

Report to: Cabinet



Date of Meeting 6 May 2026

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Local Government Reorganisation: Implementation Planning

Report summary:

This report updates Cabinet on implementation planning for Local Government Reorganisation (LGR) and the move away from the current two-tier county/district arrangements. Following the publication of the English Devolution White Paper (December 2024), Devon councils submitted proposals for unitary local government (November 2025) and subsequently responded to MHCLG's consultation on the five structural options (March 2026). A Secretary of State decision is expected in respect of the preferred option during July 2026.

To enable implementation to proceed based on this decision, Parliament will be asked to approve a Structural Changes Order (SCO). The SCO must set key legal foundations including a vesting day, creation of unitary areas and councils, abolition and winding-up of predecessor authorities, transitional vehicles and arrangements for future elections. Current Councils will be invited to submit views on the SCO.

The report explains the role of a Section 24 Direction, which is likely shortly after an SCO comes into force. This will restrict significant transactions without consent, including land disposals over £100,000, capital contracts over £1 million, revenue contracts over £100,000, and major reserve decisions. Consent is typically delegated to the Shadow Executive/new council arrangements, often supported by general consents to enable business as usual.

Transition is planned through to vesting day in April 2028, with phases culminating in inaugural elections (May 2027) and operation of a Shadow Council. Preparatory work is currently being progressed on an "options-agnostic" basis, focusing on consistent data collection and housekeeping activities, while building internal capacity and participating in joint governance forums. Key themes include financial probity, service continuity, transparency/equalities duties, staff welfare, and managing high risk and uncertainty. A further report will follow once the Secretary of State's decision is known. This will also consider the impact on planned major projects and programmes.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

It is recommended that Cabinet;

- Note the current position in relation to proposals for Local Government Reorganisation
- Delegates continuing authority to the Chief Executive in consultation with the Portfolio Holder for Council, Corporate and External Engagement to provide input to the development of the Structural Change Order in conjunction with the other District and Borough Councils and to make such arrangements that are necessary so as to support successful transition through to Vesting Day
- Receives a further report once the Secretary of State's decision is known

Reasons for recommendations:

To ensure that Cabinet is aware of the current position in relation to Local Government Reorganisation.

To support implementation planning and a successful transition to future Council structures.

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Portfolio(s) (check which apply):

- Assets and Economy
- Communications and Democracy
- Council, Corporate and External Engagement
- Culture, Leisure, Sport and Tourism
- Environment - Nature and Climate
- Environment - Operational
- Finance
- Place, Infrastructure and Strategic Planning
- Sustainable Homes and Communities

Equalities impact Low Impact

Climate change Low Impact

Risk: High Risk; Local Government Reorganisation is a complex process the outcome of which goes to the heart of future public service delivery.

Links to background information <https://www.gov.uk/government/publications/local-government-reorganisation-implementation-guidance> [The Surrey \(Structural Changes\) Order 2026 LGR Toolkit | Local Government Association](#) [Financial decisions before local government reorganisation - GOV.UK](#)

Link to [Council Plan](#)

Priorities (check which apply)

- A supported and engaged community
 - Carbon neutrality and ecological recovery
 - Resilient economy that supports local business
 - Financially secure and improving quality of services
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1. Background and Context

1.1 Proposals to replace the current two tier system of District and County Councils were initially set out in the English Devolution White Paper published in December 2024. In the intervening period a number of key stages have been completed including responses to the Secretary of State's invitation to submit proposals for a single tier of unitary government in Devon being submitted (November 2025). Most recently this Council has responded to the MHCLG consultation on the five potential options for future local government structures. This is the penultimate stage before a final decision is made with regard to the preferred model which will then proceed to implementation.

2. Decision to Implement (or Reject)

2.1 Under the Local Government and Public Involvement in Health Act 2007, the Secretary of State holds significant power to reshape local government. Once proposals are submitted and a statutory consultation is held, the Secretary of State has three primary paths:

- **Implement as submitted:** If a proposal meets the criteria perfectly.
- **Implement with modifications:** The Secretary of State can "tweak" the plan. For instance, they might adjust the proposed boundaries or change which specific councils are included in a new unitary area.
- **Reject the proposal:** If the Secretary of State decides the plan doesn't offer enough financial stability or doesn't reflect local identity, they can choose to do nothing, leaving the existing "two-tier" (County and District) system in place.

2.2 A decision regarding local government reorganisation in Devon, Plymouth and Torbay is now expected in July of this year.

3. Structural Changes Order

3.1 If the Secretary of State decides to move forward, they make a final legal decision by laying a Structural Changes Order (SCO) before Parliament. As a minimum, the SCO needs to establish the following;

- Establish a vesting date
- Establish unitary areas
- Establish councils for the unitary areas
- Abolish existing district and county areas
- Dissolve and wind up the abolished councils from vesting day
- Amend the terms of office of existing councillors
- Create transition vehicles:
 - Either a Joint Committee and Shadow Authority for new councils
 - Or an Implementation Executive and Preparing Council for continuing councils
 - Provide for sub-committees and for officers drawn from all relevant areas to implement changes
- Create the main transition/implementation function
- Set out future electoral arrangement

3.2 Devon Councils will shortly be invited to submit SCO proposals. Where possible, MHCLG will encourage working collaboratively to support a single SCO response. The SCO is expected to be published around six months after the decision is made.

4. Section 24 Notice

4.1 A Section 24 Notice (more formally a Section 24 Direction) is a powerful legal "brake" used by the Secretary of State during local government reorganisation to prevent outgoing councils from depleting their finances before they are abolished. It is issued under Section 24 of the Local Government and Public Involvement in Health Act 2007. The Section 24 Notice is intended to ensure the new council inherit a stable financial position. It is likely to be issued within a month of the Structural Change Order and come in to force at the same time as the Shadow Authorities come in to being.

4.2 Once a Direction is in place, the affected councils (the "predecessor" authorities) cannot do the following without written consent:

- **Land Disposal:** Selling or transferring land if the value exceeds £100,000.
- **Capital Contracts:** Entering into new capital projects (like building works) worth more than £1,000,000.
- **Revenue Contracts:** Entering into non-capital contracts (like service agreements) worth more than £100,000 if the contract extends beyond "Vesting Day" (the date the new council starts).

- **Financial Reserves:** Making certain significant changes to how they calculate or use their financial reserves.
- 4.3 The Secretary of State usually delegates the power of consent to a specific body or person to ensure that the process is not delayed in Whitehall. This is typically:
- The Shadow Executive of the new council.
 - The Section 151 Officer of the lead council in the transition.
- 4.4 To keep the councils running smoothly, the consent holder often issues a General Consent alongside the restriction. This allows the councils to keep doing business as usual (like paying staff or emergency repairs) while still requiring they ask for Specific Consent for major new projects or land sales.
- 4.5 Even before the SCO formally comes in to affect the Council has, as a minimum, a moral duty to ensure the best use of public funds. This is particularly important consideration for the Council given the number of transformational projects and programmes that are currently being progressed. Government guidance is clear in its expectations that the Local Plan will continue to be progressed. But other projects and programmes will, to a greater or lesser degree, be influenced by the outcome of the LGR process in terms of the chosen option. This particularly relates to whether the District is effectively divided in to two which will necessarily impact key initiatives, specifically those where services are delivered across the District. Furthermore careful consideration will need to be given to how major investments, such as in relation to the planned Cranbrook Health and Wellbeing Hub, are handled in the period between the decision being known and the Shadow Authority coming in to being. This is considered further in the assessment section of this report.

5. Transitional Arrangements

- 5.1 There are expected to be four main stages in the lead up to Vesting Day and the new Councils going live in April 2028. These are as follows;
- Between now and the date that the Secretary of State's decision is known – likely July 2026
 - Between this decision and the Structural Change Order coming in to force – likely through to January 2027
 - Between the Structural Change Order and the Shadow Authority coming in to being – local elections will be held in May 2027
 - The Shadow Authority and vesting day for the new Authority(s) – in April 2028
- 5.2 At present the preparatory work for LGR is being progressed on an options agnostic basis, focusing particularly on collecting key data across the eleven authorities on a consistent basis. This spans a number of areas, from the register of contracts to establishment size and associated HR records. A particular area of focus is therefore on housekeeping activities to ensure that data records are both up to date and accurate.
- 5.3 Once the decision is known the work will evolve to focus more explicitly on implementation. MHCLG have recently produced implementation guidance (see background links) to help guide this activity. This identifies two main transitional periods as follows;
- **First Transition Period:** Begins when the Structural Changes Order is made and ends on the day of the inaugural elections for the new council.
 - **Second Transition Period:** Begins after the inaugural elections and ends on Vesting Day (typically April 1st of the following year), when the old councils are abolished.
- 5.4 The Council is currently engaged in a number of forums to support initial implementation planning. This includes both in relation to developing the Reimagining Devon (4-5-1) proposals with the other District and Borough Councils and more widely across all eleven authorities and includes both officer and member groups. Overall the transition is

characterised by moving from loose collaboration to formal governance structures. Alongside this it is expected that a single Implementation Team is formed to enable clear programme management and accountability through to vesting day.

6. Implementation Bodies

6.1 To manage the change, the guidance defines two types of temporary governance structures:

1. Joint Committee (First Period)

Before elections take place, a Joint Committee is formed. This has the following ingredients;

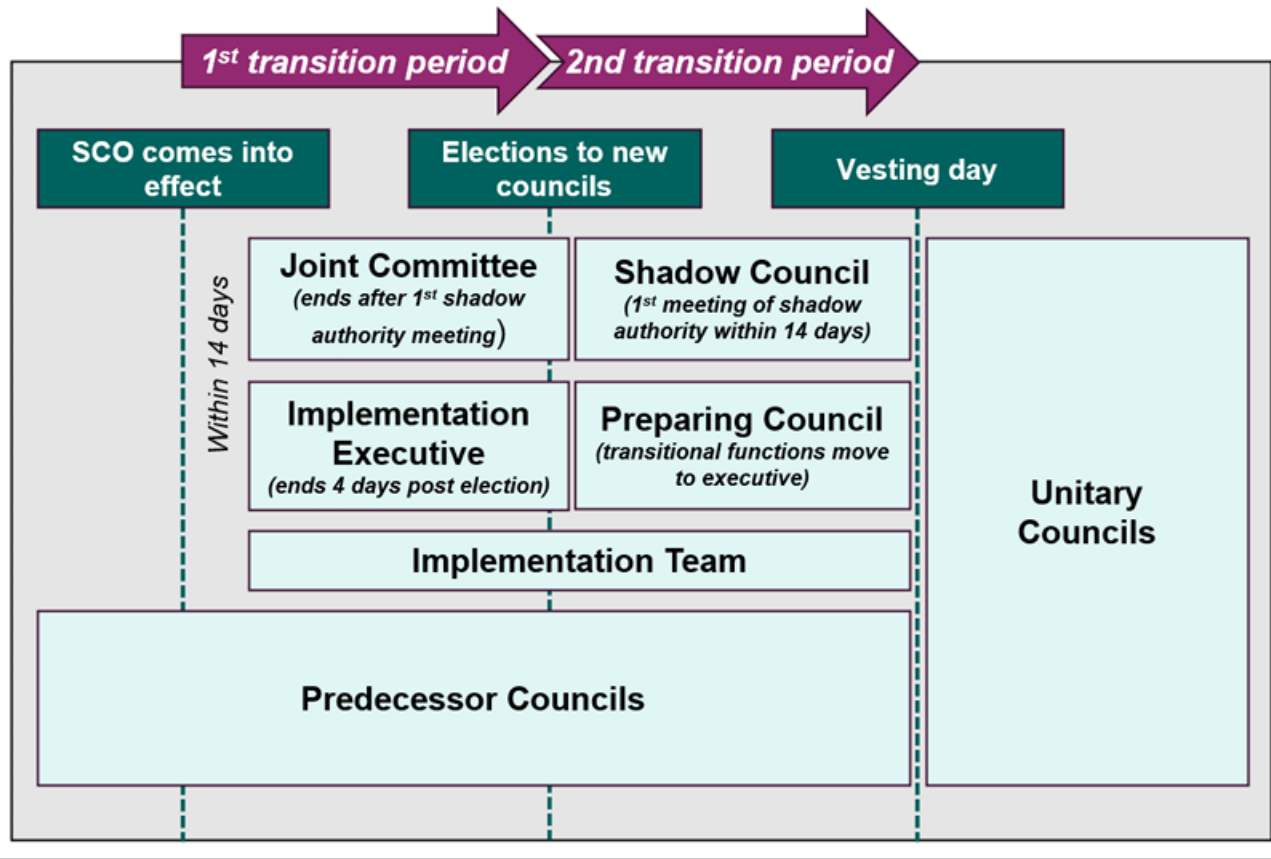
- **Composition:** Members from the existing county, unitary and district councils.
- **Role:** Setting the Implementation Plan, managing the budget for the transition, and preparing job profiles for statutory officers (Head of Paid Service, Section 151 Officer, and Monitoring Officer).
- **Alternative:** In some cases, a Preparing Council model is used, where one existing council takes the lead via an Implementation Executive. This would be relevant if the chose option is a single large Devon unitary council.

The preferred composition of the Joint Committees will be one of the questions posed by MHCLG in relation to expected engagement to help development the SCO. Work is already underway with the other District and Borough Councils to help frame a response to this and other related questions which is reflected in the second recommendation in this report.

2. Shadow Council (Second Period)

After the inaugural elections, the newly elected councillors form a Shadow Council.

- **Status:** A temporary legal entity that exists alongside the outgoing councils.
- **Role:** It adopts the final budget, sets council tax levels for the new area, and appoints the permanent senior leadership team.
- **Vesting Day:** On this date, the Shadow Council becomes the "New Council," and the predecessor councils cease to exist.



7. Key Requirements for Councils

7.1 The guidance emphasises several must-do actions for authorities during the transition as follows:

- **Duty to Cooperate:** Existing councils are legally required to cooperate, share data, and release staff to the Implementation Team."
- **Financial Due Diligence:** The Joint Committee must gather robust financial information to ensure the Shadow Council can set a balanced budget immediately upon election.
- **Continuity of Service:** A primary focus is sustaining business as usual activity. Local services like waste collection and social care must remain unaffected by the administrative merger.
- **Transparency:** All implementation bodies are expected to operate with a presumption in favour of openness, accountability, and compliance with Public Sector Equality Duties.

8. Implementation Costs

8.1 The LGR process will necessarily incur significant implementation costs. All of business cases across the five options highlight that these costs will be recouped within a three year period from the new unitary Councils coming in to operation through ongoing cost savings.

8.2 Initial implementation costs incurred before Vesting Day will need to be funded by the constituent authorities. The government's expectation is that the formula for securing proportional contributions is agreed locally. Given that these initial costs could exceed £30m overall the Council's contribution will be a significant and will need to be factored in to the MTFs and the setting of a balanced budget for 2027/28.

9. Assessment

- 9.1 This report sets out the next stages of the Local Government Reorganisation process following the completion of the consultation exercise on the five submitted proposals. It can be seen that this process necessarily ramps up and becomes more formal, both in terms of governance structures and the need to establish a shared implantation team. There are key themes around financial probity, ensuring a safe and legal transition, democratic integrity, and staff welfare.
- 9.2 Preparation for LGR will become an increasingly significant workstream as we move forward. At present the focus is on housekeeping activity to ensure that the data hub can be populated. An internal team within the Council is being formed to ensure that all LGR related activity can be progressed in a timely manner. This includes undertaking initial scenario planning to better understand the potential impact of the different options. This is alongside externally focused activity to ensure that the Council works collaboratively as part of wider programme management activity. This includes representation on a Lead Officer Group, a Stage 1 Programme Board and a Leaders Forum in conjunction with the other ten local authorities in Devon.
- 9.3 LGR in Devon is being preceded by decision in relation to five areas that form part of the Devolution Priority Programme (Surrey, Hampshire, Essex, Norfolk and Suffolk). Whilst the government has emphasised that these decisions do not set a precedent for latter decision, they are potentially instructive in terms of the associated thinking. This includes a trend towards a greater number of smaller authorities that are significantly below the guideline population size of 500k people and a sharper focus on the role of urban areas as economic drivers.
- 9.4 Alongside wider implementation planning, it will be important to ensure that more strategic and transformational projects and programmes are accompanied by a clear audit trail in terms of decision making in the context of LGR. Directorate Plans were considered at beginning of the year. These deliberately now cover a two period to be coterminous with LGR timeframes. Hence they set the key priority workstreams, including transformational projects and programmes, that will need to be delivered during this period.
- 9.5 Scenario planning is now underway to understand the relationship between the main LGR options and the progression of these workstreams in terms of key decision making points. Whilst the Council's position is to support the Reimagining Devon (4-5-1) proposals it is important to be cognoscente of other potential outcomes. In particular the greater Exeter unitary proposals would sub-divide the District and would be more disruptive to implement. This could particularly impact current District wide procurement activity for example. The associated analysis and assessment will be the subject of a further report to Cabinet.
- 9.6 It is important to stress that, in terms of timescales, there is no indication from central government of any slippage beyond the stated vesting date of April 2028. This has to remain the foundation for planning assumptions moving forward. This includes associated requirements to set a balanced budget including taking account of initial implementation costs. Nevertheless it is also prudent to be mindful of the potential impact of delays. This includes the potential for wider legal challenge. While the Secretary of State has broad discretion, their decisions must be rational and follow the statutory process. There may be arguments that the Secretary of State failed to take account of key evidence for example. If there were a successful challenge this would likely impact the overall timetable. This

would raise wider challenges, not least in terms of the Council's financial position if a budget needed to be set for 2028/29.

9.7 Finally the wider impact of the complexity and current uncertainty in relation to LGR needs to be recognised. This can be unsettling for both members and staff. Alongside managing the transitional process, the Council's focus has to remain on ensuring the ongoing delivery of high quality services. In order to help prepare staff to both understand and embrace the challenges that lie ahead, an initial workshop has been undertaken with an independent facilitator who was recommended by the LGA and who has practical experience of LGR. It is now planned to run equivalent sessions for members and wider staff. This is alongside ensuring regular communications with staff, members and Towns and Parish Councils.

10. Conclusion

10.1 Whilst vesting day for the new unitary authority(s) is just under two years away, the LGR process is now becoming more real. Implementation planning is becoming an increasingly significant and growing workstream. This report sets out the key considerations as we move through the transitional period. The overarching principle is to end well as a predecessor authority whilst ensuring the new council is set up for success. A further report will be forthcoming once the Secretary of State's decision is known including an assessment of any immediate and practical implications arising from this.

Financial implications:

The report has significant future financial implications, however at this stage this is an update on process and highlights areas for consideration, the report does not make any recommendations affecting the Council's finances at this point. Implications are raised relating to the LGR business cases implementation costs and the likely need that part of these costs may fall to exiting authorities, the degree and requirement of this have not been determined or agreed.

Legal implications:

The legal issues are dealt with in the body of the report.