

**CABINET – 12 SEPTEMBER 2025****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 provide members with an overview of the Government's policy on local government reorganisation, the local response earlier this year, a summary of the current position across Leicester, Leicestershire and Rutland (LLR) and the picture which is emerging regionally and nationally. The report also references the financial modelling that is currently being undertaken to inform an options appraisal with a final proposal for a unitary structure required to be submitted to the Government by 28 November 2025.

Recommendations

2. The Cabinet is recommended to note the contents of the report.

Reasons for Recommendation

3. To inform decision-making on a final submission to Government on a unitary structure for LLR.

Timetable for Decisions (including Scrutiny)

4. The deadline for submitting a final proposal to the Government is 28 November. Its submission is an executive decision, i.e. a Cabinet decision. Prior to that, an options appraisal will be considered by the Scrutiny Commission and at a meeting of the full Council.

Policy Framework and Previous Decisions

5. 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.

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. The 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 request from the Acting Leader of the County Council, the City Mayor and the Leader of Rutland Council to postpone the County Council elections due in May this year in order to join the Government's fast-track programme to unlock devolution 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. The Cabinet on 18 March approved the outline of the Interim Plan for submission to the Ministry for Housing, Communities and Local Government (MHCLG) by the deadline of 21 March and authorised the Chief Executive, following consultation with the then Acting Leader, the Director of Corporate Resources and the Director of Law and Governance, to finalise the Interim Plan for submission to the Government, provided that this did not change the underlying principles as presented in the report.
8. The County Council at its meeting on 2 July agreed:

“That

 - (i) following advice from chief officers on the proposals for local government reorganisation (LGR) from the district councils and Rutland, which include a proposed north/south split of the county, the County Council believes that the proposal if implemented:
 - (a) would lead to a significant risk to the stability of countywide services, particularly social care.
 - (b) would also cause unnecessary disaggregation of services leading to cost increases, duplication and reduced economies of scale for upper tier functions such as highways, waste disposal and social care.

It is also noted that:

 - (c) the County Council was informed by the leaders of the district councils and Rutland at a meeting in January 2025 that, following earlier meetings to which the County Council had not been invited, those leaders supported a unitary authority for Leicester with an extended boundary and two unitary authorities for the remaining area of Leicestershire and Rutland.

- (d) the County Council under the previous administration changed its position when the Government refused a request to delay elections to join the fast-track LGR programme to unlock devolution.
 - (e) the County Council is not aware that the district councils and Rutland have changed their position from January 2025 but are currently carrying out a 'public engagement' exercise on a proposal which does not support an extended City boundary.
- (ii) the County Council believes it is important to be open and transparent in the LGR process.
- (iii) the County Council is therefore unable to support the proposals from the district councils and Rutland for two unitary authorities for Leicestershire, which would create unviable new authorities, contrary to Government requirements as set out in the Devolution White Paper that new unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks.
- (iv) the County Council is having constructive discussions with the City Council and there is joint agreement that the best option for LGR in Leicester and Leicestershire is a two unitary model, one City, one County, that both authorities must be financially sustainable with the capacity to enable strategic land use planning across City and County, providing the optimum structure for devolution of powers, responsibilities and funding."
9. On 30 July, an Extraordinary Meeting of the County Council was called, where the following Notice of Motion was agreed:
- "Following receipt of the Interim Plan Feedback document from the Government in June on local government reorganisation proposals for Leicester, Leicestershire and Rutland, and comments from the City Mayor of Leicester at the Full Council meeting of Leicester City Council on Thursday 3rd July that "both the County Council Leadership in public, and District Council Leaders in private acknowledge that the case for boundary revision for the city is unarguable", this County Council resolves to:
- (a) Require that proposals for, or agreements to Devolution and Local Government Reorganisation made on behalf of Leicestershire County Council by the Leader and/or Cabinet and/or Chief Executive, be subject to debate by and a vote of Full Council before submission to the Government. A Special Council meeting will be scheduled in November 2025 in anticipation of this vote;
 - (b) Recognise that such a submission would only pass this County Council with the support of opposition Councillors and therefore requires the Leader to consult with all Group Leaders on a weekly basis to update

them on progress of discussions with Leicester City Council and/or Rutland County Council and/or the Borough and District Councils;

- (c) Confirm that Leicestershire County Council does not support any expansion of the Leicester City Council area boundaries.”

Resource Implications

10. The County Council's current Medium Term Financial Strategy (MTFS) does not include any additional costs or savings which may arise from a future reorganisation. It is assumed that reorganisation will generate savings that will recover the investment in 2-3 years allowing the Council to fund one-off costs 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 reorganisation is known. The County Council's Interim Plan was produced using internal resources. However, in preparation for the final submission an external consultancy has been jointly commissioned with the City Council to produce financial modelling. This will model the cost of implementing a range of scenarios, reflecting the Interim Plans of the LLR councils. The impact of disaggregation of services under any City boundary extension will be a key element of the modelling. The County Council will be provided with a working model to create its own scenarios, if required.
11. The internal review of the financial modelling undertaken for the County Council's 2019 business case (proposing a single unitary council for Leicestershire) provided assurance that the financial benefit of reorganisation remained significant and that savings are materially higher than a dual unitary option. This is a similar position seen in submissions by other county councils in the group of 21 current two-tier areas subject to reorganisation.
12. 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. The message from the analysis is clear. Delivered correctly, at scale, reorganisation can unlock significant savings strengthening services.
13. Scale is not the only factor in ensuring councils are financially sustainable. The overall level of funding is another key influence. Out of the 21 shire counties being reorganised Leicestershire is the 16th most populous and 21st on total funding per head of population. Funding reform, on which the Government are currently consulting, is expected to be detrimental to Leicestershire overall, meaning that the opportunities from reorganisation at the right scale are even more important and any proposed reductions in scale need to be carefully considered.
14. The Government's guidance on population size stipulated 500,000 for new unitary authorities, presumably being concerned about the consequences of a loss in scale compared to existing organisations. The same argument does not apply to existing unitary authorities, some of which have been operating for

decades, as their overall funding level allows them to operate at a smaller scale. Any increase in scale from boundary changes will improve their financial resilience. Leicester City Council is the 21st largest unitary council in England (out of 132) and has a Core Spending Power 20% higher than Leicestershire's. The City's funding position is expected to improve further through the Government's funding reform, as it did in the most recent Local Government Finance Settlement.

15. It should be noted that the financial position of local government, nationally, continues to be difficult. To protect services and the Council Taxpayers who fund them, financial consideration should be central to the consideration of reorganisation proposals by both local producers and national decision makers.
16. On 3 June 2025 MHCLG wrote to Chief Executives of councils in LLR confirming that the area would receive an allocation of £365,888 for "Proposal Development Contribution". Up to three councils would receive an equal share of the funding. The financial modelling outlined above (paragraph 10) will be funded from the County Council's share.
17. For information, the 2019 exercise (paragraph 11), which did not result in a submission to Government, cost £20,000 in external costs with the financial modelling work undertaken internally. It is not possible to quantify other costs which have been incurred when local government reorganisation has been considered, either through Government requests or internal consideration. The current County Council has existed since reorganisation in 1997. In circa 2000 the then Labour Government sought interest in reorganisation into a unitary structure in what was termed "double devolution". Other ministerial interventions followed up to 2019, all of which required a response.
18. For information, the local government press are reporting (September 2025) that councils have so far awarded contracts to consultancies worth £3.4 million to support their reorganisation bids following the Devolution White Paper, and that figure is an under-estimate. The County Council has not spent anything apart from the use of Government grant (paragraph 58).

Circulation under the Local Issues Alert Procedure

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

Officers to Contact

John Sinnott
 Chief Executive
 Tel: 0116 305 6000
 Email: john.sinnott@leics.gov.uk

Lauren Haslam
 Director of Law and Governance
 Tel: 0116 305 6240
 Email: Lauren.haslam@leics.gov.uk

Declan Keegan
Director of Corporate Resources
Tel: 0116 305 7668
Email: Declan.keegan@leics.gov.uk

Rosemary Whitelaw
Head of Democratic Services
Tel: 0116 305 6098
Email: rosemary.whitelaw@leics.gov.uk

PART B

Background

20. The Government's policy on the reorganisation of local government in current two-tier areas into unitary authorities was set out in the English Devolution White Paper, published on 16 December 2024. It described how the Government plans to deliver its manifesto pledge to transfer power out of Westminster through devolution and to fix the foundations of local government.
21. The White Paper was followed up with the English Devolution and Community Empowerment Bill, introduced on 10 July 2025. The Bill empowers the Secretary of State to direct councils in two-tier areas to submit proposals for reorganisation into unitary authorities, to invite or direct existing unitary authorities to consider merging, especially where structural change could improve efficiency, and to abolish Combined Authorities if reorganisation affects their geographical coverage. The Bill is currently progressing through Parliament and is expected to receive Royal Assent by April 2026. It is attracting opposition, as can be seen from the recent Second Reading.
22. The Government's long-term vision is for simpler structures, which will provide clarity for residents, with fewer politicians able to focus on delivering high quality and sustainable services to residents.
23. Whilst the letter from the Minister of State of 5 February is phrased as an invitation to submit a proposal for reorganisation, submission is seen as a requirement. If an area does not submit a proposal, the Secretary of State retains the power to consult affected councils and other stakeholders and may still decide to implement a proposal based on submissions from neighbouring authorities or to modify a proposal and implement that instead.
24. The Government has made clear that new unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks. For most areas this will mean creating councils with a population of 500,000 or more, but there may be exceptions to ensure new structures make sense for an area, including for devolution, and decisions will be on a case-by-case basis.
25. The Government stated in the White Paper that it would prioritise the delivery of high quality and sustainable public services to citizens and communities above all other issues. It would also expect new councils to take a proactive and innovative approach to neighbourhood involvement and community governance so that citizens are empowered. MHCLG has increasingly favoured neighbourhood area committees over expanding the role of town and parish councils. This shift is driven by a desire to embed community engagement directly into new unitary structures and strengthen the role of frontline councillors in local place leadership. In a statement to Parliament on 3 June, the Minister of State explicitly backed neighbourhood area committees, stating they should be led by ward councillors and embedded from the outset of any new unitary council arrangement.

26. The Government expects that reorganisation will lead to long-term savings and efficiencies through:
 - Reduced duplication of services and administrative overheads.
 - More coherent strategic planning and service alignment.
 - Better use of resources across larger, more capable authorities.
27. Based on analysis from PwC (paragraph 12), substantial savings and efficiencies will only be delivered if structural reform is at the right scale, i.e., populations in excess of 500,000. If the two-tier system were to be replaced with new unitary councils with populations as low as 300,000, this could end up costing £850m over five years and deliver no long-term savings.
28. Although 'Devolution' was the headline in the White Paper, most of the subsequent debate has been about reorganisation. Locally and regionally:
 - MHCLG has made clear that LLR is its preferred geography for devolution.
 - The establishment of the 'East Midlands' County Combined Authority (CCA), the election of the Mayor in May 2024 and the subsequent funding priorities given by the Government to the CCA and other combined authorities, compared to the funding awarded to Leicester and Leicestershire, continue to highlight the financial disadvantages to Leicester and Leicestershire of not being part of a mayoral combined authority.
 - LLR is seen as a 'devolution desert', a description used publicly and by Government officials, surrounded by mayoral combined authorities in the 'East Midlands', Lincolnshire, and the West Midlands.
29. LLR is not part of the Government's Devolution Priority Programme and increasingly is at the back of the queue for devolved powers, responsibilities and additional funding, a concern shared by the business community.
30. It is advised that discussions on progressing reorganisation should take the prize of devolution fully into account. Although the Minister had said that reorganisation need not be a prerequisite for pursuing mayoral devolution, it is understood that only those two-tier areas on the Devolution Priority Programme were singled out to pursue devolution, and to do so in parallel with exploring options for reorganisation into unitary authority structures. In practice, attempting reorganisation and devolution in parallel has not proved workable. In LLR's case, the Government will therefore only consider devolution once a new unitary structure is in place.

Timeline

31. The deadline for submission of unitary proposals is 28 November 2025. Following this, the Government will undertake statutory consultation on the proposals submitted by an area, with or without modification. The consultation

will be with any council affected that has not submitted the proposal as well as “other persons considered appropriate”. The views of any persons or bodies interested in the proposals will also be welcome. It is expected that the consultation would be launched in the new year and would close after the local elections in May. These local elections do not affect councils in LLR, rather they relate to those councils where elections were postponed in May 2025, London boroughs and some unitary and district councils across the country.

32. Once the statutory consultation has concluded, the Minister will decide, subject to Parliamentary approval, which, if any, proposal is to be implemented, with or without modification. The timetable is for this decision to be made before the Parliamentary summer recess in 2026. A Structural Change Order would then be prepared and laid for Parliamentary approval. A Structural Change Order establishes the new single tier of local government and makes provision to abolish the predecessor councils. It would replace any currently planned elections with elections for the new councils with appropriate wards/divisions for these new elections, amend the terms of office of current councillors as required, and give any preparatory functions needed. This means, for example, any councillors elected in local elections in May 2025 would serve for a normal term but, if the council is abolished during that term through the reorganisation process, their terms would be reduced in this legislation. MHCLG has said that it will work with current councils during the preparation of the legislation, seeking input on specific matters which are expected to include names of the councils, transitional arrangements and electoral arrangements.
33. The Order would also specify functions and governance arrangements during the transition period and would give powers to the relevant executive or joint committee overseeing the transition. Structural Change Orders typically take six to nine months to prepare and take through Parliament. It is planned that elections to the new authorities would take place on 6 May 2027. These would be operating in shadow form during the transition year and the role of unitary councillors would be to begin preparatory work, including setting up governance structures, budgets and services arrangements. Meanwhile, existing councillors from the predecessor councils (district and county) would continue to serve until those councils are formally abolished. A councillor may be elected to a new unitary authority while still serving on an existing council.
34. The date that the new authorities go live, on the current timetable 1 April 2028, is known as vesting day. On that day, all assets, functions and staff would be transferred to the new authorities, and expected to deliver safe and legal services.
35. In a written Ministerial Statement to Parliament on 3 June 2025, the Minister of State acknowledged the tightness of the Government’s timetable and the risk of slippage, saying “I understand that developing proposals and preparing for Local Government Reorganisation is demanding, and that for areas with new councillors and Leaders this is a particularly busy time. I want to reiterate my commitment to working with every area to deliver on this ambitious programme.”. Nevertheless, there has been speculation that the amount of work required within Government and Parliament to reorganise 21 two-tier local

authority areas in the full term (to 2029) of this Parliament may mean that not all of those reorganisations are concluded. Although the English Devolution and Community Empowerment Bill (paragraph 21) may be regarded as a flagship policy of the Government, recent Ministerial changes in the Cabinet reshuffle may lead to changes in priorities or delays in scheduling the next parliamentary stages in the progression of the Bill.

Interim Plan Submissions in Leicester, Leicestershire and Rutland

(a) Leicestershire County Council Submission

36. The County Council's Interim Plan submitted in March 2025 set out a preferred option of a single unitary council for Leicestershire, based on existing local authority boundaries and excluding Leicester City and Rutland. The population of approximately 734,000 meets the Government's threshold for scale and sustainability. The financial case made in the Interim Plan, which is currently being refined through detailed financial modelling of that and other options was as follows:
 - Annual savings: £30 million (to be reinvested in front line services).
 - Net benefit over 5 years: £107 million.
 - Implementation cost: £19 million.
 - Payback period: approximately 2 years.
37. In comparison, the County Council estimated that a two-unitary model for Leicestershire would see the level of savings almost halved to £18 million annually, the net benefit over 5 years more than halved to £47 million and a payback period of around 3 years.
38. The County Council's Interim Plan proposed a Cabinet and Strong Leader model with 110 councillors. Area committees would be established to ensure local representation and local service delivery would be supported by town and parish councils and community groups.
39. The rationale for the single unitary model for Leicestershire was as follows:
 - Financial Efficiency and Sustainability: avoids duplication, maximises economies of scale and simplifies governance.
 - Service Integration and Quality: reduces fragmentation and postcode lottery effects, the integration of county and district services at scale allows for better strategic planning, investment in prevention and the use of new technologies.
 - Risk Reduction and Implementation Feasibility: compared to the alternatives, the model is less complex, reduces the risk of service disruption during transition and avoids the need to split existing services.

(b) Leicester City Council Interim Plan Submission

40. The City Council's Interim Plan proposed to extend Leicester's boundaries to include adjacent suburbs and built up areas currently outside the City. This would create two unitary authorities across LLR, with the City Unitary Authority

having a projected population of 623,00 by 2028 and the Leicestershire and Rutland Unitary Authority having a projected population of 578,000.

41. The rationale for change was as follows:
 - Current boundaries are outdated, splitting communities and limiting housing development, financial resilience, and service efficiency.
 - Public services are fragmented, with up to seven councils operating in the urban area, leading to inefficiencies.
 - Financial vulnerability in the City due to a narrow tax base and loss of business rates to surrounding districts.
42. The City Council identified the benefits of its proposal as:
 - Housing and Employment Land: Supports delivery of 32,000 homes (including 18,000 affordable) and 67 hectares of employment land.
 - Service Efficiency: Reduces overlapping councils, streamlines governance, and improves customer experience.
 - Financial Sustainability: Estimated annual savings of £34 million, across LLR, with transition costs of £22 million funded locally over three years.
43. In its Interim Plan submission, the County Council highlighted that the implications of Leicester City Council expanding geographically would impact the unitary structure in the county due to the following:
 - (a) The loss of funding, associated with the expansion, would be greater than the costs transferred to the City Council, reducing money available to be spent on services, unless council tax was increased. This would be due to lost economies of scale for countywide services and organisational running costs.
 - (b) Choices of where to access services for remaining county residents would be reduced where physical assets were transferred to the City.
 - (c) If the amount of assets transferred was 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 would be 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 were not the building blocks of the transfer.
 - (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 one street lighting control system.
44. The implications would be reversed for the City Council, which would gain scale. For the County Council, however, the greater the eventual extent of any

city boundary extension, the greater would be the impact on county residents and taxpayers and on the financial sustainability of the unitary structure outside the city.

(c) Leicestershire District Councils and Rutland Council Submission (North / City / South):

45. The Leicestershire district councils and Rutland Council proposed three unitary councils for LLR, as follows:
 - North (Charnwood Borough, Melton Borough, North West Leicestershire District and Rutland)
 - City (existing Leicester City Council boundary)
 - South (Blaby District, Harborough District, Oadby and Wigston Borough, Hinckley and Bosworth Borough).
46. The key principles of the proposal were said to be as follows:
 - Sustainability – Long-term, preventative service planning.
 - Inclusivity – Broad coalition of local interests.
 - Consultation – Grounded in community engagement.
 - Prosperity Focus – Leverages economic assets like the M1 corridor, Freeport, and universities.
 - Connectivity – Multi-level governance from regional to neighbourhood.
 - Innovation – Emphasis on community wealth building and voluntary sector partnerships.
 - Democratic Renewal – Retains civic identities and ceremonial roles.
47. The proposal claimed that it would deliver £43 million savings per annum. Other benefits were said to be a balanced population distribution, with a population of approximately 400,000 per unitary authority, and better alignment with local identities and service needs.
48. In its Interim Plan submission, the County Council highlighted its key concerns with the district councils and Rutland Council proposal as:
 - (a) Every service delivered by the County Council would need splitting to create two new services for Leicestershire. This would require a very complex transition that heightens the risk of disruption to service delivery. It would also create an undesirable postcode lottery effect.
 - (b) More organisations would exist, which would require a greater total level of management, back-office and infrastructure support, costs which tend to be fixed in nature.
 - (c) Two unitary councils for Leicestershire 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 be the same but with potential for salary

spiralling in a competitive and dynamic recruitment market between two unitary authorities.

- (e) Residents would have less choice for how they access physical services, such as libraries and recycling and household waste sites, which would lead to frustration with the changes.
49. Points (a) to (d) above all suggest that the financial benefits of a 2-county unitary structure would be significantly more expensive than a single county unitary. This is consistent with the County Council's own analysis, historic reorganisation proposals and the PwC analysis. It is therefore surprising that the North/City/South submission stated significantly higher savings than either of the other two proposals for Leicestershire. This anomaly can be explained as follows:
- The £6.7m Income Equalisation claimed savings do not relate to reorganisation. Fees and charges could be increased by district councils independently, hence it is not usual practice to include in a reorganisation business case.
 - Higher operating costs from disaggregating County Council services into two unitaries have not been covered. These costs are significant and on-going, for example additional management and specialist teams would be required for Adult Social Care, Children's Social Care, Environment and Transport and support services, with IT system costs being particularly problematic.
 - Rutland Council was not included in the County Council's Interim Plan. Inclusion would increase the savings estimate. A district council reliance on Rutland as an existing unitary authority whose services can be built on is considered to be misplaced. In the case of social care, for instance, an extensive range of services is now provided not by Rutland but by Leicestershire County Council.
50. If modelled on a similar basis there would be significant financial, and hence service, benefit of a single versus a dual unitary for the county.

Authority to make Interim Plan submissions

51. The taking of decisions relating to local government reorganisation, including the submission of the Interim Plan is an 'executive function' and therefore a matter for the Cabinet to determine. The Cabinet approved the submission of the Interim Plan to the Government at a meeting on 18 March 2025.
52. In Leicester, the City Mayor authorised the submission of the Interim Plan.
53. None of the Leicestershire districts appear to have sought approval from their Cabinets or decision making (policy) committee to submit the Interim Plan.
54. On 11 February Rutland Council agreed that plans or proposals for, or agreements to devolution and local government reorganisation made on behalf of Rutland County Council by the Leader, shall be subject to debate by and a vote of full Council before submission to the Government. Special Council

meetings were to be scheduled at appropriate points prior to the March and November 2025 submissions in anticipation of these votes. In order to inform those meetings, the Leader was required to conduct a series of public engagement events to hear the views of Rutland residents.

55. Rutland Council, at its meeting on 11 March, noted that the Interim Plan to be submitted by the seven Leicestershire district councils and Rutland County Council by the 21 March deadline was the emerging preferred model.

MHCLG Feedback on the LLR Interim Plans

56. MHCLG provided feedback on the three interim plans in a letter dated 3 June 2025, followed up with a call to Chief Executives across LLR on 26 June. In summary, the feedback contained the following key messages:
 - (a) Expectation of Collaborative Working: All councils within the invitation area are expected to engage constructively and collaboratively in the development of final proposals. This includes the sharing of data, methodologies, and assumptions to develop a robust shared evidence base.
 - (b) Requirement for Comprehensive Area Coverage: Final proposals must cover the entire invitation area, i.e., Leicester, Leicestershire, and Rutland. Submissions that address only part of the geography will not be considered valid.
 - (c) Population Threshold as a Guiding Principle: While the indicative population threshold of 500,000 remains a useful benchmark, it is not an absolute requirement. Proposals that fall above or below this figure must provide a clear and robust justification for their configuration.
 - (d) Financial Sustainability and Risk Mitigation: Leicester City Council's forecast of financial unsustainability by 2027/28 is noted. Proposals must address the financial sustainability of the proposed structures across LLR, particularly in light of this issue. Councils are expected to demonstrate how their models will ensure long-term viability and resilience.
 - (e) Alignment with Devolution Objectives: Any proposed reorganisation must support the broader objectives of devolution, including the establishment of a Mayoral Combined Authority. Submissions should clearly articulate how they meet the statutory tests for devolution and reflect a geography that is functional and coherent.
 - (f) Boundary Changes: These must be clearly defined (e.g. by parish or ward) and justified. Councils may either include such changes within their final submission or request a Principal Area Boundary Review (PABR) as a subsequent step.
 - (g) Rutland's Position: Rutland Council is expected to participate fully in the process and contribute to a proposal that covers the entire invitation area. Should cross-boundary options involving Lincolnshire be pursued, these

must be developed in consultation with the relevant neighbouring authorities and supported by mutual agreement.

57. Despite the Government's feedback, the seven district councils and Rutland Council, without any consultation with or notice given to the City and County Councils, launched a consultation on their reorganisation proposal as per their Interim Plan on 9 June. The consultation closed on 20 July 2025.

Further communications and guidance from MHCLG

58. On 3 June 2025 MHCLG wrote to Chief Executives of councils in LLR confirming that the area would receive an allocation of £365,888 for "Proposal Development Contribution" (paragraph 16). Up to three councils would receive an equal share of the funding. The County Council and the City Council have used their share of the funding to jointly commission financial modelling to support the production of the final submissions. An offer was made to the district councils (and through them to Rutland) to join in that commission but was not taken up. The district councils and Rutland Council have so far chosen not to inform the City and County Councils on what they are spending their allocated funding.
59. Further guidance was issued by MHCLG on 17 June which reiterated that all areas are expected to "agree on the consistent presentation of evidence for their area, recognising it may still be used to support a range of alternative proposals".
60. A letter to leaders of councils in the 21 areas invited to submit proposals for unitary local government from the Minister of State was sent on 24 July. This enclosed information on the process once final proposals have been submitted and the expected timelines. It also provided guidance that decisions regarding ongoing service delivery and the medium term financial strategy of existing councils must not compromise the future sustainability of new councils. The requirement for areas to use the same assumptions and data sets was reiterated, as was the guiding principle of a population threshold of 500,000. The letter also shared a document about partnership working in social care for new unitary authorities. Working in partnership across authorities with social care responsibilities is not new and has been taking place for many years in specific areas and through formally delegated responsibilities such as those that occur currently whereby Leicestershire undertake functions on behalf of Rutland (paragraph 49). However developing partnerships between small unitary authorities to commission and deliver the entirety of social care responsibilities is not considered to be either prudent or advisable as the delegating authority would remain fully accountable for the services for which it would have no responsibility as to the delivery, outcomes achieved, or costs incurred.
61. A further reminder about the importance of data sharing was issued by MHCLG on 6 August, alongside a reminder that under the Code of Recommended Practice for Local Authority Publicity, councils should observe the principles of objectivity and even-handedness. Local authorities should not use public funds

to mount publicity campaigns whose primary purpose is to persuade the public to hold a particular view on a question of policy.

62. On 22 August MHCLG advised with regard to boundary extensions that there are two options in relation to boundary change - a proposal using districts as building blocks followed by the Principal Area Boundary Review (PABR) process, or a final proposal that includes a base proposal using districts as building blocks and, in parallel as part of the submission, asks the Secretary of State to amend boundaries in a particular way using their powers of modification, to achieve an even better outcome – and making a strong justification for this, as set out in the invitation. The Secretary of State also has the option of seeking advice from the Local Government Boundary Commission for England (LGBCE), who may provide an alternative proposal. Leicester City Council's Interim Plan submitted in March proposed taking in a whole district and parts of other districts to form an expanded City Council.

Data Sharing

63. Following officer level discussions with the City Council, the district councils and Rutland Council, arrangements have been put in place to meet the MHCLG request to have an agreed and consistent data set for all submissions. All agreed to establish a data sharing repository, arrange chief officer oversight via a steering group, and exchange proportionate lists of data they require to develop proposals. All these actions are in progress and a tactical group comprising subject matter experts in the fields of data collection and reporting drawn from all councils, is meeting weekly to ensure collaborative data exchange.
64. Data requests were received from the districts and Rutland. The initial requests covered adult social care and children's social care demand, cost, and staffing data. Data was requested at Lower Super Output Area (LSOA) level. LSOAs cover c.1500 people. A separate follow up request was received from the City Council primarily relating to SEND and children's data but also some adult data at LSOA level.
65. The County Council has sought data from the districts and Rutland Council on business rates collected, Housing Revenue Account balances, and property assets.

The National and Regional Positions

66. Whilst the Government is encouraging collaborative submissions, it has acknowledged that many councils may struggle to agree. Each council can only make one formal proposal for unitary local government and a proposal can either be submitted individually by a council or jointly with other councils that were invited. The Government's preference is for all proposals to be submitted together, as a single submission for the area, supported by a shared evidence base used for all proposals.
67. In practice, some areas are working collectively to develop unified proposals. However, increasingly there is disagreement in most areas, particularly where

there are disagreements between upper and lower tiers, in some cases between lower tiers and also where there are boundary extensions being proposed by cities, large and smaller.

68. Nottinghamshire County Council held a full Council meeting on 2 September to consider progressing a proposal for local government reorganisation across Nottingham and Nottinghamshire. The Council voted to support a proposal to extend the boundaries of the City of Nottingham by including two district councils. The remainder of Nottinghamshire would form a second unitary authority. It is understood that the City Council will propose a further extension of the boundary beyond the two district councils.
69. In Derbyshire, the County Council is likely to support a proposal for a two unitary model for the whole area of Derby and Derbyshire on a north/south configuration. Derby City with an extended boundary would be in a south, 'Greater Derby' unitary council.
70. In Lincolnshire, eight different Interim Plans were submitted in March 2025. The situation remains one of considerable disagreement, with disputes between councils, particularly following the launch of a new proposal by East Lindsey and South Holland District Councils, supported by Boston Borough Council, to divide "Greater Lincolnshire" (which includes North Lincolnshire and North East Lincolnshire, two small unitaries outside the Lincolnshire county boundary) into two new unitary authorities. It is also understood that North Lincolnshire Council has rejected all reorganisation proposals.

The LLR Position

71. There is no expectation that there will be a single submission for the area. It is anticipated that three proposals will be submitted in November in the same way that three interim plans were submitted in March, although the final position of Rutland Council remains unclear.
72. In respect of the final submission:
 - The City Council: It is expected the City Council's proposal will be based on its Interim Plan submission (paragraphs 40-42 above), to increase its population from 380,000 to 623,000.
 - The district councils: As referenced in paragraph 8, the resolution of the County Council at its meeting on 2nd July noted: 'the County Council was informed by the leaders of the district councils and Rutland at a meeting in January 2025 that, following earlier meetings to which the County Council had not been invited, those eight leaders supported a unitary authority for Leicester with an extended boundary and two unitary authorities for the remaining area of Leicestershire and Rutland.'. In contrast with the County Council there is little evidence of debate in district council meetings.
 - Having consulted on their proposed north / south / city split, it is not clear what final submission(s) individually or collectively will be made by the district

councils. Two district councils have stated publicly they oppose any form of reorganisation, and it is known that three district councils at officer level have been speaking to the City Council about a boundary extension. On 5 September the district council leaders issued a media release to say they do not support a City boundary extension.

- The Leader in a position statement to Charnwood Borough Council's meeting on 8 September said that a final proposal from the district councils would not include an expansion of the City's boundaries. An amended Notice of Motion agreed by Harborough District Council at its meeting on 8 September confirmed that its Leader did not support any expansion of Leicester City Council area boundaries. The original motion was similar to that moved at the County Council meeting on 30 July.
- Rutland Council: It is understood that different options are under consideration, including joining with parts of Lincolnshire. It is presumed that the resolution of Rutland Council (paragraph 54 above) remains relevant.
- It is also expected that a unitary authority comprising North Kesteven District Council, South Kesteven District Council, South Holland District Council and Rutland Council will be a proposal put forward in November by those three Lincolnshire districts. At this stage, it is not known if it will have the support of Rutland Council. It is noted that South Holland also support another proposal (paragraph 70).

Modelling Options

73. The County Council resolution of 2 July included the following, noting that:

“the County Council is having constructive discussions with the City Council and there is joint agreement that the best option for LGR in Leicester and Leicestershire is a two unitary model, one City, one County, that both authorities must be financially sustainable with the capacity to enable strategic land use planning across City and County, providing the optimum structure for devolution of powers, responsibilities and funding.”

74. The Chief Executive has advised Group Leaders that modelling of the different options for reorganisation (financial sustainability and strategic land use planning) is required to inform a final submission and, in the case of a proposed City boundary extension, to provide evidence of the consequences for the County area. The Chief Executive has also advised that Government are not expected to assess a submission involving a City boundary extension only on the basis of negative public opinion. If, as anticipated, boundary extension proposals are submitted from the three cities of Leicester, Derby and Nottingham, it can be expected that the Government will take some collective notice of those submissions, given the cities sit within a 30 mile triangle, including in the context of current and future devolution arrangements.

75. The six options that are currently being modelled for financial sustainability are as follows:

	Description
Option 1	Single County Unitary (Leicestershire only) – Replaces the two-tier system with a single unitary authority covering the existing Leicestershire County Council boundary, excluding Leicester City and Rutland.
Option 2	Single County Unitary (Leicestershire + Rutland) – Builds on option 1 by incorporating Rutland into the single unitary authority.
Option 3	City Expansion (Interim Plan) – Leicester City expands to reach a population of just over 630,000.
Option 4	City Expansion to Principal Urban Area (PUA) – Leicester City expands to include surrounding urban areas recognised in Local Plans as part of the PUA (approx. 520,000)
Option 5	City Expansion to Centre for Cities footprint – Includes Oadby and Wigston and Blaby within Leicester City's boundaries
Option 6	District Interim Plan – Three Unitary Authorities – Splits the existing county boundary into two unitary authorities: North and South. Leicester City Council retains its existing boundaries.

76. A working model will be provided so that additional options can be explored.

77. In respect of strategic land use planning the availability and location of sites for future housing and employment across the six options is a key consideration. Work is underway to model the amount of 'developable land' using National Planning Policy Framework 2024 definitions. These state that to be considered developable, sites should be in a suitable location for development with a reasonable prospect that they will be available and could be viably developed at the point envisaged. An end date of 2050 has been applied.

78. In developing a final submission the financial modelling will need to be considered alongside the following criteria, which were set out in the statutory invitation letter:

- Achieves for the whole area concerned the establishment of a single tier of local government
- Unlocks devolution
- Provides strong governance and democratic responsibility
- Secures financial efficiency, capacity and ability to withstand financial shocks
- Delivers high quality and sustainable public services
- Enables stronger community engagement and delivers opportunities for neighbourhood empowerment.

79. It is also worth noting that the district councils' Interim Plan model relies on maintaining existing district boundaries to form two unitary authorities in the

county. An expansion of the City's boundary would weaken the district councils' case in the following ways:

- By reducing the population base, further weakening their ability to meet the Government's guiding principle of a minimum 500,000 population per unitary authority.
- By disrupting the districts' proposal's claim to have a balanced population distribution, especially if the City were to absorb parts of Blaby and Oadby and Wigston.

Fragmentation would make it harder for the districts' proposal to offer a sensible geography for service delivery and strategic planning.

80. An extension of the City boundary would transfer financial benefit from the County to the City. This would be acutely felt by the dual unitary split proposed by the districts for the County and Rutland. It would have a reduced ability to deal with:
- Loss of revenue, as the Government's funding reforms are population, not organisation, driven.
 - Service delivery assets that would not transfer to the City in line with the population. The north/south split compounds this challenge.
 - The fixed costs of the organisation would become increasingly prominent requiring disproportionate reductions to costs that can be cut.
 - Purchasing power would be reduced further.

Engagement

81. The Minister's invitation letter, issued on 5 February 2025, stated that it is for councils to decide how best to engage locally in a meaningful and constructive way and this engagement activity should be evidenced. Engagement should consider issues of local identity and cultural and historic importance. The final submission should include evidence of local engagement, an explanation of the views that have been put forward and how concerns will be addressed.
82. In the feedback letter from MHCLG, received on 3 June, the Government requested that the final submission should include additional details on how the community will be engaged, specifically how the governance, participation and local voice will be addressed to strengthen local engagement and democratic decision-making. It is therefore considered helpful for any public engagement to seek views on these points.
83. The Government's feedback also encouraged councils across LLR to continue with plans for engagement locally in a meaningful and constructive way with residents, the voluntary sector, local community groups and councils, public sector providers and business to inform proposal(s). The Government stated that it would be helpful to see detail that demonstrates how local ideas and views have been incorporated into the final proposal(s) including those relating to neighbouring authorities where relevant.
84. The purpose of the engagement exercise will therefore be to capture local views to help shape the final proposal, with a particular focus on:

- Strengthening local engagement and decision making.
- Local identity and cultural and historic importance.

85. The proposed approach to the engagement exercise is to ensure a neutral approach and to capture qualitative feedback. Stakeholder workshops will be organised, and an online survey is planned to capture the views of residents.

Funding Reform

86. The Government undertook a consultation over the summer on its proposed reforms. Unfortunately, exemplifications were not provided, requiring modelling to be undertaken by Pixel for the County Councils' Network and the Society of County Treasurers. The modelling is based on several assumptions and is subject to change. Indicative results show the City Council being a beneficiary and the small gains expected for the County Council being more than offset by losses for district councils. This relative strengthening of the City Council's financial position needs to be accounted for in proposals. The significant impact on the district councils reinforces the need for local government reorganisation as they will not be financially viable once funding reform has taken place.

Outcomes from the Modelling

87. The joint modelling with City is not yet complete. It is complex because of City boundary extension options cutting across district boundaries.

Conclusion

88. The County Council's Interim Plan submitted in March 2025 concluded by looking forward to meaningful feedback from the Government, particularly in respect of any extension to the City boundary which will inevitably impact the unitary structure for LLR outside that boundary. Disappointingly, such feedback was not forthcoming. Across the 21 two-tier areas, all county councils shared the view that the feedback to their interim plans was of little value because it failed to narrow options. It also invited abortive expenditure on multiple further proposals.

89. The view across county councils was that the subsequent softening by ministers of the guidance in the White Paper encouraged rather than restricted bids. Bids for smaller unitaries will struggle to meet criteria such as securing financial efficiency and withstanding financial shocks, and having the capacity to deliver high quality sustainable public services. It was widely understood that the Government's reluctance to take a restrictive approach resulted from the possibility of councils seeking Judicial Review if their bids were ruled out in feedback on the interim plans. Now, with multiple, competing bids expected in final submissions in November, a greater number of submissions than at the Interim Plan stage, and many including complex boundary extension proposals, the risk of Judicial Review of MHCLG decisions (and of further abortive public expenditure) has almost certainly increased. The response of MHCLG, where there have recently been significant Ministerial changes, after an initial assessment of the multiple submissions as to their timetable going forward and

their capacity will certainly be of interest. It will also be of interest to see if MHCLG give some indication of progressing proposals for devolution in the Priority Programme areas, where there has been slippage already.

90. The County Council resolutions in July focused more on what the County Council is not willing to support, rather than what it will support. This underlines the importance of the modelling and options appraisal, particularly to assess the impact of a City boundary extension on the County. The County Council resolution of 2 July, which supported a two unitary model, City and County, highlighted that both authorities would need to be financially sustainable, and with the capacity to enable strategic land use planning across City and County.
91. A decision on a final submission to Government (on a unitary structure for LLR) is for the Cabinet to determine, but it will no doubt want to take into account the views of the Scrutiny Commission and the full Council. The officers' responsibility is to present to members an appraisal of the different options against all the relevant criteria, setting that in the wider context of this report, which can be updated over the next two months. That appraisal should inform discussion across the Council and accompany whatever final submission is made to Government.

Equality Implications

92. 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

93. 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>

Notice of Motion to the County Council meeting on 2 July 2025

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7859&Ver=4>

Notice of Motion to the County Council meeting on 30 July 2025

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=8218&Ver=4>

Reports to the Cabinet and minutes of those meetings –

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

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7874&Ver=4>

7 February 2025 – “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>

Report to the Scrutiny Commission and minutes of the meeting –

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

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

This page is intentionally left blank