

**CABINET – 25 NOVEMBER 2025****LOCAL GOVERNMENT REORGANISATION: BUSINESS CASE****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 County Council's business case for local government reorganisation (LGR) in Leicestershire.
2. A supplementary report which will contain the business case 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 business case for submission to the Government by the deadline of 28 November 2025;
 - (b) Authorise the Chief Executive, following consultation with the Leader, the Director of Corporate Resources and Director of Law and Governance, to make any necessary amendments to the business case before it is submitted to the Government provided that these do not change the underlying principles of the business case 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 LGR and required final proposals to be submitted to the Government by 28 November 2025.

Timetable for Decisions (including Scrutiny)

5. The Scrutiny Commission received a presentation which provided an outline of the business case at its meeting on 29 October. Members expressed disappointment that limited detail had been provided at the meeting and requested the opportunity to scrutinise the business case prior to it being considered by the full Council on 12 November. It was noted that the timeline for producing the business case had been challenging for officers, given that both Council meetings in July had taken negative decisions and did not come to a position on a preferred option. In addition, it had been necessary to wait for the outcome of the financial modelling in order for an informed proposal to be developed.

6. The Commission further considered the draft business case at its meeting on 10 November, where the following points were raised:
 - (a) The options appraisal is cluttered and could be streamlined by removing a couple of options.

 - (b) Reconsider the appraisal of the three unitary option in the options appraisal.

 - (c) Strengthen the following points:
 - i. That administrative boundaries should not be changed where there is no service benefit in doing so.

 - ii. That Rutland's culture and heritage will be protected and that reorganisation will result in the creation of a new authority with a new culture and ethos.

 - iii. That there is no political support for the expansion of Leicester City Council's boundaries.

 - iv. The reference to keeping service points in localities.

 - v. The additional services that Parish Councils could choose to take on, clarifying that it is up to them and adding reference to the existing quality standard.

 - (d) Provide detail on how planning decisions will be taken.

 - (e) Include a table with key facts to demonstrate the relative sizes of the existing authorities in Leicester, Leicestershire and Rutland.

 - (f) Include reference to the preference for single member wards for the new authority.

- (g) Give a sense of area committee boundaries.
 - (h) Acknowledge that, whilst Rutland Council may choose to look elsewhere, the County Council believes that Leicestershire is the best fit for it.
 - (i) Request a referendum if the Government is minded to implement an option that includes an expansion of the City Council boundaries.
 - (j) Include information from the Council's Annual Delivery Report.
 - (k) Include evidence of confusion felt by the public over which council to contact.
 - (l) Explain the expected population growth over the next decade.
 - (m) Make the document more visually appealing.
7. The supplementary report will include details of how the Scrutiny Commission's comments have been responded to.
 8. The Scrutiny Commission also considered rebuttal notes relating to criticism of the County Council made by the district councils in their business case. Members agreed that these should be addressed, and the County Council's response could be referenced in the executive summary of the business case. Members further agreed that the two rebuttals within the Commission's agenda pack should be on public record.

Policy Framework and Previous Decisions

9. 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.
10. 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 set out 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.
11. A letter was received from the Minister of State for Local Government and English Devolution on 5 February 2025 setting out the formal invitation to develop a proposal for LGR and with a requirement for an interim plan to be submitted to the Government before 21 March 2025. This was subject of a report to the Cabinet meeting on 7 February and that report was also submitted to the County Council for information on 19 February 2025.

12. The Cabinet on 18 March approved the outline of the Interim Plan for submission to the Ministry for Housing, Communities and Local Government and authorised the Chief Executive, following consultation with the 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.
13. The County Council at its meeting on 2 July 2025 agreed, inter alia, that it considered that a north/south split of the County (proposed by district councils and Rutland Council) would have a significant risk to the stability of countywide services, particularly social care, would cause unnecessary disaggregation of services, and that it was unable to support that proposal. The Council's resolution also noted that there was joint agreement with the City Council that the best option for reorganisation in Leicester and Leicestershire is a two unitary model; one City, one County.
14. On 30 July, an Extraordinary Meeting of the County Council was called. A Notice of Motion was agreed, in summary, that proposals for, or agreements to Devolution and Local Government Reorganisation made on behalf of the County Council by the Leader and/or Cabinet and/or Chief Executive, would be subject to debate by and a vote of Full Council before submission to the Government; that the Leader would consult with all Group Leaders on a weekly basis to update them on progress of discussions with the other local authorities concerned; and that the County Council did not support any expansion of the Leicester City Council area boundaries.
15. The Cabinet at its meeting on 12 September 2025 considered a report regarding the Government's policy on LGR, the local response made earlier in the year, the position locally and nationally, and the financial modelling (on different options) being undertaken to inform the Council's final proposal. The Cabinet, inter alia, acknowledged the decision of the County Council on 30 July not to support the expansion of the Leicester City boundary proposed by the Mayor of Leicester but recognised the need to provide evidence of the financial, service and other impacts of any proposed expansion on the County.
16. The County Council on 12 November endorsed the draft business case. It also agreed to oppose any expansion of the boundaries of Leicester City Council and that, should the Government be minded to implement an expansion, a referendum should take place on the matter. The costs of such a referendum should be met by the Government.

Resource Implications

17. There are no resource implications arising from the recommendation in this report. Work completed to date on LGR has been delivered using internal resources. However, LGR will be a significant undertaking that will have a significant impact on the Council's financial position in future years. More detail will be set out in the Business Case

Circulation under the Local Issues Alert Procedure

18. 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

19. 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.
20. 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.
21. 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.
22. 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.
23. 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.
24. 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.

25. 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.
26. Based on national analysis from PwC, 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.
27. 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.
28. 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.
29. 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

30. 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.

31. As part of the consultation process, the County Council will be able to critique and respond to any criticisms made in other business cases that have been submitted for reorganisation in Leicester, Leicestershire and Rutland. The rebuttal notes referred to in paragraph 8 of this report will be able to form of the County Council’s response to the consultation
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 20) may be regarded as a flagship policy of the Government, there could be changes in priorities or delays in scheduling parliamentary stages in the progression of the Bill and subsequent structural change.

Equality Implications

36. 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

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

Background Papers

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>

Notices of Motion to the County Council meetings on 2 July and 20 July 2025 and minutes of those meetings -

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

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

Reports to the Cabinet and minutes of those meetings -

17 December - “English Devolution White Paper”

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

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>

12 September 2025 - "Local Government Reorganisation"

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7879>

Reports to the Scrutiny Commission

29 October 2025 – "Local Government Reorganisation"

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=8324&Ver=4>

10 November 2025 – "Local Government Reorganisation – Draft Business Case"

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7836&Ver=4>