

North East Derbyshire District Council

Cabinet

6 November 2025

LOCAL GOVERNMENT REORGANISATION PROPOSAL

Report of the Leader of the Council

Classification: This report is public

Report By: **Managing Director**

Contact Officer: **Managing Director**

PURPOSE / SUMMARY

- 1.1 Following the publication of the English Devolution White Paper on 16 December 2024, all councils in Derbyshire have been invited to submit a proposal for local government reorganisation (LGR). This report summarises the proposal for Derbyshire which has been developed in collaboration by all eight Borough and District Councils and Derby City Council and is due to be submitted to government on 28 November 2025 subject to Cabinet approval.
- 1.2 The proposal (**Appendix 1**) makes the case for two unitary councils on a North/South geography, underpinned by a robust options appraisal and thorough financial analysis. Two unitary councils will help ensure the future of local government in Derbyshire will be financially sustainable, simplified and strengthened.
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RECOMMENDATIONS

That Cabinet:

1. Consider the views of Council on the proposal for Local Government Reorganisation in Derbyshire including a preferred option (detailed in the appendices in the proposal at **Appendix 1**).
2. Decide whether to approve the proposal, including a preferred option (detailed in the appendices in the proposal at **Appendix 1**) for submission to MHCLG by 28 November 2025.
3. Delegate authority to make any minor changes to the Managing Director in consultation with the Portfolio Holder (LGR) and Leader ahead of submission.

Approved by the Leader of the Council

IMPLICATIONS

Finance and Risk:

Yes ☒

No ☐

Like all local authorities, we continue to operate in a challenging financial environment, with budget pressures and future funding uncertainty. Despite coming from a position of strong financial resilience, we are not immune to the impact of increasing demand and costs of service delivery and therefore must ensure we continue to place significant importance on financial management, to protect service delivery and achieve a balanced budget position each year for the life of this council.

Following the submission of the Interim Plan in March 2025, extensive work has been undertaken to refine the LGR financial appraisal. The Section 151 Officers across Derbyshire have worked collaboratively to ensure base data used for modelling is as robust and credible as possible.

Given the relatively short time scale available to produce the proposal, assumptions used in the KPMG financial model have been tested as far as possible using local knowledge to refine as appropriate. All financial models of this scale have their drawbacks and can never be 100% accurate as they are too reliant on assumptions to be so. The important thing is to understand the limitations of the model and make the assumptions as credible as possible.

Full details of the financial case can be found in **Section 5** of the proposal (**Appendix 1**) where it sets out in detail the base data used for modelling, along with the modelling assumptions applied and financial risks.

Break-even, Savings and Implementation Costs

The annual savings and implementation costs modelled are presented globally in the proposal as they are largely constant across all options.

The financial analysis projects an annual savings potential after 6 years of £44m, equivalent to 3% of the £1.4bn budget of all Derbyshire councils. The gradual build-up of the realisation of savings, beginning with £4.4m in year 1 before peaking at £44m in year 6, supports the model's financial viability over the payback period.

One-off costs of £65.4m are required to implement the reorganisation, these costs are essential to unlock recurring efficiencies in the future. The investment is proportionate and supports a positive return on investment over the planning period.

A break-even analysis for each option has been produced showing when cumulative savings will outweigh the one-off implementation costs. All four options being considered have a payback between 3.55 – 3.58 years.

Financial Sustainability

To demonstrate that the new unitaries are of the right size to achieve efficiencies, improve capacity and be better positioned to withstand financial shocks their future financial sustainability has been modelled. The metrics used to test this are:

1. A Medium-Term Financial Plan (MTFP) modelled for the new councils
2. Reserves availability
3. Future Funding, including a high-level indicative analysis of the assumed impact of the Fair Funding Review 2.0
4. Balance Sheet Health

The existing consolidated forecast budget gap across Derbyshire highlights significant financial pressures. In 2025/26, the combined budget gap exceeds £41 million, indicating the scale of the challenge.

LGR presents funding opportunities to close the budget gap. Council Tax Harmonisation presents such an opportunity as council tax is lifted to create parity at each new council. The importance of this additional revenue stream on future financial sustainability is demonstrated in the table found at **Section 5** in the proposal (**Appendix 1**). This has been modelled using the assumption that maximises income generation, harmonising to the highest rate as quickly as possible, within referendum limits.

The route to council tax harmonising will be a decision for the new councils. Opting for harmonisation that generates a lower income yield than modelled will create a greater risk to the future financial sustainability of the new Councils, putting additional pressure on service delivery. This has been considered in the financial risks (see below).

Overall, modelling outcomes show that the trajectory is healthy, with a balanced position forecast from year three for all options. The early years are marked by substantial deficits before savings from reorganisation and transformation are fully realised. This places pressure on financial planning and necessitates careful financial management. The financial outlook shows a steady improvement over time, reflecting the long-term benefits of reorganisation, harmonisation efforts including council tax and funding reforms. Balance sheet health metrics modelled indicate that the new Derbyshire unitaries will be able to manage debt locally

Financial risks have been fully considered when producing the proposal and full details of the financial risks along with “asks” of the government to help mitigate these risks can be found in **Section 5** of the proposal (**Appendix 1**).

One such risk is availability of reserves to meet ongoing budget pressures and implementation costs associated with LGR. Using current MTFP's, it is estimated that at 31st March 2028, there will be £90m of available reserves across Derbyshire which can be used to fund the implementation costs and help the new councils to withstand future financial shocks. However unanticipated funding and/or expenditure pressures could adversely affect this position before the new councils are created in 2028.A

future decision will be required on how the available reserves are released from each legacy council and utilised.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes** ☒ **No** ☐

Details:

The process for the preparation of proposals and their consideration by the Secretary of State are contained in sections 2, 7 and 11 of the Local Government and Public Involvement in Health Act 2007.

Section 2 sets out the 4 types of proposal that can be proposed. There are, as a result of the way this section operates, more than 4 types of proposal involving Counties, Districts and “relevant adjacent areas”.

The proposal in this report is the fourth option – a combined proposal.

Although each proposal is to be based on Districts as building blocks, the Secretary of State can depart from these 4 types. Further in the Guidance the Secretary of State has also expressly invited proposals that suggest boundary change.

Under section 7 the Secretary of State may:

- a. By Order implement the proposal with or without modification
- b. Implement the Local Government Boundary Commission's alternative proposal under section 5 if there is one
- c. Decide to take no action

There is further power under section 11 for the Secretary of State to implement something which could not itself have been so specified but this must be done in accordance with the requirements of Section 2 of the Act.

The Council has submitted an Interim Plan for Local Government reorganisation and feedback has been provided on this from MHCLG. A full proposal is required to be submitted by 28 November 2025.

The proposal is provided at Appendix 1 and the approval of this proposal is an executive function in accordance with the Local Government Act 2000 Section 9D(2) Cabinet will therefore be required to make a final decision on approving this proposal taking into consideration the recommendations of Council.

Following submission of the proposal, the Secretary of State may 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 consults every authority affected by the proposal (except the authority or authorities which made it), and such other persons as he considers appropriate.

Call in

In relation to Call in, under the Scrutiny Rules number 13 (h) page 81 of the Constitution, Call in may be excluded if the Chair of the relevant Scrutiny may that the decision should not be subject to Call in if:

- The decision is urgent and
- It is reasonable to exclude Call in

In relation to this decision, the Chair of Services has agreed that the decision is urgent because of the submission deadline of 28th November 2025 and that there is not sufficient time to go through the Call in process and still be able to submit the Council's proposal on time to Government. This would result in no submission from the Council and this would seriously prejudice the Council's and the public's interests.

The Chair considers it reasonable that Call in is excluded as Members will have had the chance to consider the matter at Council in advance of the Cabinet meeting. The Council's views will be provided to Cabinet by means of the draft minutes of the Council meeting on 3rd November 2025. All Members have therefore had the opportunity to express their views.

On Behalf of the Solicitor to the Council

Staffing: **Yes** ☒ **No** ☐

Details:

Central to the work ahead is the desire for minimal impact on our service users and our staff. Through the implementation of this programme, it will be vital to engage and update staff so they are brought along in the process and understand what, if any, implications these organisational changes may have for them.

Our communications and engagement plan is regularly reviewed to ensure timeliness and consistency around communication and engagement opportunities for employees and trade unions.

The lessons learnt from other LGR's across the country are challenges regarding harmonisation of terms and conditions which will need addressing as the programme evolves

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £125,000 ☐ Capital - £310,000 ☐ ☒ Please indicate which threshold applies	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No – Call-in has been waived, see legal implications section.
District Wards Significantly Affected	All
Equality Impact Assessment (EIA) details:	
Stage 1 screening undertaken Completed EIA stage 1 to be appended if not required to do a stage 2	Stage 2 undertaken – see below.
Stage 2 full assessment undertaken Completed EIA stage 2 needs to be appended to the report	Please see EIA in Appendix 2 to the submission proposal in the Council report.
Consultation: Leader / Deputy Leader ☒ Cabinet ☒ SMT ☒ Relevant Service Manager ☐ Members ☒ Public ☒ Other ☐	Yes

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.
All

REPORT DETAILS

1 Background

- 1.1 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.

- 1.2 On 5 February 2025 the Minister wrote to the Leaders of all Derbyshire councils inviting them to submit proposals for a single tier of local government. Subsequently, the Interim Plan was submitted to government on 21 March 2025.

2. Local Government Reorganisation Proposal

- 2.1 At its meeting on 3 November, Council considered a report introducing the proposal for LGR in Derbyshire - **Appendix 1**. The proposal puts forward an evidence-based case for the most effective local government reorganisation to meet the government's criteria.
- 2.2 Approval of this proposal is an executive function in accordance with the Local Government Act 2000 Section 9D(2). Cabinet are therefore required to make a final decision on approving this proposal including a preferred option taking into consideration the views of Council.

3 Reasons for Recommendation

- 3.1 On 21 March 2025 an Interim Plan for LGR was submitted which set out the preferred option to reorganise the existing 10 councils into two new unitary authorities. Following submission of the Interim Plan, extensive work has taken place to develop a robust business case which directly addresses government criteria and will lead to, simpler and more financially sustainable local government in Derbyshire.
- 3.2 The final proposal (Appendix 1), due to be submitted to government on 28 November 2025, proposes a North and a South unitary council, working in conjunction with the already established East Midlands Combined Authority. The new unitaries will be large enough to deliver effectively the full range of services currently offered. Our analysis shows this geography creates councils with equitable starting points.
- 3.3 The proposal is built on a vision of a future where the North and South unitary authorities deliver high quality, value for money public services to residents with communities that will thrive. Local neighbourhoods will remain at the core of public services, empowered and informed within this new, enhanced public service delivery structure.

4 Alternative Options and Reasons for Rejection

- 4.1 Do nothing – not considered as the Government have issued a statutory invitation and the Cabinet needs to be provided with the details to make a decision whether to submit a proposal.

DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	Council 3 November 2025, Report including Appendix 1 – LGR the Derbyshire proposal (as set out in Council agenda - Agenda for Council on Monday, 3rd November, 2025, 2.00 pm - North East Derbyshire District Council)
Appendix 2	Draft Council minutes from its meeting of 3 November 2025 (to follow)
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)	
None	