

**CABINET – 18 MARCH 2025****ENGLISH DEVOLUTION WHITE PAPER: LOCAL GOVERNMENT
REORGANISATION****JOINT REPORT OF THE CHIEF EXECUTIVE, THE DIRECTOR OF
CORPORATE RESOURCES AND THE DIRECTOR OF LAW AND
GOVERNANCE****PART A****Purpose of the Report**

1. The purpose of this report is to seek approval of the interim plan for local government reorganisation in Leicestershire.
2. A supplementary report which will incorporate the views of the Scrutiny Commission and contain the final detail of the interim plan is currently being prepared and this will be circulated to members and published on the County Council's website as soon as it is available.

Recommendations

(Key Decision)

3. The Cabinet is recommended to:
 - (a) Approve the interim plan for submission to the Government by the deadline of 21 March 2025;
 - (b) Authorise the Chief Executive, following consultation with the Acting Leader, the Director of Corporate Resources and Director of Law and Governance, to make any necessary amendments to the plan before it is submitted to the Government provided that these do not change the underlying principles of the interim plan as presented in this report.

Reasons for Recommendation

4. The letter received from the Minister of State for Local Government and English Devolution on 5 February set out the formal invitation to all local authorities in remaining two-tier areas and neighbouring unitary authorities to develop a proposal for local government reorganisation and required interim plans to be submitted to the Government by 21 March 2025.

Timetable for Decisions (including Scrutiny)

5. The views of the Scrutiny Commission were sought on the proposed content of the interim plan at its meeting on 10 March. Comments made by the Scrutiny Commission will be reported to the Cabinet and incorporated into the supplementary report.

Policy Framework and Previous Decisions

6. A letter was received from the Minister of State for Local Government and English Devolution on 5 February setting out the formal invitation to develop a proposal for local government reorganisation. Although phrased as an invitation, it has been made clear that there is a requirement for all Local Authorities who have received the invitation to respond. This letter provided guidance and set out assessment criteria, including the requirement to submit an interim plan to the Government before 21 March 2025. This letter, along with a letter received from the Minister of State advising that the County Council's request to postpone the election had not been granted were the subject of a report to the Cabinet meeting on 7 February. That report was also submitted to the County Council for information at its meeting on 19 February 2025 and the Council noted the position.
7. In her position statement to the County Council meeting on 19 February, the Acting Leader confirmed that the County Council would now be focusing on revising and updating the 2019 business case, a 'Vision for Local Government in Leicestershire'. This would inform the interim plan.
8. The Secretary of State for Housing, Communities and Local Government has the power under Part 1 of the Local Government and Public Involvement in Health Act 2007 to invite proposals for a single tier of local government. In responding to an invitation, a council is required to have regard to any advice from the Secretary of State as to what a proposal should seek to achieve and the matters that should be taken into account in formulating a proposal.

Resource Implications

9. The work completed to date has been delivered using internal resources, however local government re-organisation is a significant undertaking that will have an impact on the Council's financial position in future years. The recently approved MTFS does not include any additional costs or savings which may arise from future reorganisation. If the Council does need to fund one-off costs necessary to support any changes, this is expected to be possible on a spend to save basis, which its strong balance sheet will facilitate. The exact source of funding will be considered when the nature and timing of re-organisation is known.
10. An internal review of the financial modelling performed for the 2019 business case provides assurance that the financial position presented remains relevant and enables it to be a credible basis for the interim plan. In the intervening period high levels of inflation have been experienced, all local authorities have been required to make savings and social care services have grown at a faster

rate than other council services. The expectation is that this will increase the financial benefit that the single unitary case enjoys over the dual unitary option.

11. This position is reinforced by the updated national financial modelling of the costs and benefits of local government reorganisation undertaken independently by PricewaterhouseCoopers (PwC), a high-level analysis of the costs and benefits of different unitary scenarios for two-tier areas which will inform the interim submission. PWC's report, which explains the approach to the modelling undertaken, is attached as Appendix A to the report.
12. It should be noted that the financial position of Local Government, nationally, has declined significantly since the 2019 Business case was produced. To protect services and the Council Taxpayers who fund them the financial consideration should be central to the consideration of both producers and decision makers for re-organisation proposals.

Circulation under the Local Issues Alert Procedure

13. This report has been circulated to all members of the Council.

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PART B

Background

2019 Business Case: A Vision for Local Government in Leicestershire

14. In October 2019, the Cabinet approved a draft strategic business case for the development of a unitary structure. Several options were considered. However, due to the then Government's criteria the focus of the analysis was on either a single or two unitary councils for the county of Leicestershire (excluding the city). The preferred option was for a single unitary. Members noted the potential financial savings offered by the proposals, savings which could be reinvested to support and improve front line services.
15. The draft strategic business case was considered by the Scrutiny Commission in October and November 2019. At those meetings it was concluded that a majority of members were supportive of the business case, but a minority of members remained concerned or were opposed to the proposals. The Commission did not propose any changes to the draft strategic business case.
16. There was then a general election called in December 2019 which changed the political landscape. The then Government, having requested expressions of interest for unitary local government, decided not to proceed. Subsequently, from March 2020 the Covid-19 pandemic changed the political focus, and the business plan, although advanced in its development, was never finalised by the Cabinet.
17. The 2019 strategic business case was developed based upon the experience of other authorities, to identify the principal areas that would yield savings and the likely costs of re-organisation. The financial analysis was undertaken using a range of publicly available data and sanity checked through comparison to other business cases. The financial benefits of the single and dual unitary options were subject to external validation by PwC whose overall finding was that "*The County Council's work represents a sound basis for presenting potential savings to members and for planning next steps. Based on PwC's experience, it covers the expected areas of potential saving and the level of the savings is within the range that we would expect*". This Business case has been updated to take account of current service and financial data. This has ensured that the business case remains relevant and enables it to be a credible basis for the interim plan, whilst assessing the further work required for the full proposal which is required to be submitted by 28th November. This has involved refreshing and updating the financial information informing the business case, to recalculate the level of savings that would be achieved. The descriptions of services in a unitary authority have also been reviewed and brought up to date. Further work will be undertaken to understand the experience of recent re-organisations and to analyse the implications of the high level national financial modelling work referred to in paragraph 11 above to inform the final proposal.

18. Further consideration is being given to the proposed governance arrangements set out in the 2019 strategic business case. Although these proposals were subject to significant levels of scrutiny in 2019, the invitation presents an opportunity to review the proposed governance and decision making and to consider aligning local decision making with Area Committees or with parliamentary constituency boundaries.

Criteria

19. The criteria for unitary local government, set out in the invitation letter of 5 February 2025 are as follows:
- A proposal should seek to achieve for the whole of the area concerned the establishment of a single tier of local government.
 - Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial shocks.
 - Unitary structures must prioritise the delivery of high quality and sustainable public services to citizens.
 - Proposals should show how councils in the area have sought to work together in coming to a view that meets local needs and is informed by local views.
 - New unitary structures must support devolution arrangements.
 - New unitary structures should enable stronger community engagements and deliver genuine opportunity for neighbourhood empowerment.

Interim Plan

20. The Government has stipulated that the interim plan should:
- (a) Identify any barriers or challenges where further clarity or support would be helpful.
 - (b) Identify the likely options for the size and boundaries of new councils that will offer the best structures for delivery of high-quality and sustainable public services across the area, along with indicative efficiency saving opportunities.
 - (c) Include indicative costs and arrangements in relation to any options including planning for future service transformation opportunities.
 - (d) Include early views as to the councillor numbers that will ensure both effective democratic representation for all parts of the area, and also effective governance and decision-making arrangement which will balance the unique needs of your cities, towns, rural and coastal areas, in line with the Local Government Boundary Commission for England guidance.
 - (e) Include early views on how new structures will support devolution ambitions.

- (f) Include a summary of local engagement that has been undertaken and any views expressed, along with your further plans for wide local engagement to help shape your developing proposals.
 - (g) Set out indicative costs of preparing proposals and standing up an implementation team as well as any arrangements proposed to coordinate potential capacity funding across the area.
 - (h) Set out any voluntary arrangements that have been agreed to keep all councils involved in discussions as this work moves forward and to help balance the decisions needed now to maintain service delivery and ensure value for money for council taxpayers, with those key decisions that will affect the future success of any new councils in the area.
21. It should be noted that no decisions are expected to be made following the submission of the interim plan and that the interim plan proposal is not binding. The proposal is expected to evolve as the final plans are developed, informed by further engagement and consultation, financial and other modelling in line with the invitation prior to the submission in November. MHCLG has indicated that thereafter between January and April 2026 they expect to consult on proposals with a view to making a decision between May and August 2026 following which the legislation will be laid between September and December 2026. The indicative timeline, described by MHCLG officials as their best estimate, provides for shadow unitary elections between May and December 2027 with a view to the new unitary or unitaries becoming operational in April 2028.

Options

Single Unitary Council for Leicestershire County (excluding Leicester City)

22. It is proposed that the option for a single unitary council for Leicestershire is the option put forward by the County Council in the interim plan, on the basis that it is the only option that fully meets the Government's criteria and that it achieves the maximum financial benefits for the sector.
23. Leicestershire's current population using census data is just over 734,000, meaning that any attempt to divide the county into two smaller unitary authorities would not meet the Government's stated aim that the population size for new councils should exceed 500,000. It is noted that a proposal from the district councils and Rutland for 3 unitary councils in the Leicester, Leicestershire and Rutland (LLR) area uses forecast population data for 2028 in respect of the two proposed councils outside the City but does not use that data for the City unitary, i.e. it increases population size inconsistently and not in line with latest data, the ONS mid-year estimates 2023. There is no explanation provided by the district councils and Rutland. It is also noted that using these higher future population projection figures still leaves both the proposed unitary councils outside the City significantly short of the 500,000 plus population benchmark.

24. The 2019 strategic business case indicated that a £30 million net annual saving could be generated, with implementation costs of approximately £19 million. Financial modelling will continue to be undertaken to update these estimates as the proposals develop and more information becomes available. This will be further informed by the work undertaken by PWC referred to in paragraph 11 of this report. It is clear that the costs of disaggregating services already provided at a county level, as proposed by the districts and Rutland, would be substantial and the process would be complex, and the single unitary option avoids generating those additional costs and the associated risk to service delivery. Alongside the loss in economies of scale, for example through greater numbers of senior management, the financial modelling shows that the single unitary option will provide the best value for money for council tax payers.
25. The benefits of single unitary council for Leicestershire address the Government's criteria of improving capacity, being able to withstand financial shocks and prioritise the delivery, improvement and sustainability of services in the following ways:
- (a) **Efficiency and Cost Savings:** By consolidating the current two-tier system into a single unitary council, there would be substantial savings from reducing duplication in management, back-office functions, and the number of head offices and service points. This streamlined approach would mean that money currently spent on management and administration can be redirected to front-line services, helping to meet demographic and inflationary pressures without adversely affecting other local government services or council tax payers. Further financial benefits would be expected from greater purchasing power and joining up related services such as waste collection and disposal, currently delivered at different levels and to different standards across Leicestershire.
 - (b) **Improved Strategic Decision-Making:** A single unitary council would enhance strategic decision-making by providing a unified direction for Leicestershire, such as through a single Spatial Development Strategy and Local Plan. This would offer certainty, stability, and democratic accountability, giving investors and the government confidence in Leicestershire's ability to deliver. It would also strengthen the county's negotiating position both regionally and nationally, driving forward the delivery of strategic priorities.
 - (c) **Financial Resilience:** The streamlined structure would increase financial resilience by creating a larger, more robust organisation better equipped to handle financial uncertainties. This would allow for more resources to be deployed rather than held in contingencies, ensuring that services can continue to be delivered effectively even in times of financial stress.
 - (d) **Unified Voice and Stronger Partnerships:** Having a single unitary council would mean a stronger, unified voice when negotiating with the

government and other partners. This would simplify the landscape for partners, reducing duplication of effort and ensuring clear and consistent messages from local government. It would be particularly helpful to partners such as the NHS, Police and Fire and Rescue Service to be able to deal with a single unitary council rather than two councils with potentially different processes. This would extend to working with developers and ensuring that the funding for Leicestershire's necessary infrastructure is secured.

26. One of the most significant benefits of a single unitary council for Leicestershire is that it avoids the unnecessary disaggregation and fragmentation of services such as social care. In terms of Children and Family Services, a single unitary council would enable the continued delivery of the centrally led/co-ordinated, locality delivered model that has recently been judged to be outstanding by Ofsted. Ofsted noted the strength of the consistency of approach, the strength of leadership, robustness of decision-making and quality of practice across the county area. The disaggregation of children's services across two unitary councils would double the leadership costs leading to a greater proportion of the children's services budget being spent on management costs and overheads. Two unitary councils would add significant costs to local delivery, reduce the flexible use of resources across the area to meet local need and could lead to inconsistent offers, the so-called 'postcode lottery', to vulnerable families across the County. Alternative delivery models for running children's services across two local authority areas would introduce significant costs, on top of the increased running costs of two unitary councils, if statutory duties and functions were to be delivered. Alternative delivery models in children's services, such as Trusts, are advocated as a solution for turning around 'failing' services, therefore this is not a credible option for Leicestershire.
27. The position is similar in Adult Social Care, where there are no examples of a Trust being created to run these services in place of a local authority. The County Council currently commissions and provides adult social care and wellbeing services as required to meet the needs of the local population, with the flexibility to do so across the whole of the County. As noted for Children's Services, the disaggregation of Adult Social Care would lead to additional leadership and management arrangements, increase overhead and fixed costs of delivery and reduce benefits associated with scale. Adult Services commission support from over 300 organisations through a variety of contracts and procurements which would need to be duplicated in more than one commissioning authority. In addition, current partnership arrangements in connection with integrated care pathways with the NHS and other partners would need to be duplicated, creating more complex transfer of care arrangements for individuals and partners. Highly specialist social care services and low volume services have proven to be difficult to deliver in small unitary authorities due to the difficulty in recruitment, professional development of the workforce, oversight and governance of activity.
28. The join up of currently fragmented services is another example of a benefit of a single unitary council. The Lightbulb Service is a partnership between the

County Council and district councils which provides an integrated housing offer bringing together a range of support to help people stay safe and independent. However, it is apparent that the current governance is not allowing the Lightbulb Service to operate effectively since it does not allow the allocation of funding on a strategic basis to meet population needs across the county footprint. This difficulty would be removed in a single unitary structure of local government, enabling service delivery to become more effective and efficient.

29. Avoiding the unnecessary fragmentation of services is also important for services currently provided by the Environment and Transport Department, where disaggregation would include creating inefficiencies in the following areas:
- (a) Out of hours highways teams – on call duty officers would be doubled up and replicated in each unitary area along with emergency out of hours resources on standby.
 - (b) Two control room teams would be required to manage operations.
 - (c) Two network management teams would be needed (two separate unitary areas within the County would struggle to have effective management and co-ordination of roadworks especially on the classified road network)
 - (d) SEN Transport – planning services in two smaller areas.
 - (e) Business support functions – duplication of all support functions but also including highways material, plant stores and specialist purchasing teams.

All the above would lead to duplication of expertise in an industry with a national skills shortage.

30. A single unitary has the potential to increase choice and convenience for residents by removing district boundaries and enabling wider service access points.

The 2019 strategic business case included a proposal for local area committees, with devolved decision making to shape local services and give communities a stronger local voice and participation in decision making at a local level. Area Planning Committees and empowered Town and Parish Councils will also form part of the proposals in the interim plan, with the aim of enhancing community engagement. Alongside this, consideration is being given to developing Area Committees aligning with parliamentary constituency boundaries.

31. Leicester and Leicestershire is a functional economic area as defined by Government. This designation reflects the geography within which many economic relationships operate, and the area has a relatively self-contained

labour market. The boundaries of Leicestershire provide a good approximate fit to key economic geographies such as travel to work patterns. To that end, a single unitary council for Leicestershire would form part of a sensible geography for a local authority, with the intention ultimately being to form part of a Strategic Mayoral Authority for Leicester and Leicestershire or for Leicester, Leicestershire and Rutland, through a devolution deal.

32. It is also important to note that Leicestershire has a cultural identity with which residents associate, whereas it is at best unlikely that anyone would identify themselves as residents of 'North Leicestershire and Rutland' or 'South Leicestershire', preferring, if asked, to say Leicestershire or their town or village.

Two Unitary Councils for Leicestershire

33. The option for two unitary authorities in Leicestershire County (excluding Leicester City) was considered in the 2019 strategic business case and the financial assessment of this option is being updated alongside the financial assessment for a single unitary authority for Leicestershire, it should be noted that in 2019 that this option was found to be less financially sustainable than a single unitary council for the following reasons:
- (a) Countywide services needed splitting to create two new services. This results in additional senior and middle management.
 - (b) More organisations would exist, which would require a greater total level of back-office and infrastructure support, costs which tend to be fixed in nature.
 - (c) Two unitary councils would be smaller organisations than the existing County Council, resulting in a loss of purchasing power.
 - (d) Salaries to attract the right people would not be materially lower in the smaller organisations. For some posts, with already a shortage of good candidates, salaries would likely to be the same but with potential for salary spiralling in a competitive and dynamic recruitment market between two unitary authorities.
34. Each of two unitary authorities for Leicestershire County proposed by the districts and Rutland would be significantly below the population size referred to in the English Devolution White Paper and referred to by MHCLG as the right size to achieve efficiencies, improve capacity and withstand financial shocks. The proposal for two unitary councils has not identified any exceptional circumstances that justify this deviation.

Extension of Leicester City Council's Boundaries

35. In her position statement to the County Council meeting on 19 February 2025, the Acting Leader confirmed her view that, if the Government were to seek to progress any proposal for an extension of the City's boundaries, it would be in

the interests of Leicestershire's residents to oppose this. Residents would be impacted financially, as all areas of the county pay lower council tax than city residents, due to historic decisions. The implications of the City Council expanding geographically would also impact the remaining council/s in the county due to:

- (a) The loss of funding, associated with the expansion, would be greater than the costs transferred to Leicester City Council reducing money available to be spend on services, unless council tax was increased. This is due to lost economies of scale for county wide services and organisational running costs.
- (b) Access to services for remaining residents would be reduced where physical assets are transferred.
- (c) If the amount of assets transferred is significantly different to the level of residents in the area, service points would need to be opened or closed to rebalance.
- (d) The complexity and cost of re-organisation would increase significantly as all county services would require disaggregation. There is no corresponding increase in savings to compensate for this, just a transfer of savings from the county to the city. This would be compounded if existing district areas are changed.
- (e) The preparatory work for change would increase with multiple agreements required to deal with treatment of assets, historic liabilities and arrangements for services that cannot easily be split, such as control of street lights.

The implications are reversed for the City Council, which would gain scale. Government could resolve this through a permanent transfer of grant funding, although there would be concerns over the permanent nature of this. There would be no way to avoid the significant transition costs of transferring work between organisations.

36. It is noted, however, that the Minister's letter (paragraph 6 of this report) invites Leicester City Council to submit its own interim plan in line with the Minister's earlier letter following the publication of the Devolution White Paper, in which he said he would facilitate reorganisation for unitary councils 'where their size or boundaries may be hindering an ability to deliver sustainable, high-quality public services'.

Rutland

37. In her position statement to the Council at its meeting on 19 February, the Acting Leader said that the position of Rutland in a unitary structure will be considered by the County Council when the position of Rutland Council is known. The Minister's letter also invites Rutland Council to submit its own interim plan for unitary local government. A special meeting of Rutland Council

was held on 11 February. No minutes or decisions have yet been published. Rutland Council has scheduled a further special meeting to take place on 11 March and no decision on Rutland's interim plan is expected until after 11 March at the earliest. The Leader of Rutland, however, has put her name to a joint statement with the Leaders of the Leicestershire district councils saying there is 'a clear case for three unitary councils for the LLR area'.

38. The County Council provides an extensive range of social care services to Rutland, including statutory mental health provision, Deprivation of Liberty Safeguards, the Youth Offending Service and the Out of Hours social work response for children and young people. The external provision and cost of social care services to Rutland will be an important consideration for Rutland's place in a new unitary structure. The Director of Public Health also undertakes that role for Rutland.

Engagement and Consultation

39. The Acting Leader's Position Statement to the County Council on 19 February, launched the proposal for 'One Council for Leicestershire' and asked residents and stakeholders to feedback their early thoughts by completing a short survey. This is in line with the Government's initial bid criteria and timeline.
40. A handy cut out version was also included in the spring edition of the Council's newsletter to residents, Leicestershire Matters, which was delivered in early March. This could be mailed back to the County Council using a 'freepost' address.
41. Targeted events have taken place with the Voluntary and Community Sector, Parish and Town Councils and the Business and Skills Sector. Internal webinars will take place for staff in the week following the Scrutiny Commission meeting. A meeting of District Council Leaders, the City Mayor and the Leader of Rutland, hosted by the Acting Leader, took place on Thursday 6 March.
42. This is early engagement and will be followed by a more comprehensive and wide-ranging consultation exercise. This is planned to take place later this year and will offer more opportunities to hear about proposals, ask questions and help shape plans ahead of the Government's November deadline.
43. The outcome of the early engagement with stakeholders and the public will be incorporated into the interim plan and reported to the Cabinet as part of the supplementary report.

Equality Implications

44. Due to the complexity and scope of the proposal and possible wide scale impact of the changes proposed the Council will adopt a strategic approach to conducting Equality Impact Assessments during all programme phases and stages.

Human Rights Implications

45. There are no human rights implications arising from this report.

Background Papers

“English Devolution White Paper” published 16 December 2024

<https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth>

Acting Leader’s Position Statement to the County Council meeting on 19 February 2025

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4>

Reports to the Cabinet and minutes of those meetings –

7 February 2024 – “English Devolution White Paper: Local Government Reorganisation – Including Urgent Action Taken”

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7873&Ver=4>

17 December 2024 – “English Devolution White Paper”

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4>

29 March 2019 - “Review of Proposals for a Unitary Structure of Local Government for Leicestershire”

<https://cexmodgov01/ieListDocuments.aspx?CId=135&MID=5601#AI59004>

22 October 2019 - “A Vision for Local Government in Leicestershire”

<https://cexmodgov01/ieListDocuments.aspx?CId=135&MId=5606&Ver=4>

Reports to the Scrutiny Commission and minutes of those meetings –

10 March 2025 – “English Devolution White Paper: Local Government Reorganisation”

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7833&Ver=4>

6 November 2019 – “A Vision for Local Government in Leicestershire”

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=5699&Ver=4>

30 October 2019 – “A Vision for Local Government in Leicestershire”

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=6064&Ver=4>

Appendices

Appendix A – Report of PwC – Evaluating the impact of scale in proposals for local government reorganisation

Appendix B - Public Engagement Survey

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