

Lincolnshire LGR Baseline Financial Assumptions

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1. Overview

Lincolnshire LGR Context for Financial Assumptions

Peopletoo have been commissioned to establish a set of financial baseline assumptions for Lincolnshire, which 3 of the LGR bids can agree as reasonable but which allows for individual bid changes where there is a clear rationale. The financial baseline does not attempt to undertake financial modelling for respective LGR bids as this is the responsibility for each bid, and the financial business case must align with the overall business case.

There are a number of LGR bids in Lincolnshire with very different proposed footprints and in all but one bid it appears that North Lincolnshire and North-East Lincolnshire remain in their current status although some bids have an intention to possibly integrate at a later date. This has added a complexity to the financial baselines as both these councils were excluded from scope although we have included a higher level of analysis for Adults and Children's and Third Party Spend in those Unitary Councils for reference. We excluded 1 Unitary Authority option as no bids are in effect taking that approach although Lincolnshire County Council are creating one integrated Unitary Authority but retaining North East Lincs and North Lincs as separate entities and we have included as an effective 3 Unitary model.

However, we have assumed and included North Lincs and North East Lincs in our base financial assumptions and impact is as follows:

1. For 2 Unitary Authority figures we have assumed both existing UAs are in and fully integrated and therefore comfortable that this has been factored into financial value or %
2. For 3 and 4UA, it is more difficult. We looked to factor in and allow for the fact that unlike more conventional 3 or 4UA models where there is full integration of all Councils, if North Lincolnshire and North East remain stand alone there is a reduction in the level of service integration opportunity. However, we also reflected this in the transition and disaggregation costs where we think it is a factor.

The financial assumptions should be considered in light of each bid strategy to deliver transition and transformation. As discussed, we have seen previous LGR Councils and current business cases that vary significantly in approach and hence the assumptions on savings and costs.

As with many LGR footprints currently developing business cases, not all key data has been shared by all Councils and it has been difficult to obtain detailed data, particularly for the County Council and the existing Unitaries. The approach by the Districts has been very positive.

Our Methodology and Approach (1)

Peopletoo have used our experience gained as follows:

- Work on the majority of previous LGR Councils including different delivery models where Councils have transferred into one Unitary or where they have disaggregated as in Cumbria and Northamptonshire. This has also provided learning as to what is achievable and key risks including financial robustness as with Somerset Council where a £100m financial gap emerged 6 months post 'go-live'
- We are currently involved in 12 LGR footprints which has provided us with an evidence bank of different approaches and our own work in working with financial baseline assumptions and financial modelling income/savings/cost and net benefits for the final business case
- In the transformation savings assumptions, we have substantial experience from working across over 100 Councils in service transformation and savings realisation.

Cipfa have undertaken the Council Tax harmonisation workstream and have also reviewed the overall financial baseline assumptions in this document from a Quality Assurance perspective using their sector experience and MHCLG insight.

We have reviewed the financial business cases in the current LGR business case round which includes methodologies and approaches developed by five different consultancies. The models have very different assumptions and levels of robustness as well as ambition which will create some difficulties for MHCLG in assessing and comparing business cases. The financial outcomes hence vary significantly.

Our Methodology and Approach (2)

Key Principles applied:

- The assumptions in organisational change including transition and one off costs and disaggregation are very difficult to estimate and all financial business cases have different methodologies. None are done on the basis of a detailed model specific to any one footprint given disproportionate resource cost against output as we identified in the original scope and methodology and we have used our experience and compared to that used across the majority of financial business cases for reasonableness
- The transformation savings are based on our detailed experience, with some allowance for Lincolnshire specific aspects where available and we have high levels of confidence. We have also compared these to the majority of other financial models for a reasonableness check
- We have taken the approach of being ambitious where possible, but cautious and pragmatic where necessary, and allow bids to evidence differences reflecting their own approach.

We have developed the assumptions based on:

- Data made available from Lincolnshire Councils
- Where there are gaps particularly for the County Council and North Lincolnshire and North East Lincolnshire for Adults and Children's services, Property and Third Party spend, we have used publicly available data wherever possible
- As agreed in the original scope and approach, we have not done detailed modelling for Lincolnshire specific assumptions and have used sector experience referenced against all financial business cases and varied by our experience and any relevant data received for Lincolnshire, for example, level of shared services already in place

Subject to all Councils agreeing, we will provide access to the data room we have created.

Our Methodology and Approach (3)

Changes since first draft following feedback:

- The first draft was not bid specific given the many different models and we focused on building assumptions for a fully integrated 2/3/4 Unitary Authority model with some changes for North East Lincs and North Lincs were included were stated
- Following feedback, we have been more specific in including North East Lincs and North Lincs impact and developed assumptions to be more bid specific and included a County 3UA model which we did not have before
- In summary, comparatively 2UA with highest level of integration will have higher transition and disaggregation costs but will benefit from greater savings given level of integration and the 3UA having the lowest transition and integration costs as a result of the County not being divided as in the two 4UA model
- We have sought to create the right balance and differentials as a result particular with the inclusion of the County 3UA model.

Further Analysis:

- We have not been provided with Newton data and hence have not been able to include the narrative in this document
- We have incorporated feedback received from all participating Lincolnshire Councils.

Bids Overview

South & East Lincolnshire Partnership (SELCP) Bid	Lincolnshire County Council (LCC) Bid	City of Lincoln (CoL) Bid	South & North Kesteven (S&N Kesteven) Bid
2 Unitary Authorities (UAs)	3 Unitary Authorities (UAs)	4 Unitary Authorities (UAs)	4 Unitary Authorities (UAs)
Unitary Authority 1 (535,569): <ul style="list-style-type: none">• North Lincolnshire• North East Lincolnshire• West Lindsey• City of Lincoln Unitary Authority 2 (585,180): <ul style="list-style-type: none">• East Lindsey• Boston• South Kesteven• North Kesteven• South Holland	Unitary Authority 1 (789,502): <ul style="list-style-type: none">• West Lindsey• East Lindsey• City of Lincoln• North Kesteven• South Kesteven• Boston• South Holland Unitary Authority 2 (171,336): <ul style="list-style-type: none">• North Lincolnshire Unitary Authority 3 (159,911): <ul style="list-style-type: none">• North East Lincolnshire	Unitary Authority 1 (209,899): <ul style="list-style-type: none">• Lincoln Strategy Area (City of Lincoln plus parts of North Kesteven and West Lindsey) Unitary Authority 2 (579,613): <ul style="list-style-type: none">• Remainder of West Lindsey• Remainder of North Kesteven• East Lindsey• South Kesteven• Boston• South Holland Unitary Authority 3 (171,336): <ul style="list-style-type: none">• North Lincolnshire Unitary Authority 4 (159,911): <ul style="list-style-type: none">• North East Lincolnshire	Unitary Authority 1 (410,360): <ul style="list-style-type: none">• Rutland• South Kesteven• North Kesteven• South Holland Unitary 2 (420,585): <ul style="list-style-type: none">• East Lindsey• City of Lincoln• Boston• West Lindsey Unitary Authority 3 (171,336): <ul style="list-style-type: none">• North Lincolnshire Unitary Authority 4 (159,911): <ul style="list-style-type: none">• North East Lincolnshire

Assumptions - Overview

The table below outlines the assumptions that have been applied in developing this work:

Assumption	SELP Bid (2UAs) £m/%	LCC Bid (3UAs) £m/%	CoL Bid (4UAs) £m/%	S&N Kesteven Bid (4 UAs) £m/%
<u>Transition Costs</u>	32.95-40.1	22.15-26.8	29.2-33.85	28.8-33.45
<u>Disaggregation Costs</u>	0.7-0.9%	Nil	0.7-0.9%	0.7-0.9%
<u>Senior Leadership & Management Savings</u>	6.6	4.3	1.4	3.6
<u>Merging Council Services: Front-Office Functions</u>	3-5%	4-6%	3-5%	3-5%
<u>Merging Council Services: Place Based Services</u>	6-8%	7-9%	6-8%	6-8%
<u>Merging Council Services: Back-Office Functions</u>	5-8%	5-8%	5-8%	5-8%
<u>Merging Highways and Operational Services</u>	5-7.5%	-	-	-
<u>Property</u>	3-10%	3-10%	3-10%	3-10%
<u>3rd Party Spend</u>	5-10%	5-10%	5-10%	5-10%

Note: 2UA model % for categories of Merging services, Property and 3rd Party spend should be applied to all spend including North East Lincs and North Lincs. 2UA model Disaggregation costs reflect County Council only and could be more than offset by aggregation savings of fully integrating North East Lincs and North Lincs which no other bid is proposing.

Financial Assumptions: Organisational Change

1. Transition and One-Off Costs
2. Disaggregation
3. Management cost impact
4. Democratic (out of scope)

Transition Costs: Our Approach

“Transition costs” generally refer to up-front, *non-recurring* costs to set up the new unitary councils and close down the old councils. The costs cover a range of items: programme management and legal costs, TUPE/HR/consultation costs (staff transfers, redundancy, pay/harmonisation), ICT systems integration or replacement, branding and communications, new constitutional set-up. The one-time implementation costs of reorganisation are substantial across all recent cases, typically on the order of £50–£100+ million, and they grow with the number of new councils.

Sector Evidence and Benchmarking - What we have seen generally in the sector

- We have reviewed current LGR financial business cases as well as previous modelling undertaken and sensed checked for Lincolnshire. The modelling undertaken by different consultancies and LGR Councils varies substantially
- Programme management internal and external will vary depending upon how this is set up, sourced and established

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- Lincolnshire councils will need to consider approach to transition and level of internal and external resource and where external resource is sourced as in the past this has been largely done by one of the big consultancies and hence higher day rates. We have amended traditional approach to allow for greater internal resource and lower external rates than the normal models
- Note different bids will vary to our assumptions as we have provided a range based on the specific bids which accounts for some bids having existing Unitaries - North Lincolnshire and North East Lincolnshire remaining as is - which would reduce the variation in transition costs shown in our assumptions. The lower level of transition costs reflected by retaining existing Unitaries is reflected in lower savings from integration.

Resulting baseline assumptions – see detail on next slide

Note: A 10% contingency should be considered for transition costs on all bids

Transition Cost Assumptions - Breakdown

Transition Costs	Description	SELP Bid (2UAs) (£m)	LCC Bid (3UAs) (£m)	CoL Bid (4UAs) (£m)	S&N Kesteven Bid (4 UAs) (£m)
Organisation of Closedown	Predecessor Council closedown - legal and financial and excl PMO	1.75-2.25	1.25-1.75	1.25-1.75	1.25-1.75
Public Consultation	Public meetings, Media Comms, PMO, Consulting	0.95-1.1	0.65-0.8	0.95-1.1	0.8-0.95
ICT Costs	Critical systems integration to cover off estimated costs of core systems integration for example Finance, Data Centres, IT networks excludes transformation and rationalisation.	17.5-22.5	10-12.5	15.0-17.5	15.0-17.5
Shadow Council and New Council	Media/Comms, Member allowances, interim statutory roles, recruitment costs for senior staff	3.5-4.0	3-3.5	3.6-4.1	3.5-4.0
External Consultancy Support	Costs of transitioning to new UAs and excludes Transformation	4.75-5.25	3.75-4.25	4.4-4.9	4.25-4.75
Internal Programme Management		4.5-5.0	3.5-4	4-4.5	4-4.5
	Total	32.95-40.1	22.15-26.8	29.2-33.85	28.8-33.45
*Note, 10% contingency should be considered for transition costs on all bids					

Baseline Costs – Disaggregation of County Services

Sector Evidence and Benchmarking - What we have seen generally in the sector

- All sources acknowledge that creating multiple unitary authorities introduces additional costs for services formerly run on a county-wide basis. This reflects the new disaggregated directorates, commissioning teams, and corporate support that each new UA would need. However, these costs are often substantially overstated as the assumption is made that all services including the management structure and overheads are nearly duplicated in full for each service area, which is misleading
- Some proposals have modelled disaggregation costs as a flat assumption across all county net revenue, for instance modelled as 2.0%/2.25%/2.5% for 3UA/4UA/5UA where full integrated Unitaries. Also, general view that it is between 1 and 3%. A more granular and cautious approach can be taken which applies percentage uplifts to particular service lines.

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- For the 2UA options, creating one additional upper-tier authority will require some disaggregation of statutory functions (ASC, Children's, Place, Corporate). However, the scale of duplication is lower than in other reorganisations (e.g. Essex 4UA/5UA), as services are only split once, not multiple times. As a result, the disaggregation costs are lower, when compared to other LGR proposals with more complex disaggregation. In addition, there is a full integration of North and North East Lincs into one of the new Unitaries which will deliver greater savings and allows a more seamless transfer
- The County 3 UA bid will have the least disaggregation cost and between the 2 and 3UA model will be the 4 model but again management savings will be higher in 2UA model given level of disaggregation

Baseline Costs – Disaggregation of County Services

Resulting baseline assumptions:

- Note the assumptions only apply to disaggregation of current County Council services. District Council services aggregation (and North East Lincs and North Lincs for 2 UA) are included in Transition costs. As North East Lincs and North Lincs 'county council' type services are being retained but merged into one of the new UAs then further disaggregation costs are not relevant but instead included in aggregating of services in Transition costs which contributes to higher costs but increased management savings in that section
- Disaggregation costs per service line for the current County Council services are shown on the following page. And apply to all bids excluding the County 3UA bid which will be Nil. The net effect is a 0.74% cost to the county net revenue budget and would apply a range of 0.7 to 0.9%. These can be phased 50/75/100% over Y1–Y3 but in line with savings assumptions.
- These % uplifts should be dialled down further where there is evidence of scalable or shared delivery across both new authorities (e.g. outsourced highways, common case-management systems)
- Bids could be cautious and add a contingency figure as conscious that the % calculated is lower than usually in financial business cases – we do not believe they are required to be at 1-3% level
- Critical to note that in some of the other LGR financial cases, disaggregation costs are potentially more than offset by applying a local offer model of provision to reduce cost and demand for Children's and Adults and the financial impact is modelled in detail over a 4 year plus period
- Furthermore, for the 2UA Model, the aggregation benefits of North East and North Lincs Councils are in the main accounted for under Senior Management costs, Highways and Operations and merger of District type services and front and back office services as these are also applied to the spend for North East Lincs and North Lincs but there will be further gains from aggregating all Children's and Adults services across the current County Council and North East Lincs and North Lincs in terms of the operational delivery level.

Baseline Costs – Disaggregation of Current County Council Services

Service	23/24 Outturn	% Cost	Explanation	Disaggregation Cost
Education services	£424,561,000	+0.5%	Limited duplication expected; core statutory duties and school place planning functions will need to be replicated, but most delivery is DSG-funded and unaffected.	£2,122,805.00
Highways and transport services	£52,917,000	+0.5%	Client and policy leadership duplicated, but large elements are already outsourced contracts which can be scaled, limiting overhead.	£264,585.00
Children Social Care	£129,442,000	+1%	Statutory leadership roles (DCS, safeguarding boards, QA) must be duplicated, though some specialist functions could still be shared.	£1,294,420.00
Adult Social Care	£265,565,000	+1.25%	High statutory burden and market oversight responsibilities make duplication unavoidable; full sets of leadership and safeguarding functions needed in both UAs.	£3,319,562.50
Public Health	£35,984,000	+0.25%	Very low uplift as joint DPH appointments and shared commissioning support can contain costs; duplication limited to minimum governance.	£89,960.00
Housing services (GFRA only)	£5,526,000	+0.25%	County-level enabling and strategy duplicated, but main housing responsibilities remain with districts; impact is modest.	£13,815.00
Cultural and related services	£10,875,000	+0.5%	Service leadership and support functions need replicating unless trusts/partnership models are extended, hence a small uplift applied.	£54,375.00
Environmental and regulatory services	£28,990,000	+0.5%	Trading Standards and regulatory oversight require two leadership teams, though some specialist back-office functions can be shared.	£144,950.00
Planning and development services	£8,527,000	+0.5%	Strategic planning and minerals/waste policy duplicated; opportunity exists to mitigate if joint plans or policy teams are agreed.	£42,635.00
Fire and rescue services	£32,752,000	+0%	Assumes a single combined FRA across both UAs, avoiding recurring duplication costs.	£0
Central services	£9,098,000	+2%	Full duplication of statutory officers, democratic core, and corporate services (finance, HR, ICT, legal) required; this is the largest driver of overhead.	£181,960.00
Total	£1,004,237,000			£7,529,067.50

The above table shows the assumed disaggregation costs, discussed on the previous slide, with service-level costs and explanation of the % selected.

Baseline Efficiencies – Senior Leadership Savings

Sector Evidence and Lincolnshire-context

Sector Evidence and Benchmarking - What we have seen generally in the sector

- Consolidation of senior management and overhead roles is widely treated as a key source of efficiency, however experience suggests that realising those savings is more challenging and protracted than many proposals assume.
- Actual returns depend heavily on the legacy structures, transitional costs, staffing and pay/pension differentials, with many authorities reporting only gradual or partial realisation of such savings in the first few years.

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- Lincolnshire's large geography, rural service delivery and demographic profile means that leadership structures will need to be broader than urban comparators. As such, appropriate comparator authorities have been used as benchmarks.
- Furthermore, significant sharing of senior management already exists between district councils. The modelling methodology will therefore need to directly quantify existing expenditure on senior management salaries, to take account of this.

Modelling Approach

1. Quantify existing senior management structures in Lincolnshire County Council and all seven District Councils (Chief Exec, Exec/Corporate/Strategic Directors, Directors, ADs).
2. Collect data from appropriate existing unitaries as benchmarks and map role counts from these benchmarks (North Northants, West Northants, Wiltshire, North Yorkshire), to build anticipated new structures for the proposed new unitaries
3. Apply Lincolnshire average costs per tier to model the cost of the anticipated new structures.
4. Savings = Current cost – Modelled new cost.

Baseline Efficiencies – Senior Leadership Savings

Inputs

We have collated senior management structures from publicly available data (pay policy statements, statements of accounts, and published org charts) across Lincolnshire County Council, the seven districts, North East Lincolnshire and North Lincolnshire. Adjustments have been made to reflect the South & East Lincolnshire Councils Partnership, where posts are already shared. By aggregating these structures, we identify a baseline total cost of £13.2m in salaries, and **a total cost of £17.7m including pension/on-costs.**

Local Authority	Senior Management FTE	Total £ Inc. On-Costs
Lincolnshire County Council	29	£4,891,429
Boston/East Lindsey/South Holland	16	£2,329,340
City of Lincoln Council	15	£1,671,589
North Kesteven District Council	10	£1,227,024
South Kesteven District Council	6	£843,750
West Lindsey District Council	6	£735,413
North Lincolnshire Council	26	£3,331,463
North East Lincolnshire Council	21	£2,723,625
Total	129	£17,753,633

We have also calculated the average salary costs for the four tiers of senior leadership in Lincolnshire. These figures have been derived from published pay data and reflect the actual local pay environment, ensuring that our modelling is grounded in Lincolnshire-specific assumptions rather than generic benchmarks. These are:

Chief Executive: £205,539, **Executive Director:** £161,288, **Director:** £145,964, **Assistant Director / Head of Service:** £128,278

Baseline Efficiencies – Senior Leadership Savings

Benchmarks

To understand what senior management teams might look like in Lincolnshire under different unitary models, we have reviewed the published structures of existing unitary councils at different population scales.

Benchmarks have been selected by matching to unitaries with similar population sizes and broad geographic characteristics to Lincolnshire, ensuring that the role counts we apply are proportionate and realistic. This gives us a clear picture of how many Chief Executives, Executives, Directors, and Assistant Directors/Heads of Service are typically required to run authorities of different sizes.

Unitary Benchmark Type	Unitary Authority Name	Population	Chief Exec	Executive Directors	Directors	Assistant Directors	Total Salary & On-costs (Using Lincs. Average £)
Small Population Unitary	Westmorland & Furness	228,187	1	5	5	19	£4,179,092
Medium Population Unitary Tier 1	West Northants	434,349	1	5	5	27	£5,205,319
Medium Population Unitary Tier 2	Wiltshire	517,979	1	4	15	16	£5,092,611
Large Population Unitary Tier 1	North Yorkshire	627,629	1	8	4	31	£6,056,333
Large Population Unitary Tier 2	North Yorkshire 'Plus'	782,808	1	8	6	39	£7,374,490

In all proposals, North Lincolnshire and North Lincolnshire will be presented, with their actual senior management cost used, as opposed to benchmarks. This is to differentiate between proposals that leave these two unitaries in their existing configuration and proposals which consolidate them into new unitaries (e.g. SELCP-led proposal).

Baseline Efficiencies – Senior Leadership Savings

Benchmarks

We matched the population of each proposed unitary to the most appropriate benchmark council, shown in the below table.

Proposal	Proposed New Unitary Authority	Population	Benchmark Type	Estimated Leadership Cost	Total Proposal Cost
Lincolnshire CC	Lincolnshire County	789,502	Large Population Unitary Tier 2	£7,374,490	
	North Lincolnshire	171,336	Itself	£3,331,463	£13,429,578
	North East Lincolnshire	159,911	Itself	£2,723,625	
N&S Kesteven	Kesteven (N&S), South Holland & Rutland	410,360	Medium Population Unitary Tier 1	£5,205,319	
	Boston, Lindsey (E&W), Lincoln	420,585	Medium Population Unitary Tier 1	£5,205,319	£16,465,726
	North Lincolnshire	171,336	Itself	£3,331,463	
	North East Lincolnshire	159,911	Itself	£2,723,625	
SELCP	Boston, East Lindsey, Kesteven (N&S) , South Holland	585,180	Large Population Unitary	£6,056,333	
	Lincoln, North-East Lincolnshire, North Lincolnshire, West Lindsey	535,569	Medium Population Unitary Tier 2	£5,092,611	£11,148,944
City of Lincoln Bid	Lincoln Strategy Area (City of Lincoln plus parts of North Kesteven and West Lindsey	209,899	Small Population Unitary	£4,179,092	
	Remainder of West Lindsey, Remainder of North Kesteven, East Lindsey, South Kesteven, Boston, South Holland	579,613	Large Population Unitary	£6,056,333	£16,290,513
	North Lincolnshire	171,336	Itself	£3,331,463	
	North East Lincolnshire	159,911	Itself	£2,723,625	

Baseline Efficiencies – Senior Leadership Savings

Proposal Costs & Savings

Total costs per proposal are listed below, including reference to North East Lincolnshire and North Lincolnshire. Anticipated cost are then subtracted from the baseline costs of the existing configuration.

Proposal	Proposed Unitaries	Anticipated Population	Estimated/Actual Leadership Cost	Total Proposal Senior Management Cost	Baseline Senior Management Cost	Annual Savings
Lincolnshire CC	Lincolnshire County	789,502	£7,374,490			
	North Lincolnshire	171,336	£3,331,463	£13,429,578	£17,753,633	£4,324,055
	North East Lincolnshire	159,911	£2,723,625			
N&S Kesteven	Kesteven (N&S), South Holland & Rutland	410,360	£5,205,319			
	Boston, Lindsey (E&W), Lincoln	420,585	£5,205,319	£16,465,726	£20,044,753 (Includes Rutland CC Costs)	£3,579,027
	North Lincolnshire	171,336	£3,331,463			
	North East Lincolnshire	159,911	£2,723,625			
SELCP	Boston, East Lindsey, Kesteven (N&S) , South Holland	585,180	£6,056,333			
	Lincoln, North-East Lincolnshire, North Lincolnshire, West Lindsey	535,569	£5,092,611	£11,148,944	£17,753,633	£6,604,689
City of Lincoln Bid	Lincoln Strategy Area (City of Lincoln plus parts of North Kesteven and West Lindsey	209,899	£4,179,092			
	Remainder of West Lindsey, Remainder of North Kesteven, East Lindsey, South Kesteven, Boston, South Holland	579,613	£6,056,333	£16,290,513	£17,753,633	£1,463,120
	North Lincolnshire	171,336	£3,331,463			
	North East Lincolnshire	159,911	£2,723,625			

*This figure does not include redundancy costs, this is factored in on the following slide.

Baseline Efficiencies – Senior Leadership Savings

Proposal Costs & Savings

We then calculated the total costs per proposal, to subtract these from the baseline costs of the existing configuration. Shown in the below table.

Proposal	Annual Saving	Estimated Redundancy Costs
North Kesteven and South Kesteven-led	£3,579,027	£4,473,783.75
SELCP-led Proposal	£6,604,689	£8,255,861.25
Lincolnshire County Council	£4,324,055	£5,405,068.75
City of Lincoln-led Proposal	£1,463,120	£1,828,900.00

A 125% of salary assumption has been applied to estimate redundancy costs, reflecting typical local authority payouts that combine redundancy, notice, and pension strain. This provides a balanced midpoint based on evidence from recent reorganisations, where senior management exit costs typically range between 100–150% of annual salary.

While redundancy costs represent a significant one-off outlay, these can be set against the recurring annual savings to understand the net cumulative benefit of each proposal.

Financial Assumptions: Service and Transformation

1. District Services
2. Merging County Council Services
3. Property Services
4. Third Party Spend



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District Services

Baseline Efficiencies – Merging District Council Services

Merging Front-Office Functions

Sector Evidence and Benchmarking - What we have seen generally in the sector

- Front-office efficiencies are real but modest under reorganisation alone: 1–4% of district front-office staff spend, with the higher end only in fewer/larger UA options. Bigger gains come from “enabling/transformation” programmes after reorg (standardising processes, channels and systems)

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- Front-office consolidation is already underway in parts of the county. Boston, East Lindsey and South Holland already share many services, including a number delivered via their shared services company PSPS. The Councils also operate with a shared management team. PSPS deliver HR, Customer Contact, Finance, Revenues & Benefits, ICT, Procurement and Health & Safety.
- The City of Lincoln and North Kesteven also operate a shared Revenues & Benefits service. These arrangements reduce the scope for further savings compared with a fully standalone baseline, as some of the potential “merger dividend” has already been captured.
- However, duplication persists across the wider county. Councils such as South Kesteven, West Lindsey and others continue to run their own customer-facing functions, and no county-wide standardisation exists in housing options, planning casework or environmental health. These services remain largely district-based and therefore present a greater opportunity for rationalisation if merged
- Note that the 2UA model will increase potential integration savings given North East Lincs and North Lincs are included.

Note: ‘Front Office’ spend refers to customer-facing and operational roles that directly deliver council services to the public. This includes customer service / contact centres, revenues and benefits processing staff, housing officers, environmental health officers)

Baseline Efficiencies – Merging District Council Services

Merging Front-Office Functions

Resulting baseline assumptions

- SELP Bid - Two new unitaries: 3-5% on district front office staff spend and a further 3-5% on North East Lincs and North Lincs spend
- LCC Bid - Three new unitaries: 4-6% on district front office staff spend.
- CoL/N&S Kesteven Bids - Four new unitaries: 3-5% on district front office staff spend – not differentiated as not material between bids

Phasing of Savings

- Year 1: Minimal savings – focus on designing a common customer access model and aligning systems (e.g. CRM, R&B platforms).
- Years 2–3: Initial savings from process alignment, service consolidation, and standardising customer contact arrangements (~30–40% of total savings).
- Years 4–5: Full realisation as ICT systems, customer channels, and service delivery teams are integrated and embedded (100% of identified savings).

Note: 'Front Office' spend refers to customer-facing and operational roles that directly deliver council services to the public. This includes customer service / contact centres, revenues and benefits processing staff, housing officers, environmental health officers)

Baseline Efficiencies – Merging District Council Services

Merging Services (Place-based)

Sector Evidence and Benchmarking - What we have seen generally in the sector

- District service savings from reorganisation alone are consistently modest. Benchmarking from other financial models suggests around 1% of gross service delivery expenditure, or alternatively 2.5–3.5% FTE reductions as districts merge.
- Unlike back office (where processes are more standardised), place-based functions are shaped by local geography, assets, and political choice (e.g. waste collection frequency, leisure centre provision, housing stock). Realising savings at scale would require not only integrating teams but also aligning service standards, contractual arrangements, and asset strategies - which is more complex and politically sensitive than back-office or front-office consolidation.

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- Deep integration already exists across South & East Lincolnshire Councils Partnership with a single shared management team and a range of shared services. Some services, at an operational level, such as Waste and Street Cleaning, remain place-based.
- Core functions such as refuse collection, street cleansing, leisure services, environmental health enforcement, and planning delivery are still largely run as standalone operations. Service models, contractual arrangements, and service standards vary district by district, meaning duplication persists across much of the county.
- Compared with other areas that have developed LGR proposals, Lincolnshire appears to have marginally more shared services in certain place-based functions but still significant duplication in the majority of frontline services. The rural geography and dispersed populations also constrain opportunities for full integration of services
- Note that the 2UA model will increase potential integration savings given North East Lincs and North Lincs included.

Baseline Efficiencies – Merging District Council Services

Merging Services (place-based)

Resulting baseline assumptions

These savings are realised by aggregation and new operating models and should only be applied to where councils are merged and should not be applied to North Lincolnshire and North-East Lincolnshire.

- SELP Bid - Two Unitaries = 6-8% on District Council spend and North East Lincs and North Lincs spend
- LCC Bid - Three Unitary proposal = 7-9% on District Council spend
- CoL/S&N Kesteven Bids - Four Unitary = 6-8% on District Council spend – not differentiated as not material

Phasing of Savings

Year 1: Negligible savings (0–25%) mainly design and consultation, no service reductions.

Year 2: 25-50% of target - early consolidation where contracts align, some back-office/service overlap stripped out.

Year 3: 50–100% of target - service models start to harmonise, some contracts come up for renewal, limited depot/asset rationalisation.

District Services Considerations (including Placed Based for Existing Unitary Authorities)

While LGR creates opportunities to reduce costs and improve efficiency, councils must carefully manage a range of practical considerations to ensure district services remain resilient, consistent, and responsive to local needs. These include:

- **Contract alignment:** Existing district-level contracts will vary in length, standards, and cost. Councils need a clear strategy for harmonisation, extensions, or re-procurement.
- **Workforce integration:** Harmonisation of terms and conditions, union engagement, and the cultural alignment of teams across different legacy councils all require careful management.
- **Policy and service standard harmonisation:** Different districts often have different bin types, collection frequencies, or grounds maintenance specifications. Councils must decide on consistent standards while managing resident expectations.
- **Asset rationalisation:** Depots, workshops, and vehicle fleets will need reviewing to avoid duplication but also maintain geographic coverage and resilience.
- **Technology integration:** Councils must unify disparate systems (CRM, route optimisation, fleet management, GIS, reporting tools) without disrupting live operations.
- **Financial baselining:** Clear visibility of current service costs across districts is essential to identify savings opportunities, avoid hidden overspends, and measure efficiency gains post-LGR.
- **Geographic challenges:** Larger service areas may create longer travel times in rural areas; depot locations, route design, and resource deployment need rethinking.

District Service Considerations – Waste Focus (Example)

Following LGR, existing waste collection contracts will need to remain in place during the early years of the new Council. This creates a critical window for the new authority to plan for service harmonisation, allowing for the collation of accurate data and contract information, undertaking a gap analysis in systems, processes and policies across legacy councils, and conducting options appraisals (both collection service and service delivery) to deliver a fit for purpose new service operating model to be implemented when legacy contracts expire.

Key considerations include:

- **Existing contracts & termination dates:** Collection contracts and termination dates vary across districts; careful alignment and forward planning is essential to allow for co-terminating contracts to be facilitated.
- **Data accuracy & preparation:** Use the transition period to collate robust data (contracts, rounds, vehicles, bring sites, staff, receptacles per household information, tonnages, assets, costs, ICT arrangements, processes and systems) to identify where harmonisation activities need to be focussed to underpin future decision-making.
- **Collection profiles & service standards:** Review current collection frequencies, materials collected, receptacle types, and recycling policies across districts by conducting a gap analysis of service provision (including statutory requirements e.g. food waste). This can then be used to inform an options appraisal for the new Council's waste collection service.
- **Routing & rounds redesign:** As district boundaries will no longer exist, a rounds re-design project will be required to inform the implementation of the preferred new collection service, identified from the options appraisal. This will ensure the new service is efficient and effective.

Key Considerations (Continued)

- **Commercial waste:** A review / feasibility study of the legacy Commercial waste services should be conducted to identify opportunities for harmonisation, expansion across the new council area and improvements in service offer, boosting income and ensuring only household waste is collected.
- **In-house vs outsourced models:** Conduct a service delivery options appraisal to identify the preferred future service delivery model (in-house, outsourced, alternative or hybrid) for both collection and disposal contracts, balancing cost, flexibility, and risk considerations, especially in terms of vehicle procurement.
- **ICT systems:** Harmonise legacy systems (CRM / back-office systems, in-cab technology, workshop ICT systems etc) to support efficient operations.
- **Depot and/or workshop review:** Review ownership, availability, and rationalisation opportunities for depots and/or workshops across the legacy districts.
- **Household Waste Recycling Centres (HWRCs):** Review HWRC provision across the new unitary area, with regards to site locations and coverage to identify where there is overlap or under utilisation; explore opportunities to rationalise sites while maintaining resident access within 20 minutes.
- **Disposal contracts:** Review existing agreements including minimum tonnage guarantees or throughput clauses. Reducing residual waste tonnages, while desirable, may risk breaching these thresholds and incurring financial penalties
- **Phasing of savings:** Efficiencies will only be realised once harmonisation activities have been implemented, and these will need to be phased due to the size of each workstream. This requires careful planning across multiple concurrent strands, whilst simultaneously ensuring appropriate stakeholder engagement is delivered. The focus from now through to the early years of the new Council should be on delivering the preparatory activities necessary (data collation and data sharing activities, followed by reviews, appraisals and studies) to inform the successful harmonisation of services.

Waste Collection Variations Across Districts

- Whilst all districts have the same collection frequencies, there is a difference in delivery models with City of Lincoln having an External Waste provider (Biffa), with this contract having recently been re-let. This variation reflects local choices and contracts, but they can create complexity when considering LGR.
- By mapping out the current position across all districts, we can clearly see the differences and use this as a baseline for developing a consistent, efficient, and future-ready collection model.

Local Authority	Waste Collection Frequencies					Delivery Models		Performance
	Residual Waste		Recycling		Food Waste Collection Commencing	In-House	External	% of Household Waste Recycled (23/24)
	Fortnightly	Monthly	Fortnightly	Monthly				
Boston	✓		✓		September 26	✓		33.1%
East Lindsey	✓		✓		October 26	✓		41%
West Lindsey	✓		✓		March 26	✓		
City of Lincoln	✓		✓		March 26		✓ (Biffa)	31.4%
South Holland	✓		✓		September 26	✓		31.4%
South Kesteven	✓		✓		April 26	✓		40.5%
North Kesteven	✓		✓		March 26	✓		43.8%

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Merging County Council Services

Merging County Council Type Services

We have received little data from the County Council or the existing two Unitary Authorities and have taken the following approach to financial baseline assumptions.

County Council and North East Lincolnshire and North Lincolnshire:

We have assumed that the impact of North East Lincs and North Lincs is only on the 2UA model. However, whilst neutral for other bids, for 2UA bid, we have assumed higher Transition and Disaggregation costs as a result of greater integration and as such this is offset by higher savings which we would prudently include as follows:

1. Children's and Adults: The full impact should be modelled as set out in the Children's and Adults section of this document and depends on the application of the 'local offer' hub model. We have included greater management savings in management impact section
2. Highways and Other Operational services: 5-7.5% of these costs across County Council and existing Unitary Authorities

Children's and Adults:

This is set out in a separate section in terms of current performance, opportunities and challenges. For these services only, we have included North Lincolnshire Council and North-East Lincolnshire Council. We have incorporated narrative as to how opportunities identified as a result of disaggregation and re-establishing these services into new unitaries could be financially modelled and incorporated within transformation savings within the financial case for each bid. Publicly available reports Peopletoo have produced for Warwickshire (2 unitary model) and Greater Essex (5 unitary model) will provide an example of how and outcomes and benefits have been modelled to support the bids.

Merging County Council Type Services

Highways and Other Operational Services:

We have not included these services as not overlapping with District Services as distinct to County Council. The biggest area being Highways and as with some other services these are usually outsourced and are included in the Third Party spend Oxygen Finance analysis we have done. There is little disaggregation impact potentially as in other sector LGR footprints and we have suggested retaining county wide contracts like Highways but creating a strategic commissioning forum across new Unitaries except for 2UA integration of existing UAs

District and County Services Integration:

- Back office services is included in assumptions and set out in next slide
- Disaggregation and management savings included in [Organisational Change section](#)
- Property and FM included [here](#)
- Third Party spend included [here](#)

Sector Evidence and Benchmarking - What we have seen generally in the sector

- All proposals generally include a ‘safe and legal’ assumption, where county-level services re initially transitioned “as-is” into the new unitaries with minimal change to ensure stability and maintain performance. As such, no immediate savings are generally assumed, although there is opportunity to expand existing commissioning frameworks where this would create benefit to increased capacity and lower cost from day one. County-run services seen as outside the scope of Day 1 merger savings, which focused solely on District staff and corporate overheads.

Baseline Efficiencies – Merging District Council Services

Merging Backoffice Functions

Sector Evidence and Benchmarking - What we have seen generally in the sector

- Efficiency opportunities are typically found by consolidating enabling service functions such as Finance, HR and Payroll, IT and Digital, Procurement and Commissioning, Legal and Governance, and Business Support / Admin.
- This evidence underpins an assumption of 10–15% efficiencies for a single Unitary and 8–12% for a two Unitary model and a sliding scale down from two Unitary figures. This is based on areas with standalone district models.

Lincolnshire-specific Considerations - Conditions/context in Lincolnshire that needs to be factored in

- Several districts already participate in shared service arrangements, which reduces the scope for additional savings compared to areas starting from a “standalone” baseline. For example:
 - Through the South & East Lincolnshire Councils Partnership (Boston, East Lindsey and South Holland), some functions are delivered jointly via PSPS Ltd. This covers HR, ICT, Finance, Revenues & Benefits, Procurement, Customer Contact, and Health & Safety, alongside a shared management structure to below Assistant Director level.
 - Democratic Services remains place-based, but otherwise most enabling services in these three councils are already operated as a single service. West Lindsey also participates in some shared corporate arrangements with North Kesteven (e.g. ICT support, procurement partnerships).
 - As a result, a significant proportion of the “merger dividend” in back-office functions has already been realised locally. Future efficiencies may therefore be smaller than in areas starting from a standalone baseline, though there remains scope in aligning ICT platforms, procurement, and customer contact systems county-wide.

Baseline Efficiencies – Merging Council Services

Merging Backoffice Functions

Resulting baseline assumptions

- In line with evidence from recent reorganisations, we have taken a cautious approach to estimating back-office savings. While merging corporate functions can generate efficiencies, these are often overstated in early business cases and eroded by transition costs, meaning actual realisable savings are typically lower and slower to materialise.
- Estimated savings for all bids: 5-8% but for 2UA Model then % is to be applied to all spend of Councils including North East Lincs and North Lincs
- These % savings can be applied to the combined net budgets for district and council enabling and corporate support services (Finance, HR, ICT, Legal, Procurement, Customer Contact, Business Support)

Phasing:

Year 1: No savings, design shared service operating model.

Year 2: Early consolidation (finance, HR) ~30–40% of total savings.

Year 3: Full realisation as ICT, procurement, and customer platforms are unified.

Note:

1. 'Back-office' spend refers to corporate enabling and support functions that do not directly deliver services to residents. This includes finance, HR/Payroll, Legal & Governance, IT/digital/ data, procurement and commissioning, corporate policy and strategy, central admin/business support.

2. ICT and digital savings are particularly subjective and vary widely between business cases. Some focus narrowly on ICT estate costs (applications, licences, infrastructure, people), with reported savings typically in the 5–10% range. Higher figures are often linked to wider digital transformation or legacy system replacement, which can require significant up-front investment and long payback periods. For prudence, only evidenced ICT savings should be included here; broader digital transformation opportunities should be captured in service-specific cases

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Property

Property Key Considerations

Local Government Reorganisation provides a significant opportunity to reshape the council's property estate, delivering financial savings and enabling more efficient, fit-for-purpose assets. Realising these benefits requires clear strategy, careful phasing, and alignment with the wider transformation programme.

- **Key considerations**
 - **Rationalisation and repurposing opportunities** :Substantial scope across both office accommodation and operational assets (e.g. depots, leisure facilities, civic buildings).
 - **Phasing of savings:** Capital receipts and facilities management (FM) savings are dependent on the transformation plan; however, opportunities can be unlocked early in the transition phase through estate consolidation and smarter FM contracts.
 - **Strategic asset management:** A consolidated approach to asset planning is essential to maximise value, reduce duplication, and align property decisions with future service delivery models.
 - **Balancing local access with efficiency:** Decisions on asset disposal or repurposing must consider both financial savings and maintaining service accessibility for residents.

Property Key Considerations

Opportunity:

- Councils post-LGR are identifying **20–30% opportunity in assets and FM** – depending on political appetite for rationalisation.
- Financial business cases to date typically assume **3–10% savings**, often excluding capital asset value and focusing primarily on FM efficiencies.
- The scale of opportunity is less about the number of unitary councils created and more about the **ambition of the strategic asset management approach** adopted.
- This draws on our experience delivering Property and FM projects following LGR in Cornwall and Northumberland, as well as our broader work on Property and FM projects across local government.

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3rd Party Spend

3rd Party Spend

Key Considerations

Key considerations:

- **Strategic commissioning approach:** Opportunity to move from fragmented, district-led procurement towards a single, strategic model. This reduces duplication, aligns service specifications, and increases buying power.
- **Contract consolidation:** Many suppliers currently hold multiple, small contracts across different districts. Consolidating these into larger, combined contracts improves economies of scale, simplifies management, and reduces overheads.
- **Stronger contract management:** Centralised contract management ensures consistent performance monitoring, clear accountability, and the ability to drive continuous improvement and savings.
- **Quick wins vs longer-term transformation :** Some savings can be achieved early through demand management and improved contract oversight, but the largest benefits depend on re-procurement and service redesign aligned to the new authority's transformation plan.
- **Adults' and Children's services:** Usually treated separately as part of wider commissioning transformation.

Opportunity:

- **Adults & Children's services:** 5-10% savings are generally expected, depending on the starting position.
- **Other service areas:** Typically, 10–20% potential, though to avoid double-counting with other workstreams, **a cautious assumption of 5-10%** is prudent.
- **Financial business cases for LGR frequently model only 1-3% savings on non-social care spend**, often weighted towards a two-unitary authority model, suggesting scope for more ambitious but realistic targets.
- Our work with other councils, including post-LGR examples such as Somerset, demonstrates that greater savings are achievable where contract registers are consolidated, commissioning is strategic, and contract management is strengthened.

3rd Party Spend

Oxygen Finance

Overview:

- To assess the scale of 3rd party spend and potential opportunities, we used **Oxygen Finance Data Insights** to compile spend data across councils. While not perfect, the dataset provides a strong indication of the overall scope and scale of 3rd party expenditure.
- The analysis includes data from all district councils, the county council, and the two existing unitary authorities.
- A full download of the data analysed has been shared as a separate document.

Key Findings:

- Total 3rd Party Spend across all councils was c£1.67bn
- Total 3rd Party Spend across District Councils was c£262m
- Lincolnshire County Council showed the highest 3rd party spend at 56% (c£943m) of all spend, followed by North East Lincs at c£238m (14%) and North Lincs at c£227m (14%).
- The highest combined spend area across all councils was 'Health & Social Care' (c£661m)
- The highest combined spend area across District councils was 'Buildings' (c£128m)
- **The district with the highest 3rd party spend, was shown to be City of Lincoln at c£62m (4%).**
- There were x3 suppliers that were used by all Council's (Anglian Water, British Gas & Royal Mail).
- There were x18 suppliers used by all Districts, the largest combined spend being with; Lindum Group Ltd (c£25m) and Total energies (c£20m)

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Council Tax Harmonisation

Council Tax Harmonisation

- We set out a comprehensive information request in relation to council tax harmonisation, however there was only limited information available. Recognising the time sensitivity, we have sourced alternative data where possible to enable modelling as the next step. Further refinement can follow as more robust data becomes available, but we have used the best available information to fill gaps.
- A more detailed report on Council Tax Harmonisation has been shared separately and summarised below.
- **Key Findings:**
 - For areas within the county council's geography, **many districts have built in growth to tax base assumptions around 1.5%**, this is sourced from long-term assumptions that we have seen in the MTFP plans.
 - **We would anticipate housing growth of around 1.1%** would be a reasonable level of growth of tax base at a broad level, although we may look at this in a more granular level in some of the further modelling.
 - For unitaries NEL and NL we anticipate growth of taxbase in the region of 0.8% and Rutland 1.6%.
- **Harmonisation Assumptions:**
 - Vesting Day will be 1 April 2028.
 - Harmonisation is applied on day one and we will assume the weighted average approach is applied across the options modelled where reasonable.
 - There are political concerns where the rate differential is significant, but this is a planning assumption along the lines of what most others we have consulted are modelling.
- **Next Steps:**
 - A clear rationale is lacking from authorities' long term growth assumptions, if there were formal workings or documented rationale behind the longer-term growth in tax base assumptions, it would be useful to obtain from the councils.
 - We will use our toolkit to support setting up a model of a few scenarios.
 - We will apply appropriate assumptions as set out above (or using specific MTFP assumptions where appropriate) to form a draft council tax Harmonisation model.

Council Tax Harmonisation

Tax Base

Local Authority	Tax Base
Lincolnshire County Council	248,008.50
Boston	20,291.00
East Lindsey	48,166.00
Lincoln	25,764.25
North Kesteven	40,000.00
South Holland	30,890.00
South Kesteven	50,140.50
West Lindsey	32,756.75
Northeast Lincolnshire (UA)	47,205.46
North Lincolnshire (UA)	52,168.20
Rutland (UA)	16,293.17

Baseline Council Tax Rates

Local Authority	Exc. Parish Precepts 25-26	Inc. Parish Precepts 25-26
Lincolnshire County Council	1626	1626
Boston	262	293
East Lindsey	172	258
Lincoln	317	317
North Kesteven	194	317
South Holland	216	261
South Kesteven	189	243
West Lindsey	249	336
Northeast Lincolnshire (UA)	1952	1973
North Lincolnshire (UA)	1800	1840
Rutland (UA)	2219	2284

Note, A more detailed report on Council Tax Harmonisation has been shared separately

Other Key Factors

Other Key Considerations

- Pay Harmonisation:
 - The potential impacts of **pay harmonisation, pay protection and pension strain after vesting day** are generally not reflected in financial business cases, though they are often acknowledged as issues.
 - Evidence (e.g. the Essex 5UA Business Case) suggests that the **fewer Unitary Authorities created, the greater the risk and cost of pay harmonisation**, due to reduced opportunities for rationalisation.
 - The **financial impact is highly uncertain** and will depend on local decisions. It could result in either additional costs or potential savings.
 - **Recommendation:** These factors should be excluded from current financial modelling **unless a detailed local analysis is undertaken**.
- External Audit Fees - New Unitaries:
 - We have excluded this factor, as there is **no evidence that it will differ significantly between Councils**.
 - **Some business cases have assumed savings of c£1m for a 3 unitary authority model**, with a 10% adjustment applied up or down from that baseline.
- Democratic Services:
 - Note, this has been excluded from scope, although there are well-established methodologies available for calculating the associated savings.

Phasing of Savings and Costs

- **Key Considerations:**
 - No material difference is expected in the business case based on the number of Unitary Authorities established.
 - It is essential to align one-off, transition, and transformation costs with the timing of benefits realisation.
 - The speed of savings realisation will depend on the approach taken before vesting day and the balance between transition/setup activities and transformation.
 - While phasing should be cautious, it is important to combine ambition with pragmatism to avoid prolonged net cost periods and extended payback terms.
 - **Our recommended approach is to accelerate transformation during the transition and setup phases.**
- **Assumptions:**
 - Although assumptions in sector business cases vary considerably, especially regarding transformation savings, the table below provides a set of assumptions to serve as a starting point:

	Year 1	Year 2	Year 3	Year 4
Management Savings & Redundancy Costs	100%			
Transformation Savings:				
Variation A:	50%	100%		
Variation B:	0%	25%	75%	100%