

Learning from recent unitaries and risks for future LGR

SDCT Conference

21 March 2025

Agenda

Introduction

Learning from previous unitaries

Risks for future LGR

Panel discussion

Introduction

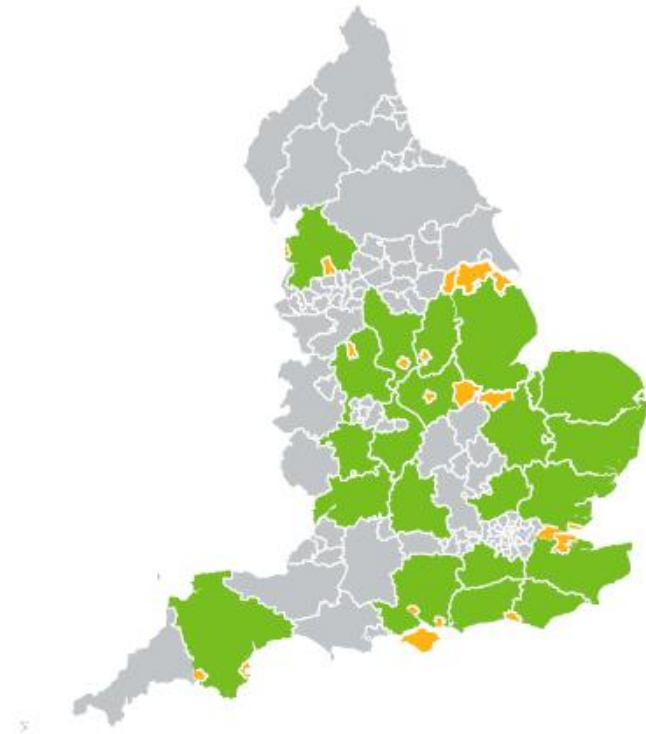
English devolution white paper

- Government has set an ambition to create strategic authorities and unitary councils for all geographies in England by the end of this parliament.
- Geographies that don't currently have unitary local government have been invited to make LGR proposals, including some smaller existing unitaries within or neighbouring these geographies.

The government has formally invited proposals from Cambridgeshire and Peterborough; Derbyshire and Derby; Devon, Plymouth and Torbay; East Sussex and Brighton; Essex, Southend-on-Sea and Thurrock; Gloucestershire; Hampshire, Isle of Wight, Portsmouth and Southampton; Hertfordshire; Kent and Medway; Lancashire, Blackburn and Blackpool; Leicestershire, Leicester and Rutland; Lincolnshire, North Lincolnshire and North East Lincolnshire; Norfolk; Nottinghamshire and Nottingham; Oxfordshire; Staffordshire and Stoke-on-Trent; Suffolk; Surrey; Warwickshire; West Sussex; and Worcestershire.

Figure 2 Areas invited to submit LGR proposals, February 2025

Invited two-tier area Invited unitary authority Not invited



Source: MHCLG, correspondence: 'Local government reorganisation: Invitation to local authorities in two-tier areas', 6 February 2025.

English devolution white paper - timescale

	Two-tier areas on the Devolution Priority Programme	Other two-tier areas and small neighbouring unitary authorities
5 February 2025	Formal invitation to come forward with reorganisation proposals	
February–April 2025	Government-led devolution consultation	
21 March 2025	Deadline for interim reorganisation plans	
Expected by summer 2025*	English Devolution Bill	
26 September 2025	Deadline for reorganisation proposals	
28 November 2025		Deadline for reorganisation proposals
Late 2025–early 2026*	Local authorities ratify the devolution agreement and parliament approves the order to legally create the combined county authority	It remains unclear when the secretary of state will implement reorganisation and devolution in these areas.
Likely 2026–early 2027*	Secretary of state decides on reorganisation proposals and parliament passes order to legally create the new unitaries	
May 2026	First mayoral elections and the government's indicated date for postponed local elections	
May 2027*	The government's indicated date for shadow unitary elections	
April 2028*	Likely vesting day – unitaries formally take on powers	

Local government reorganisation

Devolution

Devo priority programme

Geography	Councils
Cumbria	Cumberland, Westmorland & Furness
Cheshire and Warrington	Cheshire East, Cheshire West & Chester, Warrington
Greater Essex	Essex, Thurrock, Southend
Norfolk and Suffolk	Norfolk, Suffolk
Sussex and Brighton	East Sussex, West Sussex, Brighton & Hove

Some geographies above include districts. These were not mentioned in the Ministerial Statement because they will not be part of devo discussions, but they will be part of LGR. However, districts in these geographies will be impacted by devo.

Source: Institute for Government analysis of McMahon J, Letter to leaders of all two-tier councils and neighbouring unitary authorities, 16 December 2024, and MHCLG, correspondence: 'Local government reorganisation: invitation to local authorities in two-tier areas', 6 February 2025. Notes: Surrey is on a different timeline. Its full reorganisation proposals are due by 9 May 2025 and shadow unitary elections are expected in May 2026. *Indicates uncertain dates. This timetable does not apply to Cheshire and Cumbria, which are on the Devolution Priority Programme but already have single-tier local government.

Learning from recent unitaries

Learning from new unitary councils



Report

- Published Sept 2024:
- <https://www.grantthornton.co.uk/insights/local-government-reorganisation-lessons-from-new-unitaries/>
- Findings from 2022/23 AARs
- GT audit 8 of the 9 most recently established unitaries
- Report includes a good practice checklist

Overview

Implementing LGR is complex, time consuming and challenging

Challenges



Relatively short implementation timescale



Pressures that come from delivering BAU & implementing LGR in parallel



Lack of ownership for the approved unitary model and a shared business case



Undertaking financial and service planning when many senior officers aren't in role.

Key messages for councils

During transition

- Appoint chief officers and portfolio members into their **shadow authority roles as soon as possible**
- Ensure **resources are allocated** to planning and delivering transformation, reviewing business as usual activities to **create capacity**, and **developing key organisational enablers**
- Transition and medium-term transformation requires significant programme management **capacity and capability** and requires investment
- **Careful consideration** should be made on the **right time** to reduce legacy staffing capacity and **deliver transformation**.

Key messages for councils

During transition

Key points



Focus on culture
and
communication



Build constructive
relationships



Agree an
estimated balance
sheet split early



Carefully consider
how social care
budgets are
allocated

Key messages for councils

Financial sustainability

- New councils need their finance team in **place at the start** with sufficient **capacity and capability**.
- Financial sustainability is a function of the inherited position from legacy bodies. This assurance can only come from high quality audited accounts, so must **ensure finance team capacity to work with external auditors**.
- The **amount of work required** to consider the financial accounting implications of unitarisation **can't be under-estimated**.
- Need for **stronger savings and transformation programmes**. Too many new councils rely on unsustainable use of reserves.
- **Reduce reliance on legacy financial systems** as early as possible.

Key messages for councils

Governance

- Understand the **value of strong governance and risk** to support performance and financial sustainability
- **Prioritise the production of legacy accounts** to provide foundation assurance to the new unitary authorities.
- Internal audits take more time during the transition period and councils sometimes **underestimate their complexity**.
- **Build capacity for counter-fraud** into the new structure.
- Ensure **disaster recovery arrangements are in place**, including cyber security risks.

Key messages for councils

Economy, efficiency and effectiveness

- Develop the **performance management framework early**, ideally for day one.
- Put in place a **clear IT strategy and transformation** plan that removes duplicate systems within three years and puts in place appropriate cyber security and data recovery within 12 months.
- Ensure data **underpinning performance and financial reporting is reliable** and validated with data governance controls in place.
- **Procurement and contract management** is a common theme requiring improvement.



Key messages for Government

Don't set new councils up to fail



- Allow more time for transition ahead of vesting day.
- Need to contribute funding to support the implementation of LGR and ensure checks are done to evaluate the financial viability of new councils.
- Ensure a sufficiently strong balance sheet.
- SCOs are too prescriptive on transitional governance.
- Consider role in ensuring legacy councils have the appropriate ownership for the agreed model and offer financial freedoms and flexibilities.
- Give more flexibility around council tax.

Conclusions



Learn the lessons
from others



Councils aren't
sufficiently
prepared



Capacity and
capability are
critical



Several years to
fully realise the
benefits

How can areas successfully reorganise local government and implement devolution at the same time?



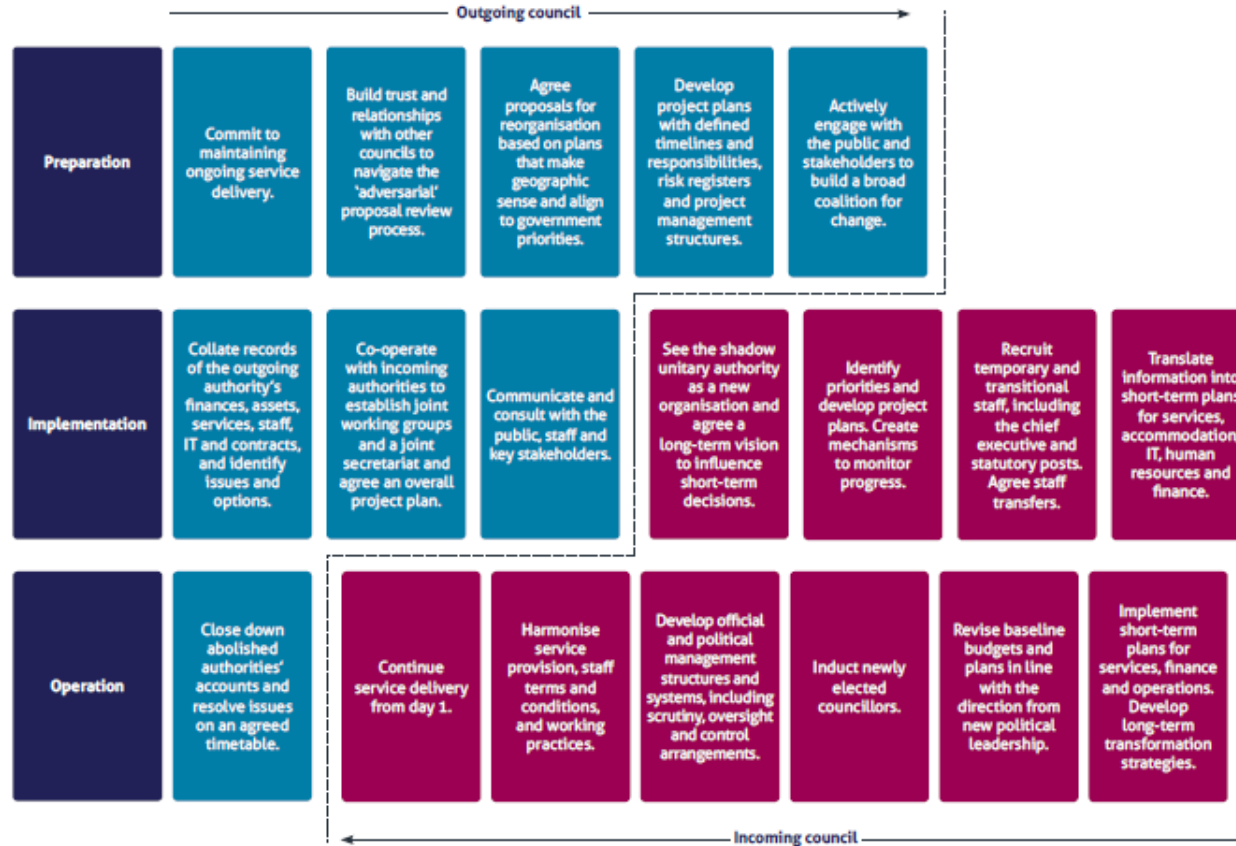
Report

- Institute for Government & Grant Thornton report
- Published 3 March 2025:
- <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2025/local-government-reorganisation-and-devolution.pdf>

Dual delivery of devo and LGR

- Will require strong relationships between decision makers and key stakeholders at political and official levels
- Local leaders should develop a long-term regional vision that can guide decision making
- Areas will need to agree co-ordinated and coherent strategies and plans
- Local authorities will need the capacity and capability for dual delivery

Practical lessons for local leaders during reorganisation



Learning from recent unitaries

Risks for future LGR

- Some elected members wanting to “spend, spend, spend” or transfer assets. Proper processes need to be followed for all disposals and all new developments
- Reserves should be maintained at a prudent level on a BAU basis.
- In the short term LGR requires more capacity and not less - genuine costs savings unlikely to be realised until the 2030s - this require robust processes around redundancy, early retirement, use of consultant and temporary processes.
- Governance and stewardship are vital parts of the process - IA, Counter Fraud and the risk management process need to remain strong and alert.
- Financial statements should be produced on time and the backstop deadlines must be met.

Panel discussion

Today's presenter



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Paul is a CIPFA qualified accountant who started working in local government audit in 1986 and has been with Grant Thornton since 2007. Paul has worked with many local authorities over the past 38 years, including half of the London Boroughs and a number of county councils as well as unitary authorities.

Paul has been Head of Local Government for the firm since 2011 and authored a number of articles on the sector and its financial challenges as well as the importance of sound governance in local authorities.



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