



Ministry of Housing,  
Communities &  
Local Government

## Financial decisions before local government reorganisation

1. This explanatory note is for all councils who were invited on 5 February 2025 to submit proposals for unitary local government under section 2 of the Local Government and Public Involvement in Health Act 2007 (the 2007 Act).
2. The Government recognises that councils are continuing to deliver essential services and that statutory duties such as those relating to the Best Value Duty and setting a balanced budget remain unchanged. However, given reorganisation is a once in a generation opportunity to work together to put local government on a more sustainable footing, creating simpler structures that will deliver the services that local people and businesses need and deserve, it is essential that decisions regarding ongoing service delivery and the medium term financial strategy of existing councils do not compromise the future sustainability of new councils.
3. In the invitation issued on 5 February 2025, councils were asked to set out in their interim plans any voluntary arrangements that have been agreed to keep all councils involved in discussions as this work moves forward and to help balance the decisions needed now to maintain service delivery and ensure value for money for council taxpayers with those key decisions that will affect the future success of any new councils in the area. Regardless of whether voluntary arrangements are now in place, it is essential that all involved are cognisant that decisions taken now by existing councils could fetter the future decisions of new councils and act accordingly.
4. Examples of those decisions include but are not limited to the sale and purchase of significant assets, transfer of local assets, entering into new contracts for service delivery including IT procurement, major organisational restructures and changes to staff terms and conditions, establishing companies, undertaking job evaluation, permanent appointments to senior positions, changes to unplanned borrowing and the spending of reserves, and major changes to arrangements such as the local council tax support scheme and council tax exemption scheme.
5. We continue to encourage local communication on decisions and for councils to actively take steps at appropriate times to align services with neighbouring councils to smooth the transition to service delivery in any new unitary. The expectation is that councils continue to operate in accordance with their agreed medium term financial plans and planned actions for the period and defer the

implementation of any significant changes to service delivery other than where this would cause a gap or cessation of a key service. Decisions that are necessary to ensure service delivery should not be delayed.

6. In previous rounds of local government reorganisation, directions have been issued under section 24 of the 2007 Act to those councils being reorganised to ensure new agreements will be in the best interests of the new council(s) or the residents of the area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarisation, or which may have an effect on the financial position of the new council/s.
7. The Government intends again to issue directions under section 24 of the 2007 Act, once Structural Changes Orders have been made, to specify a person to give consent for all relevant matters and how that power is to be exercised. We anticipate that these directions will follow the precedents previously set, namely that written consent from the successor council will be required for land disposals worth more than £100,000, entering contracts of more than £1,000,000 for capital and entering contracts of more than £100,000 for non-capital (whole life costs).
8. In the meantime, the Government expects councillors and statutory officers to be mindful of their responsibilities. Councils should maintain strong accounting and governance disciplines, prepare their accounts on a timely basis, and work closely with their auditors to rebuild assurance where accounts have been disclaimed and to ensure that all assets, liabilities and key risks are correctly identified and reported. We expect all councils in an area to work together in sharing information and making decisions that are in the best interests of the whole area.