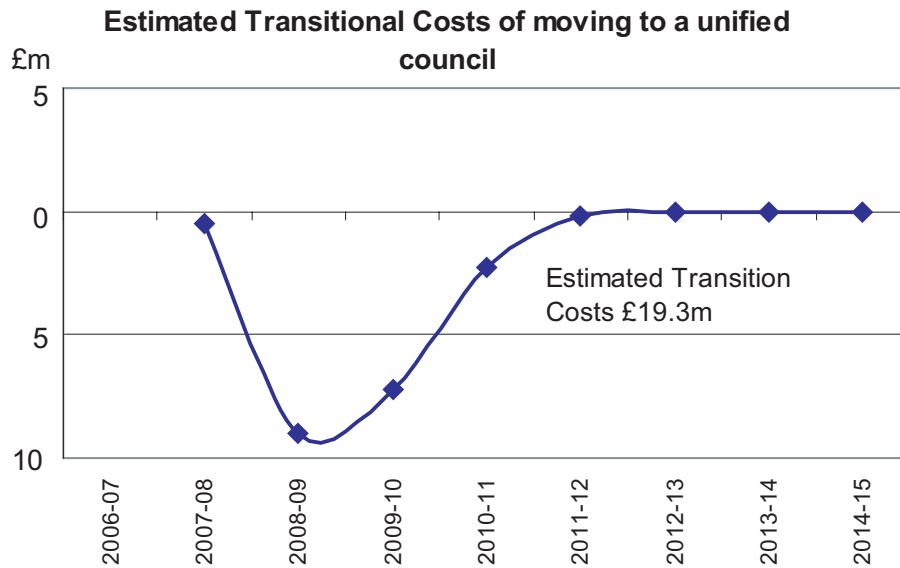
section 11). The majority of staff who currently provide services to the public will be transferred to the new authority without making substantial changes to their terms and conditions. Where services and back office functions are integrated, natural turnover, redeployment and retraining will be used to keep compulsory redundancies to a minimum. The new authority will follow best practice personnel procedures and ensure that all staff that currently work for Cornwall's local authorities are treated fairly and equitably.



It is likely that additional transitional costs will be incurred in relation to investing in IT infrastructure to deliver effective support to the new council. The need for auditors to maintain internal control over the transitional period and financial staff to complete a financial closedown for the seven councils and to create adequate budgetary control within the new council will also add to transitional costs.

Taking all these factors into account, it is estimated that the cost of transition to a new authority will be around £19m. The exact period of payback would depend on staff turnover, how quickly property can be released and contracts renegotiated. However, we are confident that the reorganisation would pay for itself within two years.

Figure 5: Transition costs



8.4 Use of savings

We are committed to making the best use of the savings delivered by restructuring; either by reinvesting that money in frontline services or by keeping council tax low.

The requirement to move to a uniform level of council tax will absorb some of the savings secured by the new authority but will deliver real term reductions to most of the council tax payers within Cornwall. At present, there is a considerable variation in the level of council tax raised by the districts. This ranges from £128.38 in Penwith to £172.57 in Kerrier, as can be seen on the following graph:

Analysis shows that we could equalise the council tax across the county within one financial year. Under such circumstances the residents of each former district area would see a tax increase of between 0.83% and 5% (assuming a continuation of council tax capping).

This means that the council tax payers of Cornwall will collectively benefit by £3.4m per annum, which would be funded from the ongoing savings achieved by restructuring.

Figure 6: 2006-07 local Band D council tax – Cornwall districts

