

SURREY COUNTY COUNCIL**CABINET****DATE: 18 MARCH 2025****REPORT OF CABINET MEMBER: TIM OLIVER, LEADER OF SURREY COUNTY COUNCIL****LEAD OFFICER: TERENCE HERBERT, CHIEF EXECUTIVE OF SURREY COUNTY COUNCIL****SUBJECT: DEVOLUTION AND LOCAL GOVERNMENT REORGANISATION**

ORGANISATION STRATEGY PRIORITY AREA: HIGH PERFORMING COUNCIL / NO ONE LEFT BEHIND GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / TACKLING HEALTH INEQUALITY / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES

Purpose of the Report:

Following the publication of the English Devolution White Paper on 16 December 2024, all councils in Surrey have been invited to move forward on an accelerated pathway for local government reorganisation (LGR), paving the way to unlock further devolution and create more sustainable, effective local government for the county. This report sets out the opportunities presented for Surrey in accessing further devolution to the county and outlines emerging proposals for LGR, ahead of the 21 March deadline to submit an interim LGR plan to government. It also provides an update on the implementation of Surrey County Council (SCC)'s County Deal, put in place with the previous government in 2024 and being implemented by the current government.

Recommendations:

It is recommended that Cabinet:

1. Notes the letter received from government on the 5 February 2025 inviting all councils in Surrey to submit an interim plan for Local Government Reorganisation by 21 March 2025 and a full proposal by 9 May 2025.
2. Approves the Council's interim plan for Local Government Reorganisation in Surrey (the interim plan comprises Part A in Annex 6 and SCC authored Part B in Annex 7).
3. Agrees the Leader of Surrey County Council submits the interim plan to Government for the 21 March deadline.
4. Notes the District and Borough Councils' (D&B) authored Part B (Annex 8).

5. Delegates authority to make any final amendments to the interim plan (and other associated information) for Local Government Reorganisation in Surrey to the Chief Executive, in consultation with the Leader of the Council, before submission within the deadline given by the Secretary of State.
6. Delegates authority to the Chief Executive, in consultation with the Leader of the Council, to consent to the making of the necessary Regulations to devolve the Land Assembly and Homes England Compulsory Purchase Powers and Adult Skills Fund thereby implementing and giving effect to these aspects which formed part of the County Deal agreed with government in March 2024.

Reason for Recommendations:

Following the publication of the English Devolution White Paper on 16 December 2024, all councils in Surrey have been invited to move forward on an accelerated pathway for local government reorganisation (LGR), paving the way for further devolution for the county. Approving the Council's interim plan for LGR in Surrey is an important milestone in our ongoing work with the district and borough councils and government to shape Surrey's future so it remains a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and no one is left behind.

Unitary councils are key to unlocking further devolution for Surrey. A County Devolution Deal was put in place with the previous government and implemented by the current government and will bring more powers and decisions closer to communities. To build on the foundations laid by this agreement, unitary councils will make local government in Surrey fit for purpose so we can take the next steps towards more powers, freedoms and flexibilities to benefit Surrey's residents and businesses.

Based on our assessment, we believe that reorganising the current 12 councils into two new unitary authorities is the best direction for Surrey to unlock devolution, realise improved local government services, create more financially sustainable local government and to lay the foundations for future public service reform. A shortlist of potential geographical configurations being considered for these unitaries has been included. We recognise that there is support for 3 unitaries but we have explained in the SCC authored Part B (Annex 7) why that is not our preferred option.

Two unitary councils in Surrey would build on current good examples of community engagement and involvement and work even closer with communities to tackle the specific challenges in the towns and villages they cherish. Partnerships will be more straightforward, less fragmented and more cost effective. Having fewer councils will help enable more transparent, quicker and effective partnership decision-making.

Whilst we seek further devolution for the county, we are also focused on implementing the County Deal agreed with the previous government in March 2024. Securing delegated authority to the Chief Executive, in consultation with the Leader, to consent to the necessary regulations needed to devolve the Homes England

Compulsory Purchase Power and the Adult Skills Fund to the county council, is a further step towards fully implementing these devolved powers to the County Council.

Executive Summary:

Context

1. On 16 December 2024, the government released the English Devolution White Paper, setting out ambitions for deepening and widening devolution across England. The paper also signalled the start of a programme of LGR to simplify and streamline local government.
2. The White Paper establishes a new tier of local government: Strategic Authorities (SAs). The enhanced Devolution Framework (Annex 1) details the powers and responsibilities that government will devolve to SAs, with the most extensive powers and funding being granted to Mayoral and Established Strategic Authorities (MSA and ESA). Powers available to a Mayor span local transport, infrastructure, housing, planning, skills, economic growth and climate change.
3. Given the opportunity presented for greater powers and funding to sit at a more local level, the Leader of Surrey County Council wrote to the Minister for English Devolution and Local Government on 8 January 2025 expressing Surrey's interest in pursuing LGR and devolution to the government's accelerated timeline (Annex 3).
4. On 5 February 2025 the Minister wrote to the Leaders of all Surrey councils inviting them to submit proposals for a single tier of local government and confirming that Surrey is part of the accelerated pathway to unlock further devolution (Annex 4). An interim plan is due with government on 21 March 2025, and a final proposal is due 9 May 2025. The government also confirmed that to enable an ambitious timeline, instead of holding Surrey County Council elections this May, there will be elections for any new shadow unitary councils in May 2026, and a Mayoral election most likely in 2027. This will enable detailed work for reorganisation and devolution to take place.
7. Leaders of all councils in Surrey are committed to seizing the opportunity for greater devolution to enable communities to take more control of their destinies, and for a new, simpler system of local government. They have been meeting weekly to progress the development of proposals, and the interim submission is due to be a joint submission in two parts. Part A (Annex 6) sets out the joint challenges and opportunities facing residents and businesses across the county and outlines how all councils are working together. Part B sets out the 12 councils' proposal for future unitary local government arrangements in Surrey. Recognising that there is currently more than one unitary option preferred by councils, Part B will be in two parts. SCC authored Part B (Annex 7) attached to this report outlines Surrey County Council's preferred unitary option. Other

councils in Surrey are agreeing an alternative Part B, authored by the D&B councils (Annex 8). The D&B councils' Part B document had not been received by SCC at the time of publishing this paper. It will be published as a supplementary document (Annex 8) once available.

5. A single submission comprising Part A and the two Part Bs will be submitted to government by 21 March 2025.

Delivering Deeper Devolution for Surrey

8. Surrey County Council has a strong history of advocating for and delivering devolution into the county. In March 2024, we agreed a County Deal with the previous government which began the devolution of functions and funding related to skills, economic growth, strategic planning and the environment, laying the foundation for future devolution to the area.
9. Deeper devolution into Surrey will support better alignment of our public services, see greater funding and powers brought closer to our residents, and bring robust, accountable and visible local leadership.
10. Government have set clear criteria for how areas can access deeper devolution. To form a Strategic Authority (SA), an area must be covered by two or more upper-tier or unitary councils. Government do not wish for any 'devolution islands' to be created, where areas are left without a natural grouping for an SA. Most of Surrey's neighbours are currently exploring SA footprints that do not include Surrey, with many now on the Devolution Priority Programme, risking Surrey becoming a 'devolution island'. To bring deeper devolution into the county, two or more unitary councils must be established through LGR, allowing for a MSA to be formed on the Surrey footprint.
11. The Devolution Framework sets out the extent of opportunity available to Surrey through the formation of an MSA. Initially, a Mayor for Surrey would have enhanced powers and responsibilities for local transport, infrastructure, housing, planning, skills, economic growth and climate change, as well as control of devolved funding streams and income generation levers. As the MSA matures over time, the Mayor will then have even greater responsibilities and increasing funding flexibility in the form of an Integrated Settlement, and greater influence over the direction future devolution could take. The Mayor will also be a strong advocate for Surrey through their membership on the Council of Nations and Regions, chaired by the Prime Minister, and the Mayoral Council, chaired by the Deputy Prime Minister. With the South-East region largely moving to MSAs as well, cross-regional working with other Mayors will enable better collaboration on larger scale issues.
12. Putting in place the necessary conditions for deeper devolution now will result in short term benefits and long term opportunities for the county and its residents. We set out how these powers could be utilised to address some of the key challenges Surrey is facing.

Economy and skills

13. Surrey is an area with many economic strengths and is the second biggest economy outside of London. The county is exceptionally well connected and has more than 110,000 businesses. There are many key economic opportunities within Surrey that put the county in a strong position to continue growing a sustainable economy so everyone can benefit, however we must also continue to tackle the economic inequalities faced by many communities across the county. With enhanced powers and funding in employment support, adult skills and innovation, a Mayor of Surrey will be well placed to support the delivery of economic growth, more local jobs and the right skills provision to meet local demand and tackle economic inequality.

Climate change

14. Residents across Surrey are already facing, and will continue to face, the impacts of climate change. The Mayor will be able to work collaboratively with local partners, including the newly formed local authorities, to deliver on the ambitions to be Net Zero. The Mayor's devolved responsibilities around transport, infrastructure and planning will allow for a joined up strategic approach to delivering local transport, housing and economic growth, whilst continuing to work towards net zero.

Health inequalities

15. Health inequalities in Surrey can be found across life expectancy, access to healthcare, and socioeconomic factors such as income, education and employment. Joined up efforts to address these inequalities at the right level are crucial to ensure that all residents have the opportunity to lead healthy lives in Surrey. The Mayor, alongside the unitary councils, will play an important role in addressing the social determinants of health by leveraging their functions in areas like transport, housing, and planning, and collaborating with other local leaders, they can shift from traditional service delivery methods to a holistic, resident-centred approach.
16. The Mayor will undoubtedly want to continue to drive forward 'health in all policies'. This will be possible through a new bespoke statutory health improvement and health inequalities duty and their anticipated roles in the Integrated Care Partnership, giving them a clear stake in improving local health outcomes.

Housing, planning and homelessness

17. Housing plays a fundamental role in people's wellbeing, employment and health and Surrey's local authorities play a vital role in delivering and managing vital social housing and tackling homelessness. However, Surrey, like other places, is experiencing a housing crisis and in order to deliver on Surrey's ambition for everyone to have access to appropriate housing, and the government's ambitious housing targets for the area, Surrey needs a more strategic and joined-up

approach to planning and housing delivery.

18. The Mayor will have a range of enhanced powers and responsibilities for local planning and housing to help enable the delivery of more housing across Surrey. The ability to strategically accelerate the delivery of suitable housing will support economic growth by aligning housing and planning with regional economic strategies, stimulating local economies, attracting investment, and creating jobs.

Transport and local infrastructure

19. High-quality local transport infrastructure is vital for supporting growth and opportunity in Surrey. With ambitious government housing targets and expected population growth, further pressure on existing transport systems could negatively impact air quality, noise pollution, and resident health if not managed strategically. Devolution presents an opportunity for a Mayor to bring greater strategic oversight to Surrey's local transport networks, ensuring transport decisions align with climate change, housing, and health ambitions.

LGR Options Appraisal

20. Government is clear that they expect all two-tier areas – areas with county, district and borough councils - to reorganise to simplify and right size local government whilst making sure it is sustainable and fit for the future. For devolution to be delivered on a Surrey footprint, local authorities in Surrey must reorganise to ensure there are two or more unitary authorities to form an SA.
21. The government's priorities for LGR, set out in the English Devolution White Paper, are as follows:
- New councils should be the right size to achieve efficiencies, improve capacity and withstand financial shocks. For most areas, the government assumes this will mean creating councils with a population of 500,000 or more. There may be exceptions to ensure new structures make sense for an area, agreed on a case-by-case basis.
 - High quality and sustainable public services to citizens and communities should be prioritised.
 - New councils should take a proactive and innovative approach to neighbourhood involvement and community governance to empower residents.
 - All councils in an area should collaborate on developing unitary proposals in the best interests of a whole area, rather than producing competing proposals.
 - Councils should work with government to bring about changes as swiftly as possible.
 - Governance models for local authorities to best support decision making.
22. To meet the initial deadline of 21 March 2025 for an interim plan and 9 May 2025 for a final proposal, we have conducted a high-level options appraisal for potential unitary government arrangements using the qualitative assessment of the relative advantages and disadvantages of different geographical options

against the government's criteria for LGR and principles for reorganisation. Financial costs and benefits for each of the options also fed into the analysis.

23. The appraisal considered three options for LGR in Surrey; a single unitary authority, two unitary authorities, and three unitary authorities. When assessed against the government's criteria, a single unitary authority does not unlock devolution on a Surrey footprint and a three unitary model would not meet government's criteria including a minimum population of 500,000 people per new authority. **Our preference is for two new unitary councils as the best way forward for unlocking further devolution for Surrey in line with the government's criteria.** It sets the stage for longer term public service reform in Surrey, with an aim of unifying public services to achieve the best value for money and improved outcomes for residents.
24. Two unitary authorities for Surrey will also strike the right balance between operating at greater scale for more efficient and financially sustainable local government while enabling scarce resources to be directed into the unique needs and priorities of the communities they serve. This option also aligns with the likely future delivery footprints of other public service partners such as the police and health enabling better partnership working.
25. SCC authored Part B of the interim plan in Annex 7 sets out the methodology and findings of the options appraisal in more detail.
26. Surrey's District and Borough councils have also prepared a Part B document, but it had not been received by SCC at the time of publishing this paper. It will be published as a supplementary document (Annex 8) once available. On this basis no commentary can be offered on the D&B Part B in this report.

Empowering Surrey's Towns and Villages

27. The governance models for unitary local government in Surrey will be complementary to the work we are already doing to strengthen participation and engagement across our towns and villages. In line with the government's criteria, we are committed to using LGR to establish even stronger arrangements for local community engagement and neighbourhood empowerment, using a wide range of inclusive approaches that build on current good practices across the county.
28. Surrey has a rich civic life, including community groups and forums, residents' associations, voluntary, community, social enterprise and faith organisations, town and parish councils, business forums and many more. The new unitary authorities will ensure effective collaborative arrangements with these vital community-based groups and associations.
29. LGR will enable us to further develop models of joint partnership working at local levels. Surrey's geography, reflecting its history, is one of multiple towns and villages rather than single centres. These towns and villages are typically the "real places" that people identify with, over and above any administrative

boundaries. They are also the key building blocks at which practical outcomes can be delivered for residents at a local level.

30. In recent years, all Surrey's councils have worked ever closer alongside communities and other organisations at these meaningful local scales – and crucially local NHS partners have aligned into this model to develop integrated neighbourhood teams, better joining up care and support.
31. Two unitary councils will work with partners and residents to deepen collaboration across Surrey's towns and villages so public services are locally responsive, more aligned in how they work and are effective in prioritising and delivering the outcomes that matter most to people, such as economic growth or reducing health inequalities. This will include looking at alternative delivery models that further incentivise collaboration and formalise these arrangements as part of a wider framework for community governance in Surrey
32. We will develop this further through the implementation stage, drawing on national examples, learning from work in Surrey to date, and insights from local councillors. We will review options including considering a consistent set of non-precepting community boards or area partnerships at each town and village area scale, supported by themed networks for strategic priorities (eg Health and Wellbeing), bringing together the full range of organisations and community groups, including Town and Parish Councils, with councillors to drive local improvements and surface key insights to inform decision-making at the unitary and Strategic Authority levels.

Implementing our County Devolution Deal

33. Since the County Deal was agreed in 2024, officers and government officials have been working together to implement the deal in Surrey. Two functions within the deal will require parliamentary approval of secondary legislation to devolve these functions to the County Council. These two functions are the Adult Skills Fund and the Homes England Compulsory Purchase Powers.
 - a. **Adult Skills Fund** – Devolution of the Adult Skills Fund to Surrey County Council will allow skills programmes and delivery to meet local economic and resident needs, helping to grow a sustainable economy so everyone can benefit. The council is working with government to implement the fund from the academic year 2026/27 subject to readiness conditions and Parliamentary approval of the required secondary legislation conferring the appropriate functions.
 - b. **Homes England Compulsory Purchase Powers** – The devolution of the Homes England Compulsory Purchase Powers will enable Surrey County Council and Homes England to work collaboratively to reduce the barriers to affordable housing delivery, regeneration and wider housing growth. Surrey County Council has met government's readiness criteria and the power is expected to be devolved in 2025, subject to parliament approving the required secondary legislation conferring the appropriate functions.

34. To ensure timely consent of the regulations for the devolution of these powers to be put to parliament, Cabinet is asked to delegate authority to the Chief Executive, in consultation with the Leader of the Council, to agree the regulations with government.
35. Surrey County Council will continue to work with relevant government departments to implement all elements of our County Deal, within the context of Local Government Reorganisation and anticipated further devolution to the area.

Consultation:

36. A number of key stakeholders and partners have been engaged with the development of the interim plan (Annex 6 and 7).
37. An LGR Member Reference Group has been established to bring together Select Committee Chairs, Vice Chairs, other senior backbench Members including Group Leaders, the Chair and Vice-Chair of the Council and Chairs of the Regulatory Committees. The Leader of the County Council meets with them to discuss and scrutinise the analysis of LGR options being explored for inclusion in the interim and final LGR proposals. The group has met three times ahead of the interim plan deadline and will meet at least once more ahead of the 9 May deadline for the final proposal.
38. All elected members of Surrey County Council have been kept informed of the development in this work programme through All Member Briefing and regular communications and updates.
39. The County Council and District and Borough councils have worked closely together, meeting weekly in dedicated Chief Executive and Leader fora to discuss the development of the interim plan and share data through online repositories.
40. The Leader of Surrey County Council is using existing communication channels with local MPs, including regular meetings, to keep them up to date and engaged on the work ahead of the interim and final LGR submission deadlines.
41. Key partners across the county have also been engaged. The Combined Health and Wellbeing Board and Integrated Care Partnership Board are the primary engagement mechanism with regular items taken to the group for discussion. Key strategic partners have also been invited to two partner briefings, one prior to the March interim deadline and the second prior to the May final proposal deadline. Additional engagement continues to take place via existing meetings and forums.
42. These stakeholders will continue to be engaged in the lead-up to the Final Proposal submission on 9 May and will become key partners in the implementation of the LGR proposal taken forward by government.

43. Although there is no statutory requirement to consult residents, we feel it is vital to keep residents informed and engaged in the changes to local government in Surrey and our commitment to continuing to focus on service delivery. The council has published FAQs and an explainer video for LGR, is engaged with residents via social media and is reviewing existing resident insight to understand residents' priorities and views to feed into this process.

Risk Management and Implications:

44. With any change there are associated risks and typically the greater the change the greater the risk. Surrey County Council has an effective risk management process which will be adopted in support of LGR.
45. Surrey County Council's risk management process looks to identify, assess, treat, monitor and report on risks in a systematic way.
46. Risks will be captured at the service, directorate, programme and corporate level with associated reporting and governance. This will underpin the need to:
- Strengthen accountability – through clear risk ownership, risk monitoring, escalation of risks and oversight
 - Make best use of resources – through relevant and proportionate treatment of risks
 - Build stakeholder trust – by demonstrating that risks are consistently identified, assessed, managed, and monitored
 - Give confidence – that appropriate actions are being taken to manage risks in a timely manner
 - Make informed decisions – with reliable information on risks.
47. Recognising the potential impact on the organisation from LGR, services and directorates have begun to review their risk registers to capture the potential implications. In addition, a Programme Risk Register has been developed for LGR which will evolve over time. These activities are being coordinated and supported by risk leads within each directorate, an LGR programme risk lead, as well as support from the Head of Strategic Risk.
48. In addition, the current Corporate Risk Register, which identifies the key strategic risks for the organisation, has LGR as the top corporate risk. It is important to point out that LGR in itself is not a risk, rather the risks are related to what needs to be done in order to effectively deliver and realise LGR and the benefits it can bring.
49. Current controls around risk management include regular items on devolution and LGR to the internal transformation board, monthly briefings to senior leaders in the organisation and weekly extended programme team meetings where the impact of service disaggregation is analysed and discussed. Further controls to help mitigate this risk that are in the process of being developed and include creating and resourcing a formal programme structure around this work, ensuring relevant stakeholders, especially district and borough colleagues, are being

engaged and collaborated with, and exploring where LGR funding will be sourced to adequately enable this work.

Financial and Value for Money Implications:

50. The cost of implementing our County Devolution Deal, agreed with government in March 2024, is included in the MTFs. The cost of developing a strategy for and administering the Adult Skills Fund will be met from the government grant, the cost of providing skills programmes will not exceed the funding. The implementation funding for Adult Skills is £150,000 and the annual devolved funding is likely to be c£11m. The Homes England Compulsory Purchase Power provides the Council with powers and does not require additional service costs.
51. An initial financial appraisal has been undertaken of moving to one, two or three unitary authorities in Surrey. This has considered the initial benefits that would derive from reorganisation of the current local authorities in Surrey and opportunities to deliver further benefits through transforming services once the new unitary authorities have been established. In the case of creating two or three unitary authorities the costs of disaggregating services currently operated by the County Council on a countywide footprint have been considered. Implementation costs are included, related to both creating the new authorities and delivering the changes required to achieve the transformation benefits. Further information about the initial financial appraisal can be found in Annex 7: Draft Interim Plan for Surrey: SCC authored Part B.
52. Benefits and costs have been estimated over the period 2025/26 through to 2031/32, five years after when it is expected the new authorities will have been established. For each option of one, two or three unitaries, modelling has been carried out on base (more prudent) and stretch (more ambitious) scenarios. The table below summarises initial modelled ongoing annual net benefits or costs five years after the creation of the new authorities, when it is anticipated a new steady state should be reached, for the mid-point between the base and stretch scenarios for each option.

	1U	2Us	3Us
Annual reorganisation benefits	£28m	£19m	£10m
Annual transformation benefits	£62m	£44m	£35m
Annual disaggregation costs		-£36m	-£53m
Total ongoing annual net benefits/(costs) five years after the creation of the new authorities	£90m	£27m	-£8m

53. Considering the recommendations in this report, the two unitaries show an ongoing net saving of £27m per year at mid-point. The modelling as this stage shows that the three unitaries at mid-point is estimating an additional cost of £8m per year due to reduced savings through aggregation and increased costs of disaggregation.

54. The cost of establishing the new authorities and delivering the changes required to achieve the transformation benefits has also been estimated as part of the initial financial appraisal. This includes redundancy and early retirement costs, programme and delivery team, IT consolidation and change, branding and communications, costs for the new authorities in their shadow year and costs associated with closing down the old authorities and creating the new authorities. Given the level of uncertainty, contingency has been included for all costs with the exception of redundancy costs which are directly linked to the level of workforce savings that have been estimated in each scenario. A summary of the initial mid-point estimated implementation costs for each unitary option is set out in the table below.

	1U	2Us	3Us
Total estimated implementation costs 2025/26 – 2026/27 at mid-point	£29m	£35m	£39m
Total estimated implementation costs 2027/28 – 2031/32 at mid-point	£40m	£40m	£40m
Total initial estimated implementation costs	£69m	£75m	£79m

55. The level of initial estimated implementation costs at mid-point is not significantly different between the different unitary options, though costs are highest for three unitaries primarily due to the need for additional implementation and programme delivery team resource and higher anticipated costs for IT consolidation and change costs, for instance to establish three sets of new systems for many service areas.

56. Costs for the period 2025/26 – 2026/27 will need to be funded by Surrey's existing local authorities, subject to any capacity funding that may be provided by government. It is expected that the 12 current local authorities will work collaboratively on implementation and agree an equitable basis for sharing the costs of implementation. We will provide an update on this in our final business case submission. Costs from 2027/28 onwards will need to be funded by the new authorities and will therefore need to be incorporated into their financial plans.

57. Initial estimated benefits and costs have also been profiled over the seven-year period from the base year 2025/26 through to 2031/32, five years after the anticipated creation of the new authorities. The cumulative net cash benefits or costs of each unitary option at mid-point are summarised in the table below. The payback period is an estimate of the number of years required for total cumulative benefits to surpass cumulative costs. Where this is displayed as "N/A" this means the modelling of an option shows it does not pay back by the end of the fifth year following Vesting Day of the new authorities.

	1U	2Us	3Us
Mid-point cumulative net cash benefit/(costs) after five years of new organisation(s) including implementation costs	£273m	£9m	-£146m

Payback period within five years post go live	1.3 years	4.7 years	N/A
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58. Modelling shows a small net cash benefit of £9m over the seven year period at mid-point for two unitaries, factoring in a lower level of savings compared to a single unitary and County Council disaggregation costs which are profiled to be incurred at an early stage as they are necessary to enable effective operation of the new unitaries, and more quickly than it is possible to achieve the transformation benefits. Modelling of three unitaries at mid-point shows a cumulative net additional cost of £146m over the seven-year period, due to lower savings and higher disaggregation costs modelled for three unitaries than for two unitaries.

59. In summary:

- Should proceeding with two unitaries be the government’s preferred option, action will be needed to minimise disaggregation costs as far as possible and seek to maximise the benefits achieved through unitarisation.
- It is anticipated that Surrey will face funding reductions when the local government funding system is reformed. This makes it even more important to ensure LGR delivers savings to mitigate pressures and help reduce the current medium-term gap identified across the existing local authorities in Surrey.

60. Work will continue to refine the financial appraisal of the different options, including an analysis of the balance sheets and debt and the financial effects on Housing Revenue Accounts, with close collaboration across Surrey’s 12 local authorities. An updated assessment will be included in the final proposal.

Chief Executive Officer Commentary:

61. Officers have undertaken a comprehensive appraisal of potential options for single tier local government reorganisation in Surrey. An option to include an appendix detailing all the proposals including a single unitary authority was provided. It is noted that this analysis showed that a single unitary authority for Surrey demonstrated the greatest financial savings of all options that were considered. As a single unitary authority will not enable the county to unlock further devolution on the basis of the government's criteria the Leader of the Council did not consider this appendix would aid discussions.

62. Moving to a model of multiple unitaries in Surrey, and disaggregating upper tier services in particular, will present risks, especially to safeguarding and social care services, that will need to be ameliorated through the implementation process. Given the current scale of these services, the more they are required to disaggregate the greater the risks are likely to be.

Section 151 Officer Commentary:

63. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.
64. In addition to these immediate challenges, the medium-term financial outlook beyond 2025/26 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
65. Given the short time scale, the assumptions used have been tested as far as feasibly possible, (including through liaison with other counties which have gone through restructure of local government already and those also preparing business cases), are sound and will need to continue to be iterated for the final business case.
66. The modelling at the interim submission stage shows that a single unitary for Surrey would be the most financially advantageous but will not unlock devolution under current government policy. Under these circumstances, the analysis for two unitary authorities shows this is the optimum option financially.
67. Further work will be required to refine the modelling to overlay demand analysis, particularly on upper tier services, before the final submission in May. This will help determine the optimum geographical split and inform the future disaggregation work that will be required on the combined balance sheets, funding and budgets.
68. Debt is a key consideration within Surrey, and whilst there are known positions with respect to Woking Borough Council there are potentially further areas to be clarified with respect to unaudited accounts. All of these positions will need to be discussed with government in the run up to a final submission to fund a sustainable solution for the future unitaries.
69. Disaggregation costs relating to the splitting of upper tier services e.g. adults and children's social care, will also be a significant challenge and therefore risk. Whilst these will look to be ameliorated during the implementation, the modelling

has assumed a significant level of cost, given the need for each sovereign council to have resources that look after safeguarding, quality assurance and performance of outcomes for our most vulnerable residents, which will be in addition to the front line social work functions.

70. Local Government Reorganisation will present a significant challenge, and therefore risk, to the Council in continuing to deliver services to residents whilst maintaining a balanced budget in the remaining financial years, with the anticipated fair funding review likely to land in the last financial year (2026/27) and expected to present further reductions in Government funding to the Surrey local government footprint. In addition, the resourcing and funding of the programme up to the vesting day (1 April 2027) will need to be met, and at this stage it is unclear how much will be needed to be funded by the council.

71. In respect of the current County Devolution Deal, funding that is being devolved will provide funding for skills programmes and delivery and this has been assumed in the MTFS.

Legal Implications – Monitoring Officer:

72. Local government reorganisation is governed by the Local Government and Public Involvement in Health Act 2007. The Secretary of State can at any time invite proposals for a single tier of local government from local authorities and also has the power to direct authorities to submit proposals. The criteria against which proposals are to be judged can be set out in the invitation/direction.

73. The Council has been invited to submit a proposal for local government reorganisation in accordance with Section 7 of the Local Government and Public Involvement in Health Act 2007 and has been asked to submit an interim plan by 21 March 2025, in line with the guidance in the annexe attached to the letter of 5 February 2025 (Annex 4).

74. This may be one of the following types of proposal as set out in the 2007 Act:

- Type A – a single tier of local authority covering the whole of the county concerned
- Type B – a single tier of local authority covering an area that is currently a district, or two or more districts
- Type C – a single tier of local authority covering the whole of the county concerned, or one or more districts in the county; and one or more relevant adjoining areas
- Combined proposal – a proposal that consists of two or more Type B proposals, two or more Type C proposals, or one or more Type B proposals and one or more Type C proposals.

75. The draft interim plan is provided at Annexes 6 and 7 and the approval of this plan is an executive function in accordance with the Local Government Act 2000 Section 9D(2). Members are advised to consider all the information contained in the report and the Appendices in order to make an informed decision on the

proposal for the interim plan. There is a District and Borough Councils' authored Part B provided at Annex 8.

76. There may be a need for amendments to the interim plan to be made at short notice and therefore delegation to make such changes is needed.
77. Following submission of the final plan (by 9 May 2025), should the Minister decide to implement any proposal, legislation will have to be agreed by parliament prior to moving to elections to new "shadow" unitary authorities. At this stage it is envisaged that these elections would be held in May 2026.
78. A shadow authority is one that is elected to carry out the functions of a new unitary council until that authority formally comes into effect. This is commonly called "vesting day." At this stage it is envisaged that vesting day would be 1 April 2027. All existing councils across Surrey would continue to operate and deliver services until vesting day.
79. The devolution of the Land Assembly and Homes England Compulsory Purchase Powers and Adult Skills Fund was part of the County Deal agreed with government in March 2024. Parliamentary approval of the necessary secondary legislation conferring the appropriate functions is required, draft regulations for the Homes England Compulsory Purchase Powers have been produced and those for the Adults Skills Fund will follow. The turnaround time within the parliamentary process means that the Council will be given limited notice and therefore delegation for this consent will enable the parliamentary deadlines to be met.

Equalities and Diversity:

80. A detailed equality analysis is in development to identify and mitigate potential negative impacts of LGR. Opportunities to promote fairness and improve outcomes will also be maximised.
81. Preliminary analysis indicates that changes to services resulting from LGR could disproportionately affect certain user groups. While some council services are available to all residents, such as libraries, impacts may fall disproportionately on residents who are more likely to access them. Additionally, our targeted services, such as adult and children's social care, mainly serve residents who are more likely to need these services, such as older adults, younger children, and people of all ages who are vulnerable or have disabilities. Individuals may, therefore, experience both positive and negative impacts due to the nature of the services provided and the demographics of service users.
82. The implications of LGR also extend to Surrey County Council staff. Most staff at the council are over the age of 45, and over 70% of roles are filled by women. Over 5% of staff have declared they have a disability, which means that changes to staffing structures, working policies and locations could have significant implications on those who require additional adjustments.

83. As more detailed analyses for different LGR workstreams are completed, mitigations will be developed to ensure compliance with Section 149 of the Equality Act (2010) and to uphold our commitment to due regard. We will support residents through this process, implementing necessary policies and conducting the required consultation and engagement activities for the benefit of both residents and staff.

What Happens Next:

- a) On 21 March 2025 councils in Surrey will submit their interim plans for LGR to government.
- b) Government will provide feedback and guidance based on the interim plans they receive.
- c) On 7 May 2025 a final proposal for LGR in Surrey will be taken to Cabinet and Council for discussion and approval.
- d) On 9 May 2025 councils in Surrey will submit their final proposal(s) for LGR to government for consideration.
- e) In Summer 2025 government will consult with relevant local stakeholders on the LGR proposal(s) for Surrey.
- f) In Autumn 2025 government will make their decision on the way forward for Surrey LGR, with government laying the legislation needed to begin LGR implementation at the start of 2026.
- g) In May 2026 elections to the new shadow authorities will take place, which starts the 'shadow period'.
- h) In April 2027 the new unitary councils will go live on vesting day, and the County Council and 11 District and Borough councils in Surrey will cease to exist.
- i) It is anticipated that the Mayoral Election to a Mayoral Strategic Authority will take place either in May 2027 or in May 2028.

Report Author: Nicola Kilvington, Director of Corporate Strategy and Policy,
Nicola.kilvington@surreycc.gov.uk

Consulted:

Cabinet

Member Reference Group

Corporate Leadership Team

Leaders of all Surrey District and Borough Councils

Partners (as set out in main report)

Annexes:

Annex 1 – Devolution Framework Summary Table

Annex 2 – Letter from the Minister for Local Government and English Devolution to the Leader of Surrey County Council, December 2024

Annex 3 – Response by the Leader of Surrey County Council to the Minister for Local Government and English Devolution, January 2025

Annex 4 – Letter from the Minister for Local Government and English Devolution to the Leaders of Surrey County Council and 11 District and Boroughs, February 2025

Annex 5 – Letter from the Minister for Local Government and English Devolution to the Leader of Surrey County Council confirming Surrey’s invitation to join the fast track for LGR and the subsequent postponement of the 2025 County elections, February 2025

Annex 6 – Draft Interim LGR Plan for Surrey: Part A

Annex 7 - Draft Interim LGR Plan for Surrey: SCC authored Part B

Annex 8 – Draft Interim LGR Plan for Surrey: D&B authored Part B (To Follow)

Sources/background papers:

English Devolution White Paper (2024) - [English Devolution White Paper - GOV.UK](#)

Surrey Level 2 Devolution Framework Agreement (2024) - [Surrey Level 2 devolution framework agreement - GOV.UK](#)

Securing County Deal for Surrey – Cabinet Report (2024) [Decision - SECURING A COUNTY DEAL FOR SURREY - Surrey County Council](#)
