

Overview and Scrutiny Committee

13 November 2025

Part 1 - Public

Recommendation to Cabinet



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Local Government Reorganisation – Business Case Submission

1 Summary and Purpose of Report

- 1.1 Following the publication of the English Devolution White Paper in December 2024, the Councils were invited to make an interim submission to Government on 21 March 2025 setting out its preferred geography for new Unitary Councils across Kent. This was for the three unitary model, which the evidence demonstrated was the most financially sustainable option while aligning with the Government's stated criteria including population size, identity, and using borough boundaries as the building blocks. This report brings together the detailed evidence-based work on the business case that has been undertaken to meet the Government's deadline of 28 November 2025.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.

3 Recommendations

- 3.1 Members are invited to consider the draft submission that has been produced using available evidence to meet the Government's deadline of 28 November and to provide any comments.

4 Introduction and Background

- 4.1 On 16 December 2024, HM Government published the English Devolution White Paper setting out its ambition to reshape local government in England through a combination of devolution to new strategic authorities and reorganisation of all of the remaining two-tier local government areas in England into unitary authorities. To keep Members informed of this development, the Council undertook an all-

Member briefing on 23 December 2024 to outline the contents of the White Paper and the possible implications for the Council and the Borough followed by further discussion at Overview and Scrutiny Committee in January 2025 as well as Parish Partnership Panel, Tonbridge Community Forum and Full Council in February 2025.

- 4.2 The English Devolution and Community Empowerment Bill published on 10 July 2025 formalised HM Government's intentions to enact these changes.
- 4.3 In response to the White Paper, Council Leaders in Kent were invited to apply for, and submitted a formal request to receive priority status to be included in the Devolution Priority Programme (DPP). If successful, this would have accelerated the devolution process and provided additional resources, freedoms and flexibilities for those Councils on the DPP.
- 4.4 On 5 February 2025 Government notified Councils in Kent and Medway in a letter from the then Local Government Minister that they were not selected to be on the DPP and instead received a statutory invitation to submit proposals for Local Government Reorganisation (LGR). This included guidance around the development of proposals and an expectation that all 14 Councils would collaborate [**Annex 1**].
- 4.5 The letter detailed a timeline for the process, including a requirement for a joint interim proposal by 21 March 2025 setting out direction of travel and intentions, and a deadline of 28 November 2025 to receive a final submission on reorganisation. Kent Council Leaders agreed to endeavour to work together to respond to the Minister's direction.
- 4.6 Following approval at Cabinet on 19 March 2025, the Council, along with the other Councils in Kent, submitted an interim response setting out the Council's commitment to working together on reorganisation, highlighting examples of exceptional challenges faced within the Kent region, the importance of aligning devolution with local government reorganisation and the risks of not having a strategic countywide body for Kent. Alongside the collective response signed by all 14 Council Leaders, Tonbridge and Malling Borough Council together with the other Councils in West Kent – i.e. Tunbridge Wells, Sevenoaks and Maidstone, also wrote to the Government setting out the case for a West Kent Unitary, as part of a 3 Unitary solution for Kent [**Annex 2**].
- 4.7 Government has been clear that councils are expected to work together to develop LGR proposals for their areas. Each area nationally has been allocated funding to contribute towards the development of proposals. Kent and Medway were allocated £514,410.
- 4.8 Kent Council Leaders agreed to use this money collectively to develop a shared evidence base, options appraisal and business case(s) to prepare for the 28 November 2025 submission and procure the necessary external support and

expertise to meet the deadline. KPMG were appointed as the Kent Councils Strategic Business Partner following a joint procurement process for Phases 1 and 2 as set out below and commenced work with all 14 Councils in July 2025.

4.9 The work is split into 4 phases as follows:

Phase 1 – Evidence Base and Options Appraisal: KPMG work with all 14 Councils to develop a single, impartial, shared evidence base and options appraisal, identifying a long list of options (geographies) and appraising them according to the Minister’s specified criteria. This work then underpins Kent Council Leaders’ decision on which options to proceed to full business case.

Phase 2 – Strategic Business Case Development: Informed by Kent Council Leaders’ decision, KPMG will then work with all 14 Councils on preparing and refining the chosen options into strategic business cases in preparation for 28 November 2025 submission deadline.

Phases 3 and 4 – Ongoing Support to Vesting Day Requirements: Following Ministerial decision (expected in Summer 2026), significant work will then be required to prepare for transition from the existing 14 Councils to the new Unitary Council(s) in a safe and legal way. Phase 3 will run from Ministerial decision to election to shadow authority(s), and Phase 4 from election to shadow authority(s) to vesting day (the day upon which formal responsibility is handed over).

4.10 A further procurement process will be required for any additional external support determined necessary for Phases 3 and 4. The existing contract with KPMG is for Phases 1 and 2 only.

5 Progress on Phases 1 and 2

5.1 Initially seven potential options were in scope. However, by taking an evidence-based approach supported by the Strategic Partner, there was broad support for the funding to be applied to the development of **Options 3a and 4b**, with any other options, if taken forward, being funded by individual Councils. Both Options 3a and 4b provide a West Kent Geography that reflects this Council’s preferred approach i.e. that would bring together this Council with Sevenoaks, Tunbridge Wells and Maidstone and relevant parts of the County to form a West Kent Unitary.

5.2 Subsequently, Kent County Council (Option 1a), Medway Council (Option 4d) and Dartford and Gravesham Borough Councils (Option 5a) (options illustrated in Annex 3) confirmed that they would self-fund strategic business cases for these further options. Ultimately, business cases can be submitted by individual councils or groups of councils. However, each council can only support one case each, covering the whole Kent and Medway geography.

6 Business Case – Option 3a

- 6.1 The business case for Option 3a is provided in **Annex 3**. This option proposes a 3-unitary model with the West Kent authority comprising Tonbridge and Malling, Sevenoaks, Tunbridge Wells and Maidstone areas. It is potentially supported by five councils across Kent (the West Kent councils plus Folkestone and Hythe), although these Councils have still to complete their formal decision-making processes during November.
- 6.2 As stated in the business case, Option 3a:
- Offers the most efficient and least disruptive of the valid options for Kent, enabling long-term financial sustainability.
 - Creates strong alignment with the geographies of public service partners, including health, police and fire service.
 - Preserves identity whilst strengthening governance and resilience.
 - Provides alignment with transport networks and travel-to-work areas.
 - Produces the most balanced population distribution across Unitaries.
 - Most closely aligns with the Government's stated criteria for Local Government Reorganisation.
 - Reflects the position confirmed by Council through the interim submission subsequently made to Government in March 2025.
- 6.3 In comparison, Option 4b (which proposes a 4-unitary model) still puts forward a West Kent unitary authority comprising Tonbridge and Malling, Sevenoaks, Tunbridge Wells and Maidstone areas, however Swale, Ashford, and Folkestone and Hythe would form a Mid-Kent unitary authority in addition to North Kent and East Kent.
- 6.4 As such, whilst there is no difference in terms of the proposed West Kent geography, Option 4b does not offer the same level of efficiency savings and financial sustainability across Kent, nor does it align as well with the geography of other statutory public service providers.
- 6.5 As such, of the two options selected for the collective process, the Option 3a business case is still recommended as the preferred option based on the evidence prepared for the submission to Government.

7 Post-Submission

- 7.1 Following submission, it is likely there will be a period of several months until the Council receives notice of the Minister's decision on a selected option and geography. Indications are this will likely be early Summer 2026.
- 7.2 In the interim, learning from other areas that have been through reorganisation before, it will be important for Councils to collectively prepare for Phases 3 and 4 so that they will be ready to progress the necessary and extensive transition work required to ensure services are safe and legal on day 1 of the new Unitary Council(s) on 1 April 2028.
- 7.3 Therefore, whilst waiting for decision, it is envisaged that Councils in Kent will continue to work collaboratively and focus on putting in place the arrangements required to procure a strategic business partner to support the significant additional work that will be required ahead of April 2028.

8 Financial and Value for Money Considerations

- 8.1 The cost of developing a business case is being funded from a Government Grant of £514,410 paid directly to the Kent County Council (KCC) and being held on behalf of all Councils in Kent. The procurement of management consultants, KPMG, was undertaken by KCC and representatives from other Councils in Kent, including the Chief Executive of this Council. The specification reflected the input of all Councils and aligned to the Government's stated requirements.
- 8.2 KPMG have provided and used a model to assess the unitary options submitted by individual councils using Government-defined criteria. Their approach is based on a high-level, top-down financial model that estimates the impact of disaggregating and aggregating existing services. This model applies broad assumptions regarding potential savings in staffing, property, and third-party expenditure based upon information requested by KPMG and supplied by the Kent Authorities.
- 8.3 The modelling is based on current budgeted 2025-26 spend and forecast spend in subsequent years from the 14 individual councils. As far as possible this spend has been compiled on a like-for-like basis using the definitions used in statutory returns. These are based on net service spend before any income from central government grants or local taxation. This may differ from how spend is reported internally within the individual councils.
- 8.4 The Kent Finance Officer Group (KFOG) have collectively agreed on the following position on the analysis carried out:
- LGR, whilst generally expected to be positive for local government finances in the long term, will not solve the cost, demand and associated funding challenges currently being faced. The scope of the financial modelling considers purely the impact of reorganisation, all other things being equal.

- The work carried out at this stage is not a zero-based exercise of the financial impact of LGR. Assumptions are based on the past LGR business cases produced to support other areas which have been through the LGR submission process in recent years.
 - Due to the size and number of councils in Kent, there is not a fully comparable example of recent reorganisations elsewhere in the country to confidently benchmark against. Due to the level of complexity, payback periods in Kent may therefore be longer than some other reorganisations.
 - The speed of delivery and level of savings post vesting day of the new councils will largely be impacted by decisions already made by the predecessor authorities and those taken by the new authorities. These include decisions in relation to contractual obligations, borrowing, transformation and wider public service reform.
 - The financial modelling does not take account of how transition costs will be funded.
 - The assumptions in the model have not been tested against actual outturn data for any of the previous local government reorganisation programmes.
 - Given the context above, the modelling should not be seen as a set of targets that new authorities may be held to account for, as setting the post-vesting day budget will be the responsibility of the new authorities.
 - Consolidation of assets, reserves and debt is outside the scope of this work and will have material implications under any of the unitary options proposed.
- 8.5 Whilst being fully supportive of the long-term benefits of LGR, all Kent Finance officers agree that LGR does not in itself provide a viable solution to the scale of the financial challenge faced. The modelling is a high-level assessment of the quantum and timing of potential additional revenue costs and savings arising from the reorganisation of councils. The modelling is designed to enable a reasonable like-for-like comparison of the potential costs and savings and ultimately pay-back periods under the possible different new unitary configurations. As such it does not make any assessment of financial viability of future new unitary councils.
- 8.6 However, there are limitations to this methodology. The model does not fully reflect the operational complexities of local government, including:
- Evolving property usage post-pandemic, which may affect assumptions around estate rationalisation.
 - Long-term contractual arrangements that may restrict the ability to realise economies of scale.
 - Local variations in service delivery models and partnership arrangements.

- 8.7 With regards to income, the model assumes that council tax will be equalised. However, this is contingent upon two key factors, adherence to the council tax referendum principles and particular Alternative Notional Amounts being issued by the Minister and secondly, acceptance by the public. Ultimately, this decision will rest with the newly formed unitary authorities, and the model reflects an assumption rather than a confirmed outcome.
- 8.8 The cost of reorganisation is substantial but there is no certainty that the modelled savings will materialise to the scale required to offset these costs in the short term.
- 8.9 The model does not incorporate the potential impact of the Fair Funding Review 2.0 and Business Rates Reset, nor does it account for existing budget gaps within individual authorities' Medium-Term Financial Strategies. These financial pressures will persist regardless of reorganisation and are not addressed within the scope of the options appraisal.
- 8.10 The Council currently holds a reserve balance of £200,000 to assist with internal issues that could arise up to vesting day, however it is felt that due to potential officer secondment on project roles, to maintain business as usual functions some back-filling of post may be required. As such officers are reviewing resources in order to adequately fund such needs. It is not clear how councils can fund the cash-flow requirements or the extent of any government funding. Most costs will occur in the early years of the new unitaries with the expectation that future savings can be delivered.

9 Risk Assessment

- 9.1 Reorganisation of councils on this scale has not taken place anywhere else in the country either in terms of the number of councils, the size of population or quantum of finances.
- 9.2 Delivery of business as usual of current councils is at risk, whilst attention is diverted to the formation of shadow authorities.
- 9.3 The financial difficulties of the Local Government Sector are well documented and can be linked to a system of underfunding and a lack of local flexibility around taxation and income generation. Changes to the geography of councils does not overcome these financial issues which require proper fiscal devolution.
- 9.4 The business case by KPMG does not include treasury management activities which could have fundamental implications for the cash-flow of a new unitary, including headroom for further borrowing. Tonbridge and Malling are one of two Councils in the County that have no debt registered on its balance sheet and a third council only has debt to support its Housing Revenue Account. It has yet to be determined on how any current levels of debt will be consolidated to the new authorities.

- 9.5 If a local authority decides to not provide a submission to government by 28 November, it will lose its influence over the outcome, and the Minister will proceed to a decision based on their own preference for local government reorganisation or the preference of other councils that have made submissions and in absence of meaningful local knowledge and understanding of the area or its strategic opportunities and challenges.
- 9.6 There is also a risk that a decision from the Minister on the chosen option and geography will be delayed and this will have subsequent impacts on the timeline for work to be completed in Phases 3 and 4. This can be mitigated by ensuring regular communication between MHCLG, Local Authority Chiefs, Kent Council Leaders.
- 9.7 It should also be highlighted that any options for Local Government Reorganisation that involve breaking established borough boundaries, creates significant additional risk. This relates to Options 4d and 5a only. This is because of the additional complexity and uncertainty it causes, which arises from the greater number of Borough and District Councils that would have to be involved in the creation of each new Unitary. In addition, the significant number of Council services that would have to be split across multiple Unitary Councils where much of the baseline data necessary to do this well does not currently exist. This additional disaggregation risk for Borough and District services does not arise for the other options.
- 9.8 Local Government Reorganisation is therefore seen as a major risk and has been added to the Strategic Risk Register to be overseen by Management Team with reporting to the Audit Committee as part of the cycle of committees.
- 9.9 The Council's project management processes will be adopted in full throughout the LGR timeline, to assist with smooth preparation and delivery and to help mitigate risk.

10 Legal Implications

- 10.1 The English Devolution White Paper sets out an expectation that all two-tier areas such as Kent will develop proposals for LGR.
- 10.2 Following on from this, the Secretary of State has invited the Leaders of all fourteen councils in Kent and Medway to submit proposals for a single tier of local government under Part 1 of the Local Government and Public Involvement in Health Act 2007 ('the 2007 Act').
- 10.3 The 2007 Act has procedures for creating a single tier of local government in areas which were previously comprised of two tiers and these are set out in stages.
- 10.4 The first stage of the procedure under section 2 of the 2007 Act, provides that the Secretary of State may invite any "principal authority" (defined in section 1(1) as a

county or district council) to make a proposal for a single tier of government in an area which currently has two tiers of local government.

- 10.5 The second stage under section 3 of the 2007 Act, is the submission of a proposal by a local authority in response to an invitation. In responding to an invitation, a local authority must have regard to any guidance issued by the Secretary of State. This guidance was included in the invitation letter to all leaders in Kent dated 5 February 2025 and set out an expectation on Councils to consider wide local engagement, at the stage when their full proposals were being worked up.
- 10.6 This is a duty on Councils to have regard to the guidance but it does not directly impose a legal obligation on Councils to carry out a consultation. Responsibility for consultation during proposals for new local authorities, is primarily held by the Secretary of State.
- 10.7 The third stage in the process, relates to implementation of a proposal. Once the proposals set out in this report have been received, the Secretary of State will consider them and if minded to implement a proposal by order (either with or without modification), the Secretary of State must consult every authority affected by the proposal (except the one(s) that submitted it and any other persons the Secretary of State considers appropriate). There is no requirement on the Secretary of State to consult on every proposal received.
- 10.8 Following the consultation described above, if the Secretary of State decides to proceed with one of the reorganisation proposals (with or without modifications), then a detailed Structural Change Order (SCO) will be required to implement the government decision to change the local government structure. The SCO will provide for the necessary details of the change, such as dealing with the transfers of powers, property, assets, and staff, as well as any boundary and electoral changes necessary to give effect to the reorganisation, will need to be laid in Parliament. This will also set out a timescale for implementation of the new structures and sets out interim arrangements.
- 10.9 The Kent Secretaries Group on behalf of most Monitoring Officers across the County obtained external legal advice from leading Counsel which concluded that the decision to submit a final plan in November is an executive decision and also a key decision.

11 Consultation and Communications

- 11.1 The Council has made a concerted effort to keep staff informed of progress in an open and transparent way, recognising the fact that any change or restructure in local government will have an impact on staff. This has taken the form of regular drop-in sessions, all-staff briefings and regular internal news articles.
- 11.2 There was no statutory requirement on the Council to consult residents affected by a proposed reorganisation (see legal section). Formal statutory consultation will

be undertaken by the Government in the new year, once submissions are made by Councils in November. The Government have indicated that they intend to consult on all valid options.

11.3 Some early and limited engagement awareness raising of Local Government Reorganisation has taken place. This has been by joint process co-ordinated through Kent Leaders and facilitated by Canterbury City Council Communications Team, with input from officers from every Council. This has included an open public survey, open to anyone to complete, which was carried out between 8 September and 6 October 2025. The survey was a standardised resident survey, agreed by all Kent Councils. A summary of the key indicative findings include:

- 2,058 members of the public from across Kent and Medway took part in the survey.
- Overall, responders showed most interest in: the quality of services delivered, efficiency and value-for-money, the ability for people to influence decisions where they live and work, the length of time it takes to fix a problem and the amount of Council Tax they pay.
- Responders were ambivalent about: size of area covered by a council, ability to contact their local councillor, the total number of councillors in the authority, the number of residents in each electoral ward.
- Responders did not care about the ability to visit a council office in person or the ability to attend council meetings near them.
- The largest concerns about Local Government Reorganisation were:
 - a) the lack of localised support (595 comments)
 - b) the costs of implementation and the disruption caused (294 comments)
 - c) that it would result in less accountability (287 comments).

11.4 Stakeholder and Partner engagement also took place for the Interim Submission in March 2025. The engagement sought to understand:

- What are the key factors that should be taken into account for reorganisation
- What opportunities could be realised by reorganisation
- What problems could be fixed by reorganisation
- What problems could be created or will not be fixed by reorganisation.

11.5 Kent Councils recognised the importance of close collaboration with their partners and the opportunities for Public Sector Reform. Therefore, Workshops were also undertaken with key strategic partners. These workshops explored the options being considered, and having an open discussion on:

- Challenges in the current system and ways of working
- Strengths in current ways of working to be protected and/or built upon
- Opportunities that LGR brings to improve ways of working.

11.6 The approach to public and stakeholder engagement was not specifically aimed at gauging support for specific options, but rather at exploring the potential benefits and opportunities, alongside any concerns or challenges associated with the proposals. However, a number of the statutory public service providers (such as the health, police and fire services) did provide very positive feedback on Option 3a. This engagement has enabled Councils to take a well-informed and thoughtful approach in addressing these factors within the proposals.

12 Cross Cutting Issues

12.1 Climate Change and Biodiversity

12.1.1 Limited or low impact on emissions and environment.

12.1.2 Climate change advice has not been sought in the preparation of the options and recommendations in this report.

12.2 Equalities and Diversity

12.2.1 An initial Equalities Impact Assessment has been undertaken [**Annex 4**] which sets out the potential for both positive and negative impacts for residents with protected characteristics. Further work on potential impacts, along with the most effective related mitigations, will be undertaken as part of the more detailed implementation process which will take place once Government has decided on the option for Local Government Reorganisation that will be taken forward for Kent.

12.3 Other If Relevant

- Human Resources
- Business Continuity / Resilience

12.3.1 Any change or restructure of local government will impact staff. The prospect of change can be unsettling, and staff are understandably concerned. As an employer, the Council is committed to open and transparent communication throughout the process and in supporting staff through the transition process to enable them to have the best possible opportunity to access roles in the new unitary authority.

12.3.2 While structures will certainly change along the way, the need for high quality local government services, and highly skilled, knowledgeable and committed staff to deliver them, will be more important than ever.

Background Papers	<p>English Devolution White Paper “Power and Partnership: Foundations for Growth”: English Devolution White Paper</p> <p>Kent Leaders website – setting out draft business cases for other options to be submitted to Government.</p>
Annexes	<p>Annex 1 – Letter from Government (05 February 2025)</p> <p>Annex 2 – Letter from West Kent Councils (21 March 2025)</p> <p>Annex 3 – Option 3a Business Case</p> <p>Annex 4 – Draft Equalities Impact Assessment</p>