



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Council

Thursday, 20 November 2025

Report of Councillor Ashley Baxter,
Leader of the Council,
Cabinet Member for Finance, HR and
Economic Development

Local Government Reorganisation – Proposal for Greater Lincolnshire

Report Author

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Purpose of Report

To introduce a draft proposal for submission to Government relating to Local Government Reorganisation.

Recommendations

Council is asked to consider the proposal for Local Government Reorganisation in Greater Lincolnshire and make any recommendations to Cabinet.

The proposal being to reorganise Lincolnshire into two new unitary authorities in the south alongside the two existing unitary authorities to the north:

- **Unitary Authority 1 being comprised of the geographies of: North Kesteven; South Holland; and South Kesteven.**
- **Unitary Authority 2 being comprised of the geographies of: Boston Borough; City of Lincoln; East Lindsey and West Lindsey.**
- **The existing unitaries of North Lincolnshire and North East Lincolnshire would remain unchanged, with optionality for a future merger.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The financial impacts of local government reorganisation are significant and wide reaching.

Whilst high level financial impacts have been sought, the exact impacts cannot be fully captured until work begins in earnest in terms of direction. Certainly, the likely efficiencies have been captured but not in granular detail, which at this stage is not possible.

Based upon independent financial analysis led by the Council's s151 Officer and senior finance professionals from North Kesteven District Council, the financial case for the creation of a unitary authority incorporating the existing boundaries of South and North Kesteven and South Holland is a financially positive proposal.

However, throughout the modelling work it has been recognised that the modelling is underpinned by a number of assumptions and caveats that could compromise the financial outcomes that are put forward. The single biggest assumption is the medium-term financial outlook of each Authority as the proposals are being put forward ahead of the Fair Funding Review and Business Rate Reset – both of which have the potential to fundamentally change the financial outlook of most Councils. A multi-year settlement has been promised although this will not be received as a provisional settlement until some weeks after the LGR proposal has been submitted.

The modelling has also been undertaken at pace and is therefore relatively high level and based on a number of assumptions with respect to the potential of service efficiencies, transformation and the potential financial gains arising from economies of scale. Similarly, the additional costs of removing two tier responsibility and the disaggregation of upper tier services have been undertaken at a high level. PwC (Pricewaterhouse Coopers) has been challenged on the

assumptions throughout the process to ensure the final modelling proposal is as robust as possible. At the request of both North and South Kesteven Councils, a series of 'stress test' modelling was undertaken on a number of material assumptions to ensure the financial outcomes remain a positive return.

The analysis indicates that there will be up front one-off transitional costs which will need to be funded from all Councils that are included in the submission, although the basis for the sharing of these costs has not yet been determined.

Therefore, if the proposal proceeds, a dedicated LGR Reserve will need to be established in order to provide funding for the Council's agreed share of the upfront costs. At this stage it is not possible to confirm the amount of the reserve allocation but the Council should bear in mind this future requirement when considering the 2026/27 Budget Framework and medium-term financial planning.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 The submission of a proposal for a single tier of local government under Part 1 of the Local Government and Public Involvement in Health Act 2007 is an executive function.
- 1.3 All authorities in the Greater Lincolnshire Invitation Area have taken legal advice regarding the status of North Lincolnshire Council and North East Lincolnshire Council. Under current legislation, the government is unable to directly merge two or more existing unitary authorities. It is expected that future legislation will resolve this issue. Presently however, a proposal to merge North Lincolnshire with North East Lincolnshire without involvement of other authorities in the Lincolnshire County Council area would risk legal non-compliance. A proposal to merge North Lincolnshire and North East Lincolnshire with parts of the Lincolnshire County Council area would be permissible, but there is limited economic or public service rationale for such a jurisdiction.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1. On 5 February 2025, the Government issued statutory invitations to all Councils in the 21 two-tier areas across England, and smaller unitaries, to develop proposals for unitary (single status) local government.
- 2.2. Initial proposals for reorganisation in Greater Lincolnshire were to be submitted on or before 21 March 2025. The Council worked with North Kesteven District Council (NKDC) to develop the initial Interim Proposal. Full Council endorsed the initial proposal on 18 March 2025, after which it was submitted to the Government.

- 2.3. On 3 June 2025, feedback was received from Government; this directed each councils to develop and submit a full proposal to government by 28 November 2025.
- 2.4. The submission of a proposal for a single tier of local government under Part 1 of the Local Government and Public Involvement in Health Act 2007 is an executive function.
- 2.5. The Government has advised that it will consider all the options submitted in the 20 remaining two tier areas. A decision has recently been made for the Surrey Invitation Area.
- 2.6. In the Statutory Invitation, the Government outlined the following six Criteria against which proposals will be assessed. These criteria are not weighted.
- 1) *A proposal should seek to achieve for the whole of the area concerned the establishment of a single tier of local government.*
 - 2) *Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial shocks.*
 - 3) *Unitary structures must prioritise the delivery of high quality and sustainable public services to citizens.*
 - 4) *Proposals should show how councils in the area have sought to work together in coming to a view that meets local needs and is informed by local views.*
 - 5) *New unitary structures must support devolution arrangements.*
 - 6) *New unitary structures should enable stronger community engagement and deliver genuine opportunity for neighbourhood empowerment.*

The Proposed Submission

- 2.7. The Council has worked in partnership with NKDC to develop a full draft proposal for Government (the Submission). The draft Submission sets out in detail the Council's case for reorganisation in Greater Lincolnshire (**Appendix A**).
- 2.8. The Council has also collaborated with all authorities within the Greater Lincolnshire Invitation Area and with Rutland County Council (RCC) to share data and information to facilitate the development of reorganisation proposals.
- 2.9. The Council has sought to minimise the costs of developing the full proposal and has used existing internal resources and expertise wherever possible. Nevertheless, it was recognised that, in some areas, external expertise and support would add value to deliver a robust case to government. These included: financial modelling of the proposal costs and financial benefits; independent resident engagement; and the development and assessment of approaches for

the most critical county services including Children's Services and Adult Social Care.

- 2.10. PwC were engaged to undertake financial baselining and modelling. The principal financial assumptions are detailed in the draft Submission at **Appendix A**. Further detailed outputs are presented in **Appendices E-H**.
- 2.11. PeopleToo are consultants who specialise in transformation in the local government sector. They were engaged jointly with City of Lincoln and the South & East Lincolnshire Councils Partnership (SELCP) councils to establish financial baselines and core assumptions (**Appendix I**).
- 2.12. The Cratus Group were commissioned to deliver a programme of public engagement during September and October 2025. This consisted of an online survey, which received over 5,500 responses, and online resident focus groups. The Council delivered seven pop-up events across the four market towns of South Kesteven, including attendance at the Bourne, Grantham and Stamford markets and the Deepings Community Centre. The full results of the engagement exercise are presented as **Appendix L**.
- 2.13. Kath O'Dwyer was commissioned to develop an approach for Children's Services (**Appendix J**). Kath O'Dwyer is the former Chief Executive of St Helens Borough Council and Cheshire East Council. As a senior leader of Children's Services and a former Director of Children's Services, Kath O'Dwyer has led or supported the improvement of multiple local authority Children's Services, including work in authorities previously under government scrutiny or intervention. She has also served as a National Director for Ofsted.
- 2.14. Kath O'Dwyer also delivered analysis on the critical role of culture and people in reorganisations - drawing on her experience as a senior leader in Cheshire after its reorganisation (**Appendix N**).
- 2.15. Gate One were commissioned to develop an approach for Adult Social Care using the proposed southern unitary (Unitary 1) as a deep dive case study (**Appendix K**). Gate One have been recognised by the Financial Times as a leading management consultancy with particular specialisms in the public sector and life sciences.

Next Steps and Timeline

- 2.16. The Government aims to undertake formal stakeholder consultation on compliant proposals in 2026.
- 2.17. It is possible that some proposals will be assessed as non-compliant under the terms of Statutory Invitation and these would not proceed to full consultation.
- 2.18. The Government is expected to make its decision on its preferred proposal for Greater Lincolnshire reorganisation before the parliamentary recess of summer 2026.

- 2.19. During this period, all the councils in Greater Lincolnshire will continue to work together and will start planning the delivery phase of LGR, albeit without knowing the new geographies until July 2026.
- 2.20. Elections to 'shadow' unitary Councils are expected to take place in May 2027. A shadow authority is one that is elected to carry out the preparatory functions of a new unitary council until the day it formally comes into being. This is called 'Vesting Day' and is anticipated to be 1 April 2028. All existing councils across Greater Lincolnshire would continue to operate and deliver services until Vesting Day.

3. Key Considerations

- 3.1. The proposed submission includes an options appraisal and recommends that Council endorses the proposal for Local Government Reorganisation in Greater Lincolnshire creating two new Unitary Authorities in the Lincolnshire County area:
- Unitary Authority 1 being comprised of the geographies of the districts of North Kesteven, South Holland and South Kesteven.
 - Unitary Authority 2 being comprised of the geographies of Boston Borough, Lincoln City and the districts of East and West Lindsey.
 - The existing unitaries of North Lincolnshire and North East Lincolnshire would remain unchanged, with optionality for a future merger.
- 3.2. The full and detailed rationale for the proposed configuration and alignment with LGR criteria is set out in the proposed Submission (Appendix A).
- 3.3. Supplementary information on the financial modelling, the approach to critical county services and the results of the public engagement exercises are available in Appendices E-L.

4. Other Options Considered

- 4.1 The Council is under no obligation to submit a full LGR proposal to the Ministry of Housing, Communities & Local Government (MHCLG) and there would be no legal penalty for not doing so. However, the Government has stated that LGR will proceed whether or not any proposal is submitted. Therefore, if the Council does not submit a proposal, it will lose a one-off opportunity to shape and influence LGR and the future delivery the strategic interests of South Kesteven's residents.
- 4.2 A full options appraisal is contained within the proposed Submission (Appendix A).
- 4.3 The Kesteven Interim proposal submitted in March 2025, included the geography of Rutland CC in 'Unitary 1'. This was based primarily for economic alignment in accordance with government's mission for growth.

The inclusion of Rutland county has been considered and rejected during the options appraisal for the following reasons:

- Rutland is outside the Lincolnshire Invitation area. It is in the Leicestershire, Leicester & Rutland Invitation Area. Proposals which cross over different invitation areas are possible, but will require a very strong rationale. The inclusion of Rutland into Unitary 1 would involve a very significant risk of being regarded as non-compliant with the statutory requirements.
- A cross-invitation area proposal ought to have the clear commitment of all parties and, thus far, there has been no clear indication of support from Rutland CC.
- There is further risk from uncertainty on the degree of modelling required by MHCLG on impacts to the neighbouring Invitation Area.
- The inclusion of Rutland within a proposal for Lincolnshire would require clear proposals for the remainder of the Leicestershire and Rutland invitation area.
- Rutland currently has separate provision of several key services including Fire and Rescue. Clear arrangements for the delivery of these services would need to be included within the proposals.
- Rutland is not part of the Greater Lincolnshire Combined County Authority and therefore the inclusion would arguably not meet Criterion 5 which requires that proposals support devolution.

Compliance would be a matter of MHCLG discretion. MHCLG has communicated that if Rutland CC were to be included, it would have to be as part of the core proposal, not as an additional variation. It is considered that the risk of noncompliance is too high for a proposal that includes Rutland CC to be submitted. Therefore, the Rutland option is not taken forward.

5. Reasons for the Recommendations

- 5.1 The Government has invited full proposals for LGR to be submitted by 28 November 2025. While the decision regarding the Submission is an Executive function, it is important for the wider council to engage positively with the process. This will enable all councillors to contribute and influence the outcome in the best interests of the residents of South Kesteven and, indeed, all of Greater Lincolnshire.

6. Consultation

- 6.1. Public engagement has been undertaken (see section 2.10). Full consultation has not been undertaken because the Council is not permitted to consult on the options. The Government is expected to undertake its own consultation on shortlisted options in the Spring of 2026.

- 6.2. Extensive engagement has been undertaken to inform the LGR proposal, which is detailed in the proposed Submission (Appendix A).
- 6.3. Three sets of briefings for all elected Members have been held since March 2025 (July, September, November – six sessions in total).
- 6.4. The South Kesteven Youth Council has considered LGR in two sessions since March. On 6 November 2025, the Youth Council voted to endorse the proposed submission.
- 6.5. Since March 2025, seven all-staff LGR briefings have been delivered. The Chief Executive has delivered on-site presentations by to the Waste and Housing Repairs teams. A dedicated intranet site has been set up and LGR has been a standing item on all staff communications. UNISON's South Kesteven branch have praised the high level of engagement with staff.
- 6.6. Two rounds of briefings (nine sessions in total) have been delivered to Town and Parish Councils across the district.
- 6.7. The Leaders and Chief Executives of North and South Kesteven Districts have engaged with key stakeholders and partners across Greater Lincolnshire, including MPs, the Mayor, the Police & Crime Commissioner, the NHS, the Armed Forces and business.

7. Appendices

- Appendix A – NKSK Submission to Government for Local Government Reorganisation in Greater Lincolnshire
- Appendix B – LGR Submission Appendix 1 Greater Lincolnshire Facts and Figures
- Appendix C – LGR Submission Appendix 2 Literature Review
- Appendix D – LGR Submission Appendix 3 Economic Data Tables
- Appendix E – LGR Submission Appendix 4a PwC Financial Assumptions
- Appendix F – LGR Submission Appendix 4b PwC Financial Baseline and Modelling Executive Summary
- Appendix G – LGR Submission Appendix 4c Financial Sensitivity Analysis
- Appendix H – LGR Submission Appendix 4d PwC Council Tax Harmonisation
- Appendix I – LGR Submission Appendix 4e PeopleToo Financial Baseline Assumptions
- Appendix J – LGR Submission Appendix 5a Approach for Children's Services
- Appendix K – LGR Submission Appendix 5b Approach for Adult Social Care

- Appendix L – LGR Submission Appendix 6 LGR Engagement Report
- Appendix M – LGR Submission Appendix 7 Future Councillor Numbers – background data
- Appendix N – LGR Submission Appendix 8 Organisational Culture in Local Government Reorganisation