

LOCAL GOVERNMENT REORGANISATION IN SURREY

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Wards affected:	(All Wards);
Appendices (attached):	Appendix 1 – Proposal 1 – TO FOLLOW Appendix 2 – Proposal 2 – TO FOLLOW Appendix 3 – Letter from MHCLG, dated 5/2/25 Appendix 4 – MHCLG reply to Interim Plan

Summary

Further to the decision taken at an Extraordinary meeting of Full Council on 18 March 2025, this report seeks to present the options available to this Council further to the invitation by the Minister for Local Government and English Devolution to submit a full proposal by 9 May 2025.

Recommendation (s)

The Council is asked to:

- (1) Consider the two proposals for a single tier of local government in Surrey, as outlined at Appendix 1 and 2, and agree its preferred final Local Government Reorganisation Plan for Epsom and Ewell, to be submitted to the Ministry of Housing, Communities and Local Government by 9 May 2025.**
- (2) Delegate authority to the Chief Executive in consultation with Chair of Standards and Constitution Committee to finalise and submit the Council's submission, making any necessary factual or typographical clarifications or corrections prior to its submission.**

1 Reason for Recommendation

- 1.1 On 18 March 2025, following a recommendation from Full Council, the Joint Interim Local Government Reorganisation Plan was approved. This Plan, drawn up by all county, district and borough councils in Surrey, was subsequently submitted to the Ministry of Housing, Communities and Local Government (MHCLG).

- 1.2 Since that time Surrey County Council (SCC) has focused on developing a proposal for two unitary councils across Surrey (**Appendix 1 – to follow**), while the eight Surrey Districts and Boroughs (Ds and Bs) which did express a preference have focused on developing a proposal for three unitary councils (**Appendix 2 – to follow**). Council is asked to consider the detailed proposals, alongside the options outlined in paragraph 2.9 and resolve to choose one of those options.

2 Background

- 2.1 Following the decision taken on 18 March 2025, where Full Council approved the Joint Interim Local Government Reorganisation Plan, this Plan was subsequently submitted to the Ministry of Housing, Communities and Local Government on behalf of Surrey County Council (SCC) and the eleven District and Borough Councils (Ds and Bs).
- 2.2 At the same Council meeting, Members expressed an initial preference regarding the future structure of local government across Surrey; expressing their preference to be the establishment of three new unitary councils to be created when the twelve current authorities demise.
- 2.3 Since that time the Chair of the RA Majority Group, the Chief Executive, Section 151 Officer and other senior officers have had regular meetings with both SCC and the Ds and Bs to support the development of detailed proposals for the creation of two unitary councils by SCC (Appendix 1- to follow) and three unitary councils by the Ds and Bs (Appendix 2- to follow).
- 2.4 In developing these proposals, authorities have had regard to the guidance issued by the Secretary of State in his letter of invitation on 5 February 2025 (**Appendix 3**). They have also had regard to feedback provided by the Ministry of Housing, Communities and Local Government (MHCLG) in March 2025. A summary of the feedback is attached at **Appendix 4**.

Final Proposals

- 2.5 Two final proposals are presented for consideration. The first proposal (Appendix 1 – to follow) for the creation of two unitary councils and the second for the creation of three unitary councils (Appendix 2 – to follow).
- 2.6 Both proposals are based on a range of assumptions including the configuration of the new councils, the number of councillors, allowances, election cycles, degree of disaggregation of key services etc.
- 2.7 It is expected that both proposals will be submitted to the Ministry in response to its invitation of 5 February 2025.
- 2.8 Both SCC and those Ds and Bs leading the development of the three unitary proposal have made it clear that other authorities are welcome to support their proposal and submit it jointly.

Options for consideration

- 2.9 This Council could decide that -
- 2.9.1 it supports one of the two final proposals and wishes to submit it jointly with other named authorities, or
 - 2.9.2 while it has a preference for one of the two proposals, there are points of detail which it does not support. In this case, it could clearly identify the modifications it would like to see implemented and submit this as a proposal on behalf of this Council. It should be noted that any submission has to be sent by 9 May, so modifications need to be kept to a minimum, with a clear rationale and implications which are easily identified and explained, or
 - 2.9.3 it decides not to express a preference at this stage, noting that, as an authority affected by any order to be made by the Secretary of State, this Council will be consulted prior to the implementation of any proposal, or
 - 2.9.4 it does not support either proposal and writes to the Secretary of State for Housing, Communities and Local Government to confirm this and outline the reasons for this decision.

Next Steps

- 2.10 The final decision regarding which, if any, of the proposals will be implemented will be made by the Secretary of State. They can choose to do this with or without modifications.
- 2.11 Prior to making an order to implement a proposal, all local authorities affected by the proposal (except the authority(ies) which made it) will be consulted, along with other persons considered appropriate by the Secretary of State.
- 2.12 While the Secretary of State has not confirmed when a final decision is expected, the letter of invitation of 5 February indicated that, if a decision was made to implement any proposal, officials would work with organisations across Surrey to move to elections to new shadow unitary councils as soon as possible. It is currently anticipated that these could be held in May 2026.

3 Risk Assessment

Legal or other duties

- 3.1 Equality Impact Assessment
 - 3.1.1 As outlined above, at the time of writing, the proposals (Appendix 1 and 2) have not been received.

3.1.2 It is not anticipated that this decision, in itself, will result in a change to the range or nature of services currently provided across Surrey. While changes will inevitably be made, these are likely to be a matter for the shadow or new unitary council. As a result, the impact of any changes on vulnerable and protected characteristic groups will be an important consideration in the planning and implementation of services as we move through the implementation and transformation phases of the project.

3.1.3 It is recognised that the proposals will be underpinned by a range of assumptions, some of which, if implemented, could have impacts (both positive and negative) on individuals including those in our communities, members and staff. As above, it will be essential that there is ongoing analysis in order to identify and mitigate potential negative impacts and identify any opportunities to promote fairness and improve outcomes as we move through the implementation and transformation phases of the project.

3.2 Crime & Disorder

3.2.1 There are no direct implications as a result of choosing one of the recommendations set out above.

3.3 Safeguarding

3.3.1 While there are no safeguarding implications arising as a direct result of this report, the impact on vulnerable groups will be an important consideration as proposals continue to be designed.

3.4 Dependencies

3.4.1 Both proposals have significant resourcing implications for all local authorities in Surrey. Further details about the assumptions made are included within each of the proposals.

3.4.2 Should the Secretary of State agree to implement a proposal, significant preparatory work will have to be carried out in order to ensure that the appointment and transfer of staff into the new authorities is legally compliant and in line with best practice.

3.4.3 There will be a need for support and advice to staff in the lead up to and post implementation of the new authorities, especially for those at risk of redundancy.

- 3.4.4 In the lead up to the go live date for the new authorities there is a risk that staff turnover increases as staff secure alternative roles elsewhere. Where vacancies exist, it may become increasingly difficult to fill these roles. This will be kept under review. It may be possible to enter into shared arrangements with relevant authorities to fill posts, particularly where this would be likely to avoid a potential redundancy situation in the future. It may be necessary to consider retention payments for some key roles where we wish to encourage existing postholders to remain in post until go live.

3.5 Other

There is a risk that this Council does not believe that any proposal is in the interests of the Epsom and Ewell Community

- 3.5.1 While this Council is not legally required to submit a bid (alone or jointly), this would not prevent those who do support the bids from submitting them. As no individual authority holds a veto, the Minister can proceed to consult on a proposal and make an order to implement it. This Council has tried to mitigate against this risk by meeting with both SCC and the other Ds and Bs to try to influence both bids, and ensure, as far as possible, that both bids reflect the interests of the Epsom and Ewell Community.

There is a risk that a preferred bid contains elements that this Council does not support

- 3.5.2 This could be mitigated by clearly identifying the issues and outlining these, alongside a rationale and an assessment of the implications of any proposed changes. This would need to be submitted as a standalone Epsom and Ewell proposal by 9 May. Given that Council meets on the 6 May, there is a significant risk that there will be insufficient time to prepare a new separate submission. Therefore, any proposed modifications would need to be kept to a minimum. Delegated authority to the Chief Executive would also be required to prepare and submit the modified proposal.

There is a risk that the proposal which this Council decides is in the best interests of the Epsom and Ewell Community is not chosen by the Secretary of State for implementation

- 3.5.3 This Council, as an authority impacted by any proposal, will be consulted on any bid which it has not submitted (alone or jointly). As a result, there would be an opportunity for this Council to raise any concerns or propose modifications. However, these may not result in a change in the proposed way forward. As above, this risk is mitigated as this Council has continued to meet with both SCC and the Ds and Bs to try to influence both bids, and ensure, as far as possible, that both bids reflect the interests of the Epsom and Ewell Community.

There is a risk that this Council, while not opposed to either proposal, does not have a strong preference for any specific proposal.

- 3.5.4 As above, this Council is not required to submit a proposal (alone or jointly) and could choose not to do so, preferring to wait for the formal consultation and deciding at that point whether or not to express a view on the proposed option for implementation. While this is an option, it is not recommended as this Council would have lost an opportunity to shape the outcome of this important process which will influence how local government services are provided to the Epsom and Ewell Community for years to come.

Each proposal poses a significant number of risks

- 3.5.5 Many of these are addressed in the draft submissions. They include financial risks, service risks, public safety risks and employment and resourcing risks. Following the making of an order a clear implementation and project plan will have to be developed. This will include a risk register which will need to be kept under ongoing review.

4 Financial Implications

- 4.1 At the time of writing this report the respective final proposals have not yet been received from SCC and the eight Ds and Bs. The financial implications will be updated through an addendum paper once the agenda has been published and the proposals have been received.
- 4.2 The Financial Implications will be set out in Appendix 1 for the two unitary council proposal and Appendix 2 for the three unitary council proposal.
- 4.3 The main areas where the proposals for two unitary councils in Appendix 1 and three unitary councils in Appendix 2 have made different assumptions, and therefore show significantly different financial implications, are outlined below:
- 4.3.1 • Disaggregation costs of SCC services
 - 4.3.2 • Senior staff structures and associated savings

- 4.3.3 • Service Aggregation and Transformation savings
- 4.3.4 • Implementation and Transformation costs
- 4.3.5 • Cost of Democracy and associated savings
- 4.4 Further detail around the differences in the assumptions used, their impact on the financial implications and the S151 officer's view of the reasonableness of the assumptions used in each proposal will be presented as part of the addendum paper.
- 4.5 Councillors should note, that based on the assumptions made in SCC's proposal at Appendix 1 (to follow), they conclude that three unitary councils would cost more per annum than the existing two-tier model of local government in Surrey and that there would be no payback for the cost of implementing LGR for three unitary councils in Surrey. The predominant reason for this relates to the additional costs of disaggregating SCC's services across 3 unitary councils. In contrast, the eight Ds&Bs proposal at Appendix 2 (to follow) sets out that they think three unitary councils in Surrey would cost less than the existing two-tier system, based on the assumptions they have made, and that the benefits from LGR will pay back the implementation costs over the medium term.
- 4.6 This significant difference in financial outcomes between the two proposals highlights the significant risks surrounding the approach taken to disaggregation of County services, which will be a matter for the new unitary councils to decide.

Debt

- 4.7 As noted above, both proposals make the same assumptions in relation to debt and the impact of financing debt on the revenue budgets of the new unitary councils.
- 4.8 It is worth noting that the default position is that the assets and liabilities (such as debt) remain locally managed by councils and that proposals for LGR in Surrey should set out the extent to which the implications of debt can be managed locally by the new unitary councils, including as part of efficiencies possible through re-organisation. What the default position means therefore is that the assets and liabilities (including the debt) will follow the relevant local authority into whichever new unitary authority that local authority ends up part of. This position will only change if any other proposal for managing the debt can be both agreed locally and with Government. As stated above, both proposals in Appendices 1 and 2 (to follow) recommend that Government writes off the 'stranded' debt in relation to Woking BC.

- 4.9 Under the proposals for two or three unitary councils Surrey, there is no option within which Epsom and Ewell would be with Woking. The only potential option, where Epsom and Ewell would be absorbed into the same unitary authority as Woking is if one unitary authority was created for Surrey. This option has been ruled out in both proposals included within the Joint Interim Plan submitted to Government by both SCC and the District and Borough Councils and remains ruled out in the proposals expected to be submitted in Appendices 1 and 2. Therefore, unless one unitary authority is mandated by Government in defiance of the local proposals, the default position means that assets in the area of Epsom and Ewell could not be sold with a view to using the proceeds of disposal to reduce the debt that has been built up by Woking BC, nor would it be possible for a share of Woking's debt to be taken on by a new unitary which included the area of Epsom and Ewell.
- 4.10 In the modelling for the proposals outlined in Appendices 1 and 2 (to follow), the allocation of Surrey County Council's Net Revenue Budget and capital financing costs is based on weighted population for illustrative purposes only. Final allocations will require significant further work and decisions made by Shadow Authorities on capital and revenue budget allocations.
- 4.11 There is one potential option for two unitary councils included within Appendix 1 (to follow), within which both Epsom and Ewell and Spelthorne would be part, this is 'Option 2.2 East/West'.
- 4.12 The debt modelling undertaken for both proposals in Appendices 1 and 2 (to follow) shows that in all options (including Option 2.2) the key financial resilience indicator 'Ratio of gross financing costs as a percentage of Net Revenue Budget' for any unitary council including Epsom and Ewell would be between 7 and 11% based on the 2025/26 net revenue budget. In comparison, the ratio of gross financing costs as a percentage of Net Revenue Budget for Epsom and Ewell Borough Council alone is 27% based on our 2025/26 net revenue budget. This means that any of the two or three unitary councils that would involve the area of Epsom and Ewell is likely to have a level of debt that can be managed locally.

Future Financial Sustainability of the new unitary Councils

- 4.13 Both proposals for two and three unitary councils set out significant potential budget gaps and therefore challenges to the future financial sustainability of the new Councils. The budget gaps arise due to:-
- 4.13.1 Existing budget pressures and increasing demand across all services, but particularly Housing/Homelessness, Adults and Children's Social Care, Education (particularly special educational needs) and home to school transport
- 4.13.2 Local government funding reform and the business rates reset

4.13.3 Inflation, interest rates and economic market uncertainty

4.13.4 Increasing cost of financing debt, even if the stranded debt in relation to Woking BC is written off by Government or financial support for it is provided

4.14 The above issues are common to the majority of authorities in local government, particularly upper and single tier authorities. All proposals in the appendices show that the financial benefits of LGR will be fully utilised in addressing the financial sustainability challenges outlined. It is the case, however, that the greater the level of savings that can be achieved through LGR, the more the new unitary Councils will be able to cope with these challenges and the more likely they are to be financially sustainable.

4.15 **Section 151 Officer's comments:** The financial implications have been outlined above. However, they will be updated with more detail around the financial implications of the differences in assumptions used between the two proposals once the final proposals have been received. An addendum paper will be issued prior to the Council meeting which will contain the Section 151 officer's view of reasonableness of the assumptions made in each proposal.

5 Legal Implications

5.1 The English Devolution White Paper sets out an expectation that all two-tier areas such as Surrey will develop proposals for reorganisation.

5.2 In his letter to council leaders of 5 February 2025, the Minister for Local Government and English Devolution outlined that the Secretary of State for Housing, Communities and Local Government, in exercise of his powers under Part 1 of the Local Government and Public Involvement in Health Act 2007 ('the 2007 Act'), invited any principal authority in the area of the county of Surrey, to submit a proposal for a single tier of local government.

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

5.3.1 Type A – a single tier of local authority covering the whole of the county concerned

5.3.2 Type B – a single tier of local authority covering an area that is currently a district, or two or more districts

5.3.3 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

5.3.4 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.

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- 5.4 Proposals must be submitted in accordance with the following:
 - 5.4.1 Any proposal must be made by 9 May 2025.
 - 5.4.2 In responding to this invitation an authority must have regard to the guidance from the Secretary of State set out in the Schedule to his letter of 5 February 2025 (Appendix 3) and to any further guidance on responding to this invitation received from the Secretary of State.
 - 5.4.3 An authority responding to this invitation may either make its own proposal or make a proposal jointly with any of the other authorities invited to respond.
- 5.5 In support of this formal invitation, local authorities were asked to submit an Interim Plan on or before 21 March 2025, in line with the guidance in the annexe attached to the letter of 5 February 2025 (Appendix 3).
- 5.6 Part 1 of the 2007 Act (Section 7) explains that where the secretary of State has received a proposal in response to an invitation he may, by order implement the proposal, with or without modification or decide to take no action. The Secretary of State may not make an order implementing a proposal unless he has consulted every authority affected by the proposal (except the authority or authorities which made it), and such other persons as he considers appropriate. Such consultation is entirely separate from any public engagement local authorities who have prepared proposals might have undertaken and is required by law. Whilst local authorities preparing proposals may wish to undertake public engagement this does not constitute consultation in respect of any such proposals. There is no legal requirement imposed on local authorities preparing proposals to undertake consultation as part of the preparation process. The legal requirement relating to consultation is imposed on the Secretary of State.
- 5.7 Following submission of the final plan (by 9 May), 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. This legislation may cover such matters as structural changes, transfer of functions, transfer of property rights and liabilities, staff transfers and electoral arrangements.
- 5.8 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.

- 5.9 **Legal Officer's comments:** The key legal implications of the Local Government Reorganisation process relevant to this report and its recommendations have been outlined above. At the time of writing, the proposals (Appendix 1 and 2) have not been received; should any legal issues arise upon receipt and review of the two proposals, an addendum paper may be issued prior to the Council meeting.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Effective Council
- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** There are no direct implications as a result of the options available to the Council.
- 6.4 **Sustainability Policy & Community Safety Implications:** There are no direct implications as a result of the options available to the Council.
- 6.5 **Partnerships:** There are no direct implications as a result of the options available to the Council.
- 6.6 **Local Government Reorganisation Implications:** The direct and relevant implications that follow from whichever decision this council takes from those set out in paragraph 2.9 above, are detailed within the contents of this report.

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- [18 March 2025](#)

Other papers:

- English Devolution White Paper, published on 16 December 2024