Local Government Reorganisation (LGR) – Cambridgeshire

1. The English Devolution White Paper, published on 18 December 2024, set out the Government's support for the creation of new unitary councils in the remaining 21 two-tier areas where this leads to simpler structures and improved efficiency.
2. In this report, we have explored some of the financial evidence that can be used to assess the financial viability of new unitary options within Cambridgeshire. We have estimated the financial scale of a range of proposed unitaries within Cambridgeshire and Peterborough. These include options based on two and three unitaries.
3. This has resulted in 6 separate unitary arrangements, and 12 separate unitary authorities, plus the existing Peterborough unitary. This provides for a full review of the widest possible range of unitary solutions in Cambridgeshire. The options include a unitary based on the current Cambridgeshire County footprint, options for Peterborough joining existing districts, both in whole or in part, and for various unitaries based on existing district boundaries.
4. We have modelled and analysed these unitary options:

Table 1 – Proposed unitary arrangements in Cambridgeshire and Peterborough

LGR option	Unitary name	Constituent authorities	Population
Option 1	**South**	South Cambs/Cambridge City	318,504
	Mid (adjusted)	Hunts/Fenland/East (adj)	347,562
	Peterborough (adjusted)	Peterborough (adj)	253,016
Option 2	**South East**	East/South Cambs/Cambridge City	409,970
	North West	Hunts/Fenland/Peterborough	509,112
Option 3	**South**	South Cambs/Cambridge City	318,504
	Mid	Hunts/ East Cambs	277,532
	North	Fenland/P'boro	323,046
Option 4	**South**	**South Cambs/Cambridge City**	318,504
	North	East Cambs/Fenland/Hunts/P'Boro	600,578
Option 5	**County**	Cambs County Unitary	699,573
	Peterborough	Peterborough	219,509
Option 6	**North East**	East Cambs /Fenland/P'Boro	414,512
	South West	Hunts /South Cambs/Cambridge City	504,570

Approach

5. Our approach has been to set the proposed unitaries in the context of the existing single-tier authorities in England. There are 132 such authorities, and other than the smaller unitary authorities, there is no indication that scale is a systemic challenge for these authorities, even where their population is substantially lower than 500,000.

6. We have taken a neutral approach to determining whether any of the unitary options are financially viable. Our conclusions are based on the evidence that we have been able to obtain about the overall financial scale of the potential unitaries, the scale of the major services, and future growth prospects.

7. The Government has indicated that "[n]ew unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks", and that "for most areas" this will be a minimum population of 500,000. It will consider options for unitaries with lower populations, "on a case-by-case basis", and we assume this means with populations of around 350,000 or more.

8. The existing unitary in Cambridgeshire is much lower than the minimum threshold (Peterborough, 219,000). If Peterborough is included with other parts of Cambridgeshire, this will help to increase its population size (and financial scale) of the proposed unitiares, although some of the proposed unitary arrangements assume that it would continue on its current boundaries.

9. There are two further criteria that might be important for the Cambridgeshire districts' business case[1]:

   - "Proposals should be for sensible economic areas, with an appropriate taxbase which does not create an undue advantage or disadvantage for one part of the area."
   - "Proposals should be for a sensible geography which will help to increase housing supply and meet local needs."

10. We will review the options taking into account a number of different criteria:

   - To demonstrate that the proposed unitaries are similar to existing single-tier councils in England in financial size, both overall and for the major services.
   - To demonstrate that the proposed unitaries have a reasonable balance of funding and "needs".
   - To demonstrate that the proposed unitaries' sources of funding are sound and sustainable.

[1] Invitation letter to local authorities, 6 February 2025

- To investigate the potential for growth from local taxbases (council tax, business rates), and whether growth in these income streams can contribute to future financial sustainability.

11. It is important to note that this report is based on resources and funding, and does not make any assessment based on expenditure. Whilst funding and expenditure are aligned in overall terms (every authority has to set a balanced budget), it is likely that actual expenditure patterns are different from funding in places. Variances between spending and funding will only emerge once the local authorities in Cambridgeshire have disaggregated their expenditure into the new unitary structures. Such an exercise is not within the scope of this report.
12. To estimate the financial size of the proposed unitary, and of the major services, we have used data from the disaggregation model that Pixel has developed for the County Councils Network. This model disaggregates funding based on the current distribution of funding, which was largely set in the 2013-14 settlement.

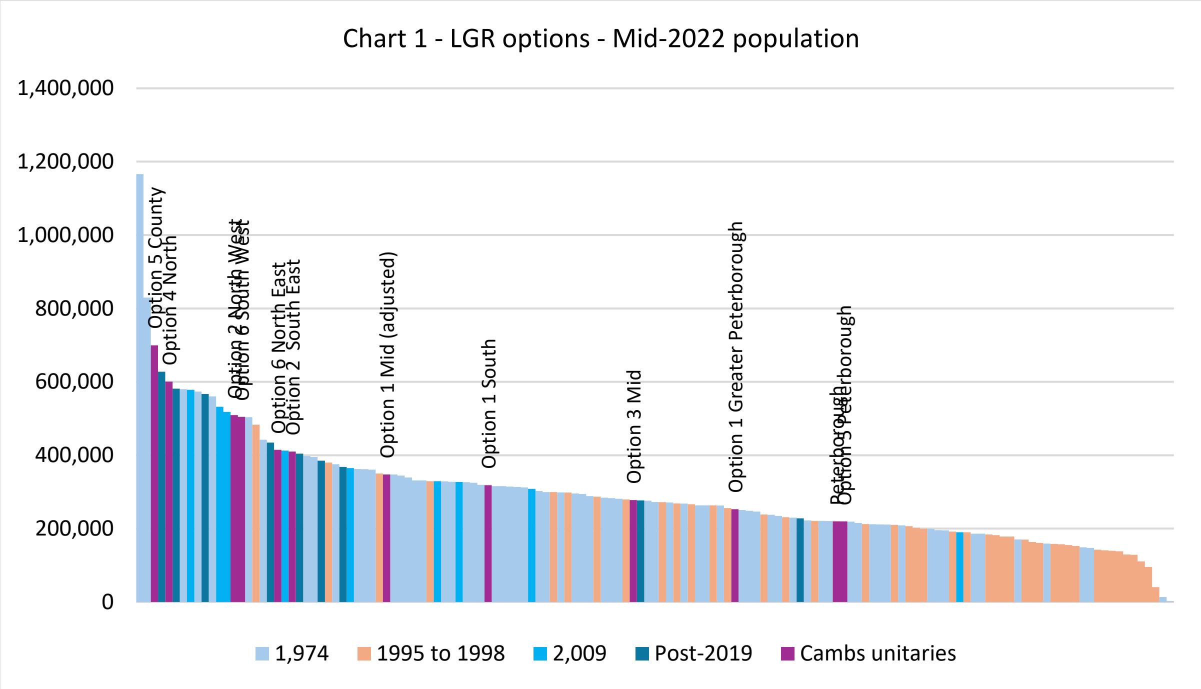
Population

13. The Government is using a high-level population measure to assess the viability of new unitaries. The population threshold is 500,000 – although as we have already discussed, this could be lower on a case-by-case basis. Informally, it has been indicated that 350,000 would be a possible lower limit.
14. New creations of unitary authority have varied enormously over time. The new unitaries created between 1995 and 1998 had an average population of 216,000; those in 2009 an average of 395,000; and those since 2019 have averaged 430,000. So, the trend has very clearly been for larger unitaries. Even so, four out of the 9 unitaries created since 2019 have had populations of less than 400,000, and some substantially so (Dorset 384,000, North Northamptonshire 367,000, Cumberland 276,000, and Westmorland and Furness 228,000).
15. Based on the mid-2022 population estimates, only three of the proposed unitaries in Cambridgeshire would be above the 500,000 population threshold (Option 5 County, Option 4 North, Option 2 North West) (**Chart 1**).[2] A further 4 of the proposed unitaries would be above 350,000 (Option 6 South West, Option 2 South East, Option 6 North East, and Option 1 Mid (adj)). Four of the proposed unitaries would be below the 350,000 threshold. These are the options with 3 unitaries (in options 1 and 3), and Option 1 South[3] (which includes South Cambridgeshire and Cambridge City, 318,000).

[2] None of the Cambridge 2040 population projections are reflected in the population estimates. These are on top of the local plan population projections.

[3] This proposed unitary is included within option 1, 3 and 4, and we have referred to it as "Option 1 South" in this report.

16. Of these, Option 1 Peterborough adj has a population of 253,000, which is larger than the current unitary in Peterborough (219,000), and so this would represent an increase in the current scale of this authority. Like many unitary authorities created in the late 1990s, Peterborough has a very small population.



17. Option 3 Mid (Hunts and East Cambridgeshire) would have a population of 277,000. This would be the smallest of three unitaries in Cambridgeshire. The other two unitaries would be Option 3 North (323,000) and Option 1 South (318,000). All would be below the population threshold – but their population size would be relatively even. All of these unitaries could be boosted in future years by population growth.

18. There will be questions about whether any unitary starting with below-350,000 population would be financially viable in the interim, but our view is that they would already be larger than two-thirds of current single-tier authorities. Of these, only those authorities with the smallest populations are showing systemic signs of financial stress. There is no indication from our analysis of financial accounts that local authorities with populations of more than 250,000 are showing any more financial difficulties than the larger unitary authorities (in fact, there are some indications that larger authorities are seeking more government support).

19. If we take applications for Exceptional Financial Support (EFS) as an indicator of financial weakness, then there is no relationship with financial scale. 26 upper-tier authorities are receiving EFS, around 18% of the total. **Table 2** shows that there are as many authorities receiving EFS in the upper quartile for population as there are in the lower quartile. This suggests that there is no relationship between either population size and financial weakness, at least based on this indicator.

Table 2 – Number of authorities receiving EFS in each population quartile

Population quartile	Population number range	Number of authorities receiving EFS
Upper quartile	Population >400k	5.0
Second quartile	Population 285k to 400k	7.0
Third quartile	Population 210k to 285k	9.0
Lower quartile	Population <200k	5.0

20. The financial case based on an arbitrary minimum population size is relatively weak. The bulk of current unitaries have a population size of 200,000 to 350,000 – so new unitaries at the top-end of this range are not unusual. There is no evidence that authorities in this 200-350,000 group are struggling financially any more than larger authorities

Overall funding disaggregation

21. We have modelled Total Resources for each of the unitary options based on the quantum and distribution of funding in 2025-26 (**Table 3**). Our modelling includes estimates of the major funding streams received by the local authorities affected by LGR. These include:

- Council Tax
- Settlement Funding Assessment (SFA)
- Specific grants within Core Spending Power (social care grants, New Homes Bonus, Funding Floor, ENICs grant) and outside CSP (we have only included Public Health grant; further grants could be added)
- Business Rates Retention Scheme (BRRS) income.

22. Our model is based on the 2025-26 local government finance settlement. Council tax income is based on the 2024-25 forecasts (per CTR1), with uplifts for estimated taxbase growth in 2025-26, and the maximum increase in Band D. Business rates income is based on the 2024-25 forecasts (per NNDR1), with indexation applied to estimate 2025-26 values.

23. Funding has been aggregated for shire district councils and for any unitaries within the scope of the LGR proposals. We have disaggregated some of the proposed unitaries based on shares of population where these are not based on current district boundaries.

Table 3 – Estimated Total Resources

£M	Option 1 South	Option 1 Mid (adjusted)	Option 1 Greater Peter-borough	Option 2 South East	Option 2 North West	Option 3 Mid	Option 3 North	Option 4 North	Option 5 County	Option 5 Peter-borough	Option 6 North East	Option 6 South West
TOTAL BUSINESS RATE INCOME	**58.1**	**74.0**	**79.9**	**74.4**	**136.4**	**51.2**	**102.1**	**154.2**	**138.0**	**70.6**	**119.9**	**90.4**
TOTAL COUNCIL TAX	**216.7**	**226.4**	**128.5**	**277.6**	**294.0**	**184.3**	**170.6**	**354.9**	**462.9**	**108.6**	**231.5**	**340.0**
TOTAL GRANT FUNDING	**50.3**	**71.3**	**75.5**	**67.4**	**129.7**	**50.6**	**96.2**	**146.8**	**129.2**	**67.9**	**113.3**	**83.8**
TOTAL RESOURCES	**325.1**	**371.7**	**284.0**	**419.4**	**560.1**	**286.2**	**368.9**	**655.9**	**730.2**	**247.1**	**464.8**	**514.3**
TOTAL RESOURCES (per head)	1,020.67	1,069.53	1,122.36	1,023.04	1,100.10	1,031.12	1,142.07	1,092.15	1,043.75	1,125.68	1,121.24	1,022.69
Population	**318,504**	**347,562**	**253,016**	**409,970**	**509,112**	**277,532**	**323,046**	**600,578**	**699,573**	**219,509**	**414,512**	**504,570**

24. We estimate, based on our modelling, that there would be a significant range in the Total Resources for each of the proposed unitaries. Total Resources includes council tax, grant funding and retained business rates. The county unitary (Option 5) would have Total Resources of £730m, and Peterborough Option 1 (adjusted) would have only £284m (**Table 3**).

25. All the new unitaries would look very similar in terms of total resources per head, ranged between £1,023 and £1,142 per head (**Chart 2**). This suggests that they are fairly well-balanced in terms of resources per head, even if there is a very large range in terms of the absolute financial scale of the proposed unitaries.

26. Council tax per head is much more varied (**Chart 3**). South has the highest council tax per head (£680). Peterborough currently generates much less council tax per head than most of the rest of the county. Its council tax per head is £494, compared to an average for the remainder of the county of £661. As a result, all the unitaries including Peterborough have lower council tax per head. However, in all cases, the inclusion of other parts of Cambridgeshire in these Peterborough unitaries increases the average council tax per head.

27. In most circumstances, having a strong and large council tax base, and larger council tax income, is a financial strength. It makes an authority more financially self-reliant, and less exposed to changes in funding distribution. An authority with a large taxbase will also be highly (and positively) geared towards taxbase and Band D growth. Increases in Band D (which are to some extent locally determined) give the authority greater scope to generate future income to fund services and investment. And of course, taxbase growth will also result revenue growth, and this in turn is to some degree within the control of an authority.

28. There are some downsides to having a larger taxbase. Authorities will lose in relative terms if grant funding is growing more quickly than its council tax revenues (which has been the case since 2020-21, and is likely to continue under the current government). Authorities will also lose if governments take council tax income into account when distributing funding (council tax equalisation will take place in 2026-27). However, equalisation tends to be periodic (the last time council tax income was equalised within SFA was 2013-14), and governments tend to only partially equalise. Furthermore, if we take a longer term view, then any short-term losses from equalisation will be more than offset for an authority with a large and growing taxbase.

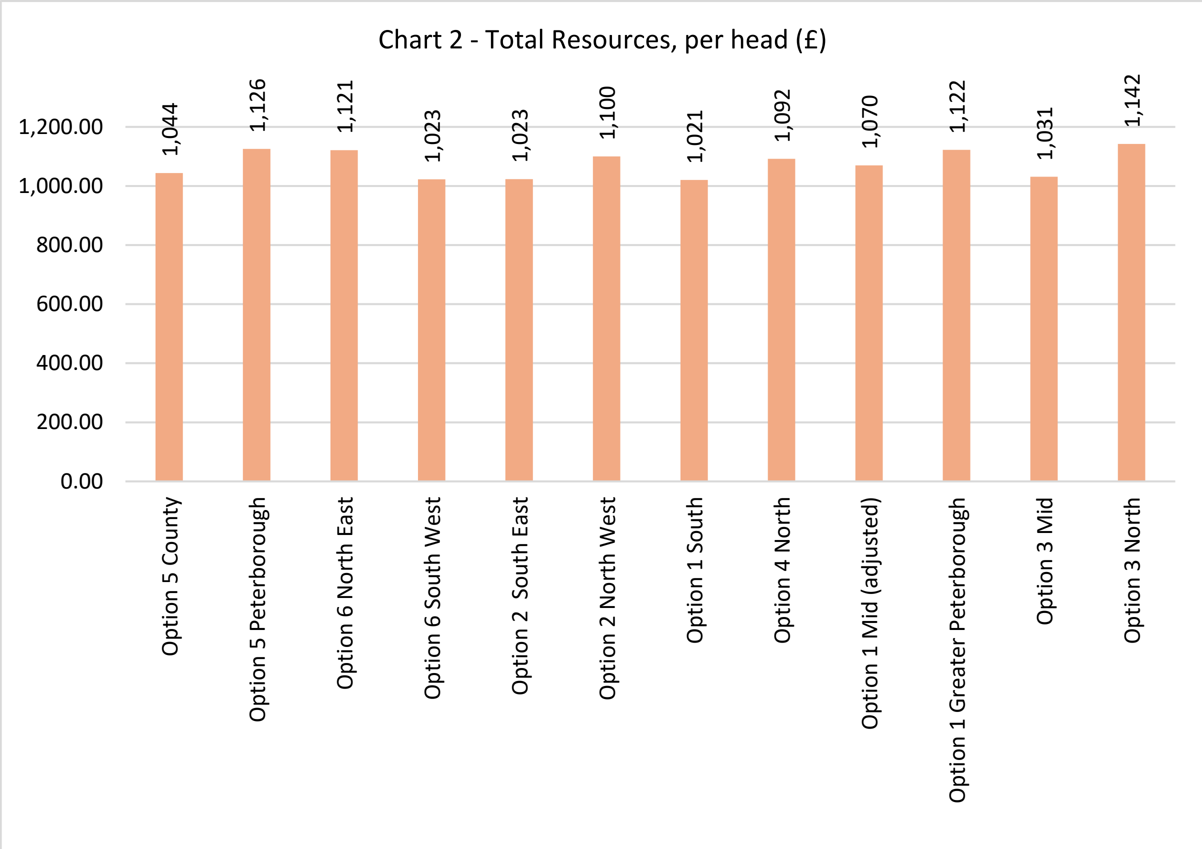


Chart 2 - Total Resources, per head (£)
1,200.00
1,000.00
800.00
600.00
400.00
200.00
0.00
1,044
1,126
1,121
1,023
1,023
1,100
1,021
1,092
1,070
1,122
1,031
1,142
Option 5 County
Option 5 Peterborough
Option 6 North East
Option 6 South West
Option 2 South East
Option 2 North West
Option 1 South
Option 4 North
Option 1 Mid (adjusted)
Option 1 Greater Peterborough
Option 3 Mid
Option 3 North

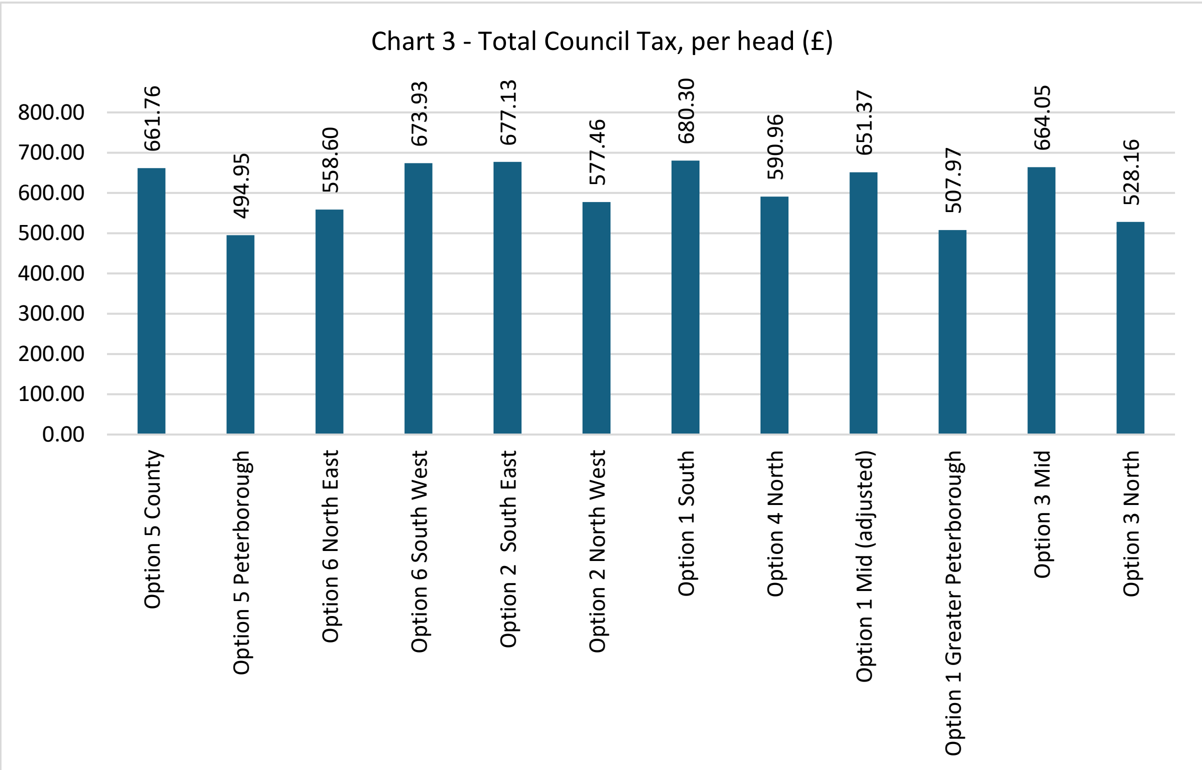


Chart 3 - Total Council Tax, per head (£)
800.00
700.00
600.00
500.00
400.00
300.00
200.00
100.00
0.00
661.76
494.95
558.60
673.93
677.13
577.46
680.30
590.96
651.37
507.97
664.05
528.16
Option 5 County
Option 5 Peterborough
Option 6 North East
Option 6 South West
Option 2 South East
Option 2 North West
Option 1 South
Option 4 North
Option 1 Mid (adjusted)
Option 1 Greater Peterborough
Option 3 Mid
Option 3 North

Major service areas

29. We have calculated the Relative Needs Formulas (RNF) for each of the proposed unitaries, and compared them to the other single-tier councils in England (**Chart 4**). The RNF is an estimate of the total "needs" in an authority. So, it incorporates population numbers, with a weighting for various needs, other cost drivers (highways lengths, visitor numbers), and differences in unit costs.[4] It is a reasonable proxy for the differences in financial scale based on an estimated "need to spend".

30. Most of the proposed unitaries would have sufficient financial scale, based on their overall RNF, to be financially viable (**Chart 4**). We do not know exactly how the government will assess financial scale – but our view is that any authority above-average overall RNF compared to other single-tier authorities in England ought to have sufficient scale. For those that have below-average scale, other factors could be taken into account to demonstrate that it is financially viable. Those unitary options that have below-average levels of RNF, and potentially insufficient financial scale are:

    - **Option 1 South/ Option 2 South East**. These two options are based on South Cambridgeshire and Cambridge City, with Option 2 South East also including East Cambridgeshire. South is towards the lower quartile.
    - **Option 1 Mid (adjusted), Option 3 Mid**. These unitary options within the three-unitary proposals are below average in terms of RNF.
    - **Peterborough** (existing and adjusted). Options are being considered to expand the existing Peterborough unitary. Its current RNF is below the average for single-tier councils in England – and even including the expanded boundaries (Option 1) would still be below average in size based on RNF.

31. The two options with a smaller total RNF than Peterborough's (Option 1 South, Option 3 Mid) are particularly at-risk from this analysis, and on this basis their financial scale looks small compared to other single-tier authorities (in fact it would be close to the lower quartile).

    - South's (Cambridge and South Cambridgeshire) relatively small total "needs" (RNF) is the result of relatively small client populations for older people and children, and relatively low needs per head.
    - For Option 3 Mid, the small financial scale is derived from having a small overall population (only 277,000) and low needs per head. It has a larger population than the existing Peterborough unitary but lower needs per head.

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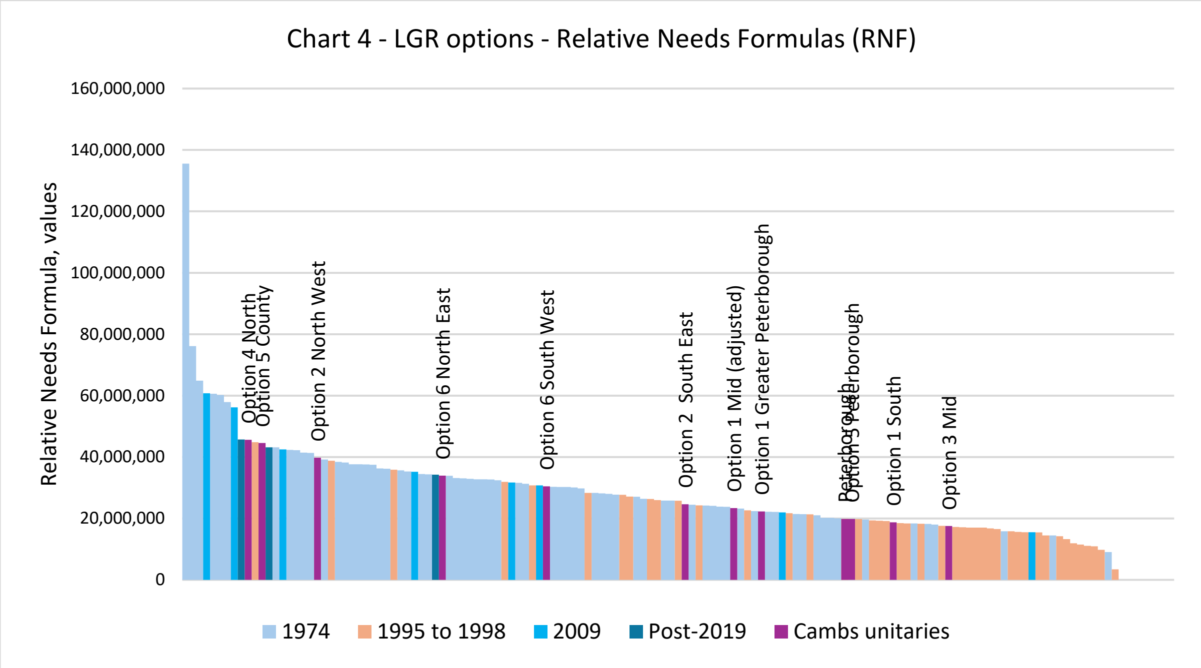
[4] Note that we have not yet included the actual highways lengths, although we assume they will be similar per head of population in the unitaries that we have modelled. Highways maintenance has a relatively small proportion of overall expenditure (6.9% of total "needs" within a one-county unitary).

32. The challenge from government to any of these "smaller" unitaries, on the basis of these figures, is that the key services of children's and adult social care will be even smaller than the high-level population estimates indicate. Officials are concerned about these services in particular, both in terms of fragmentation, and scale. Proposals for these "smaller" unitaries will need to have clear plans about how it will deliver these services at what appear to be a very small scale.



Distribution of children's and adults "needs" across the county

33. Social care – both for adults and children – are hugely important services for unitary authorities, and as we have discussed, of genuine concern to officials as part of this LGR process. We have estimated "needs" per head for social care combined (children, working-age adults, and older people) (**Chart 5).** This indicates the intensity of "needs" within all the single-tier councils in England, and for each of the districts within Cambridgeshire.

34. We can see that most of the districts within Cambridgeshire have low social care needs per head. They range from around the average in Fenland, to well into the lower quartile for South Cambridgeshire (**Chart 6**). This underlines the arguments that we made in the previous section about service scale versus financial viability.

35. It should be noted that these relative needs formulas (RNFs) are based the current formulas, which were last updated in 2013-14. To some degree, therefore, they will be out-of-date. The government is planning to update these formulas in 2026-27. Until we see these new formulas, the current RNFs provide a reasonable methodology for estimating the relative "needs" per head in each district (and in Peterborough).

36. We are aware that a major concern within Cambridgeshire is that some parts of the county have much higher needs than others, with the expectation that Fenland is an outlier in terms of "needs per head", and that the inclusion of Fenland within a new unitary would be destabilising to that authority. Fenland is marginally above average for England as a whole (its social care needs per head are only 1.6% above the median).

37. So, although Fenland is high-needs compared to the rest of Cambridgeshire, it only has moderate needs per-head compared to the rest of the county. It is important not to overstate the risks of a higher need area, such as Fenland, within a county area. A Cambridgeshire County unitary would still have average social care needs per head that are significantly below the national average. Furthermore, having a high-need patch within the county is not necessarily a problem. It is all about whether the funding matches "needs" both now and in the future.

Chart 5 - LGR options - Children's and ASC RNF per head (£)

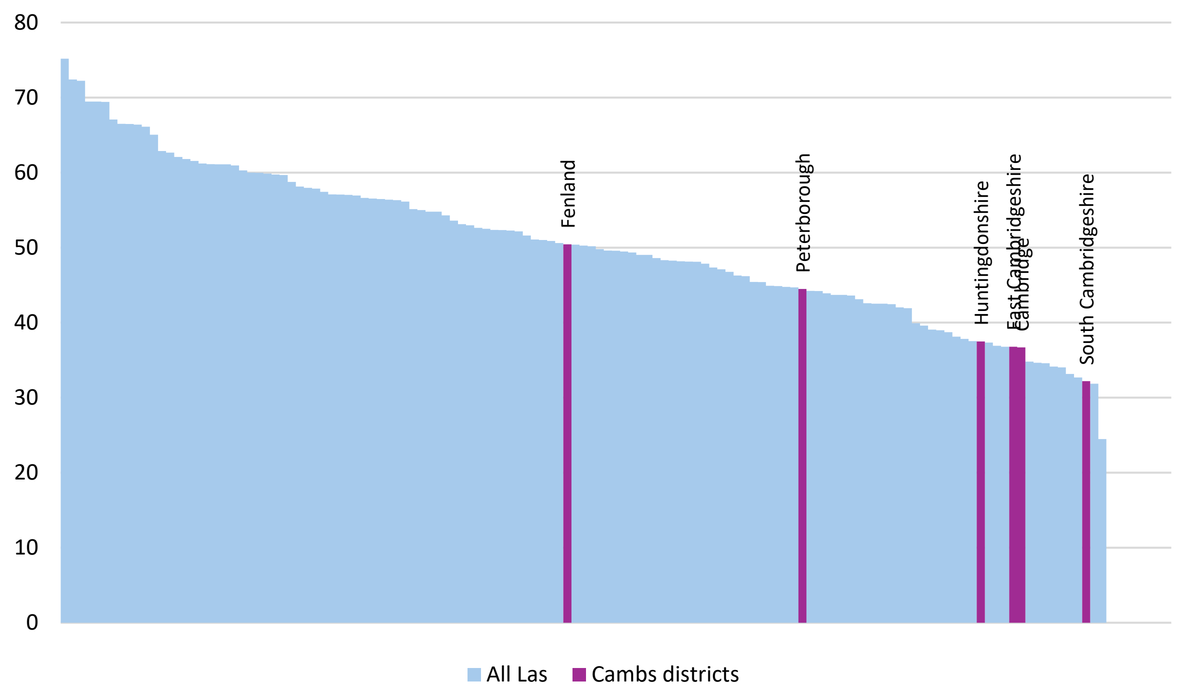
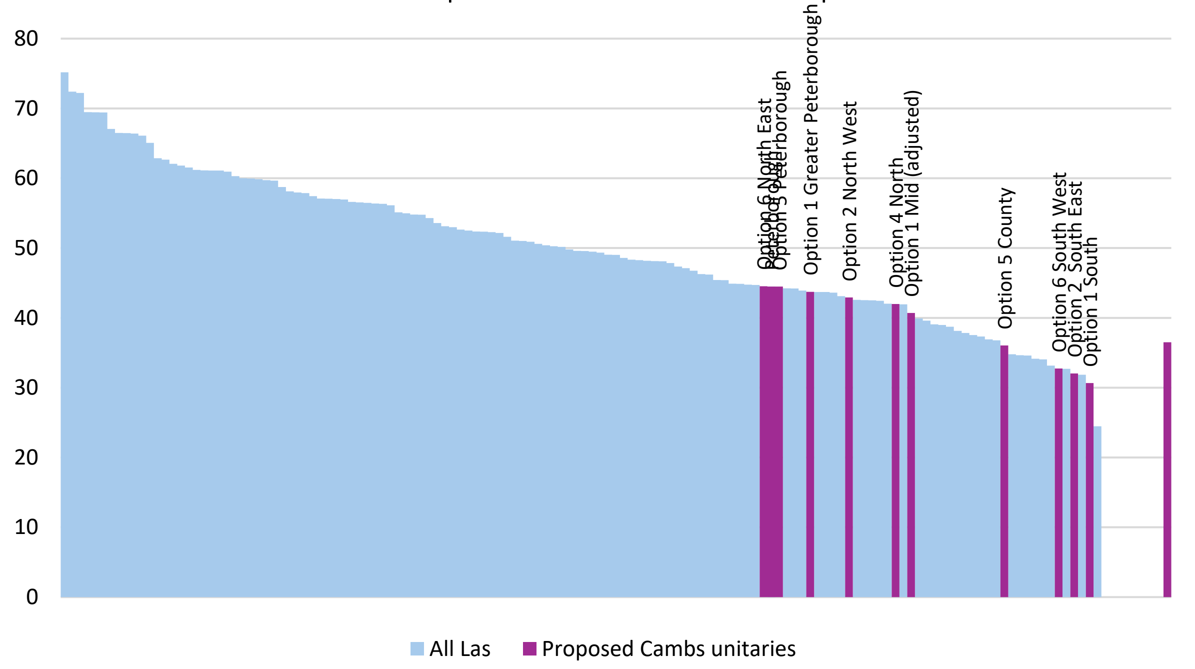


Chart 6 - LGR options - Children's and ASC RNF per head



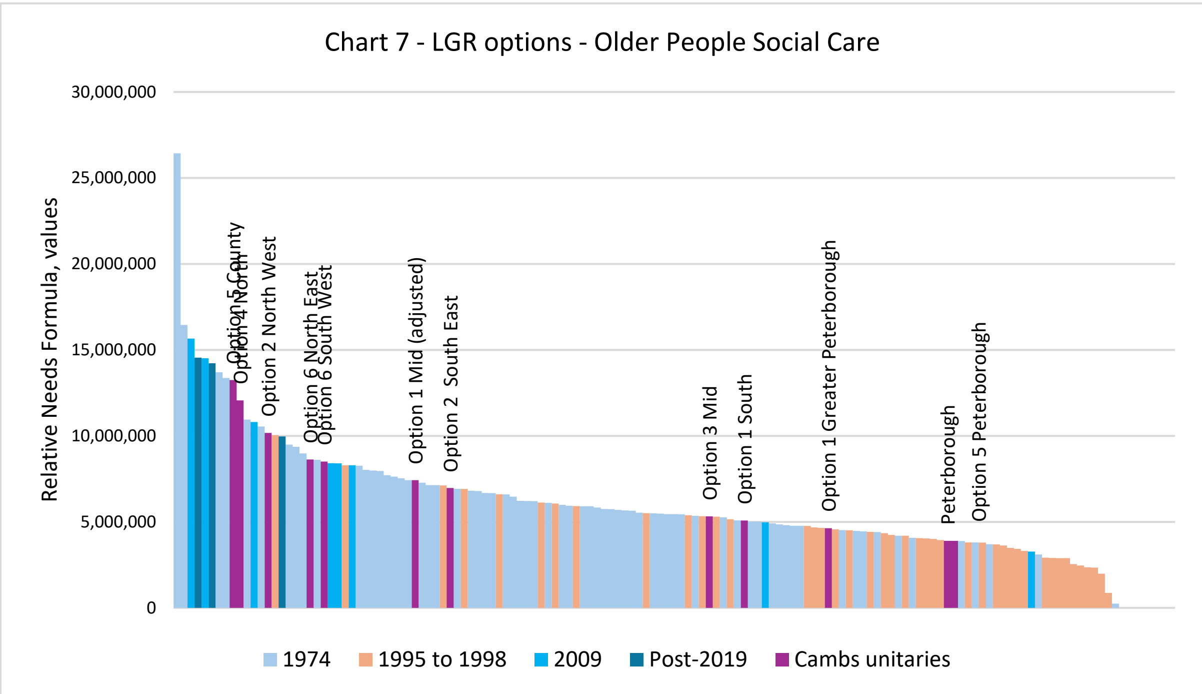
Social care funding

38. The following charts show the total RNF for these service for each of the Cambridgeshire unitaries compared to the other single-tier councils in England (**charts 7-9**). These charts are sub-sets of the data in **Chart 4**. This shows the relative scale of these functions within the proposed unitaries in Cambridgeshire:

- Total older people RNF for Option 1 South and Option 3 Mid are marginally below average, with Peterborough (current, Option 5) towards the lower quartile (although the expansion of boundaries increases the relative size of the existing Peterborough unitary).
- For both younger adults and children's, the RNFs are still above average, with the exception of Option 1 South/ Option 2 South East and Option 1/ Option 3 Mid.

39. Again, these conclusions reinforce those we made in the previous sections. Financial scale for Option 1 South/ Option 2 South East and Option 1/ Option 3 Mid in their social care functions would be relatively small. RNF per head would be very low.

40. It is important to note that these charts show the **aggregate size of the RNF** for social care in each of the proposed unitaries, as a well as for the existing single-tier councils. RNF represents "needs" per head multiplied by the relevant population. RNF indicates **scale** and does not make any judgement about budget pressures, or the pressures on those services "on the ground". An analysis of actual expenditure will help to inform the relevant size of financial pressures within Cambridgeshire and Peterborough.



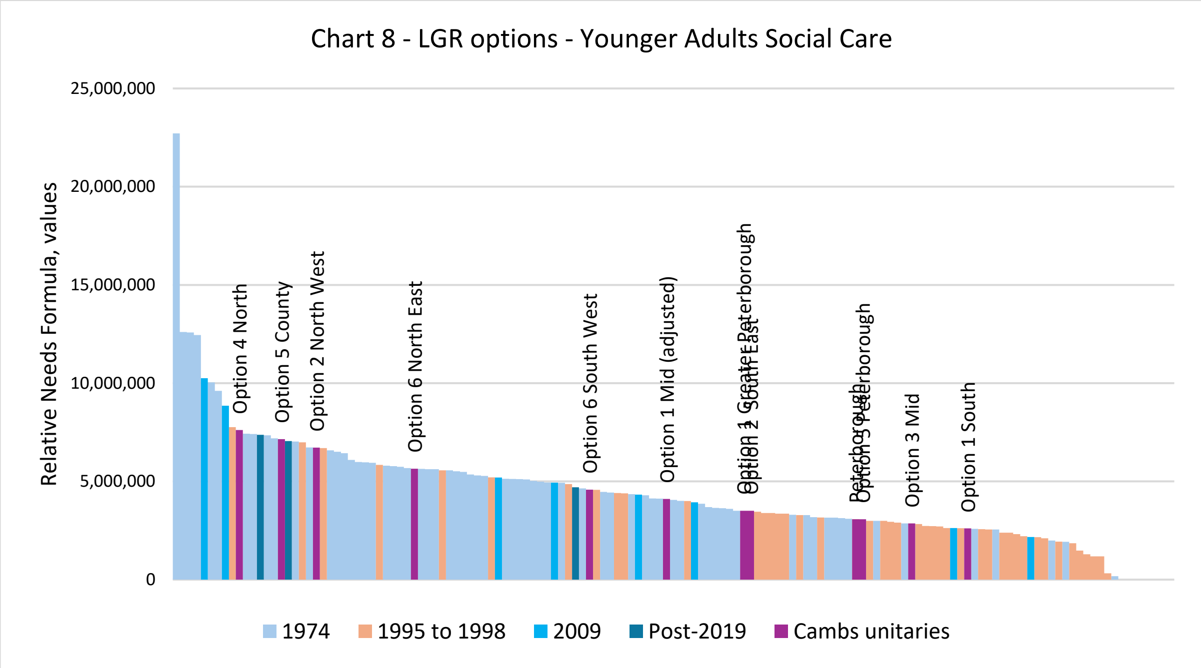


Chart 8 - LGR options - Younger Adults Social Care
Relative Needs Formula, values
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Option 4 North
Option 5 County
Option 2 North West
Option 6 North East
Option 6 South West
Option 1 Mid (adjusted)
Option 1 Greater Peterborough
Option 2 South East
Peterborough
Option 5 Peterborough
Option 3 Mid
Option 1 South
1974
1995 to 1998
2009
Post-2019
Cambs unitaries

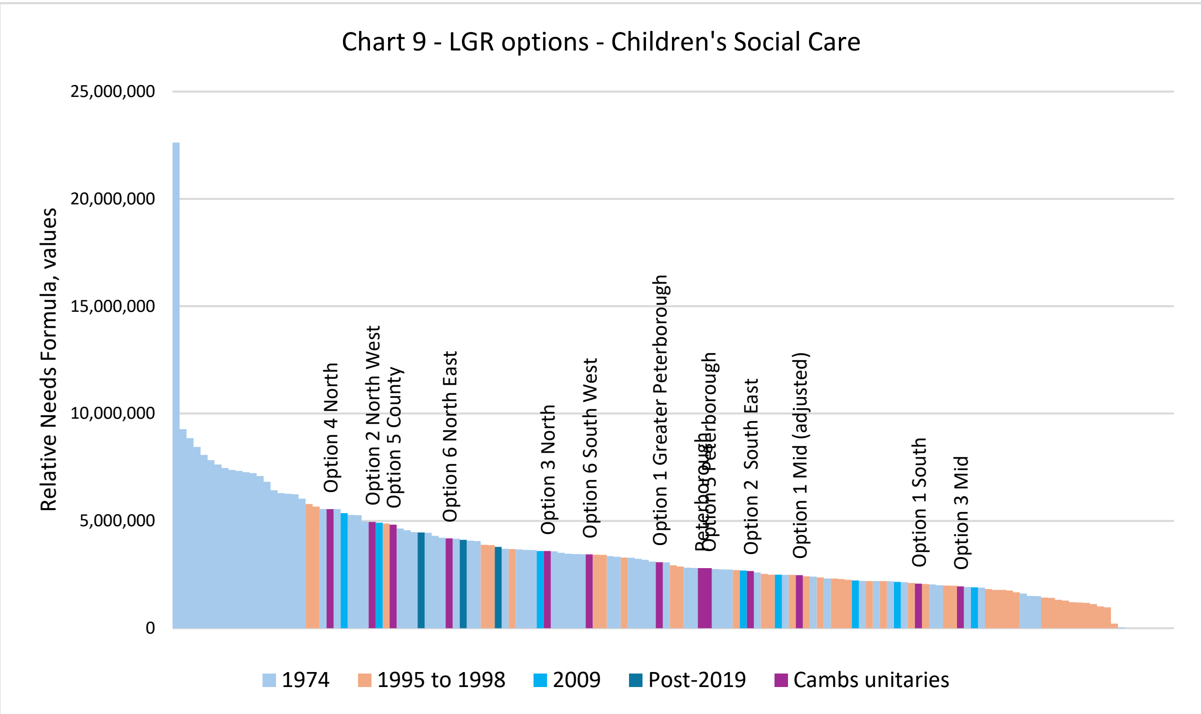


Chart 9 - LGR options - Children's Social Care
Relative Needs Formula, values
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Option 4 North
Option 2 North West
Option 5 County
Option 6 North East
Option 3 North
Option 6 South West
Option 1 Greater Peterborough
Peterborough
Option 5 Peterborough
Option 2 South East
Option 1 Mid (adjusted)
Option 1 South
Option 3 Mid
1974
1995 to 1998
2009
Post-2019
Cambs unitaries

Environmental, Protective and Cultural Services (EPCS)

41. In contrast, parts of Cambridgeshire (particularly Option 1 South) have a very high EPCS RNF. This is the RNF that effectively funds all the non-social care functions (highways, capital financing and some other smaller functions are also funded separately). The county-level EPCS (which we have shown in this report) funds:

- Waste disposal
- Public transport
- Libraries
- Leisure
- Planning
- Central services

42. Some parts of Cambridgeshire have a high County EPCS RNF because of its overall population (relatively large working-age population) and some of the specific indicators that are used within the RNF, including:

- **Additional population**, which measures non-resident people movement from domestic/ foreign visitors, and from net in-commuters. All the net in-commuters to Cambridgeshire have been allocated to Cambridge (132,000). Most of the visitors have also been allocated to Cambridge (410,000) and South Cambridgeshire (182,000), with 527,000 in the other three district areas.[5]
- **Density**. Density is much higher in Cambridgeshire City than any other part of the county. This is a very highly weighted indicator (much higher weighting than sparsity).
- **Deprivation uplift**. Deprivation scores are lowest in Huntingdonshire, East Cambridgeshire and, particularly, South Cambridgeshire.

43. Any of the options including Cambridge City (and to a lesser extent, South Cambridgeshire) would have a high share of its total RNF from the county EPCS would be very high (**Chart 11**). Option 1 South would have the highest share of total RNF from EPCS, after the City of London, and it would be ahead of the City of Westminster. Even expanded out to include the whole of Cambridgeshire (Option 5), a new unitary would have a high share from County EPCS.

44. The balance of services within any unitary containing Cambridge City would be very focussed on non-demand-led services. It would have a greater share of its service delivery based on resident services (e.g. waste collection, county EPCS), and on services

[5] Peterborough's <u>net</u> in-commuters is 17,300, based on the data used by MHCLG in the current funding formula.

to visitors and commuters/ workers. In contrast, any of the non-Cambridge unitaries, including Peterborough, would have more balanced budgets. The relationship between demand-led, social care "needs", and for universal, resident-led services would be similar to most other single-tier councils.

Chart 10 - LGR options - County Environmental, Protective and Cultural Services

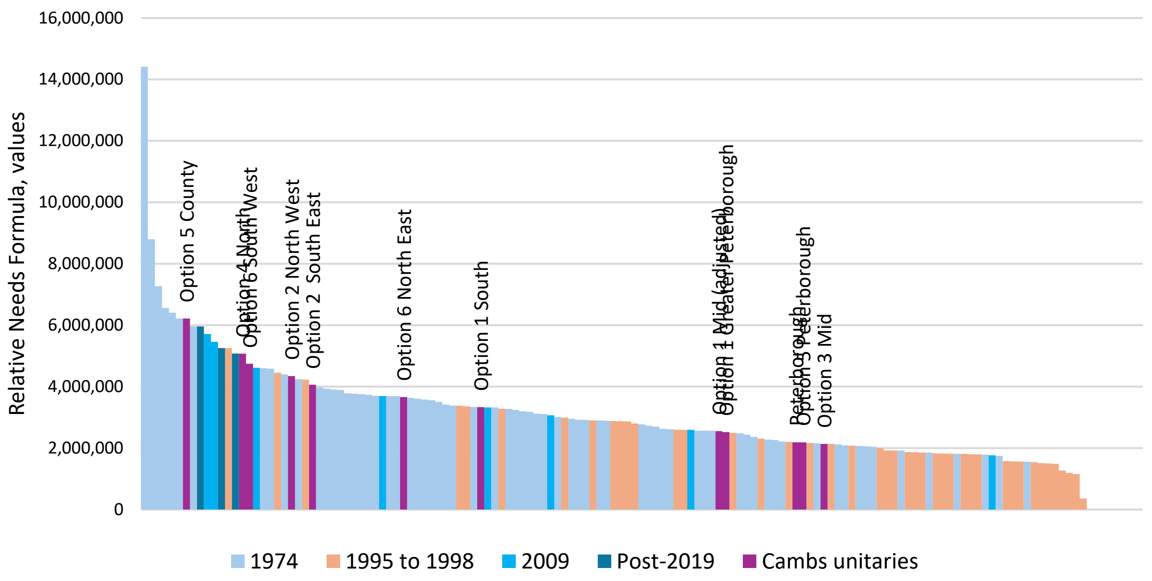
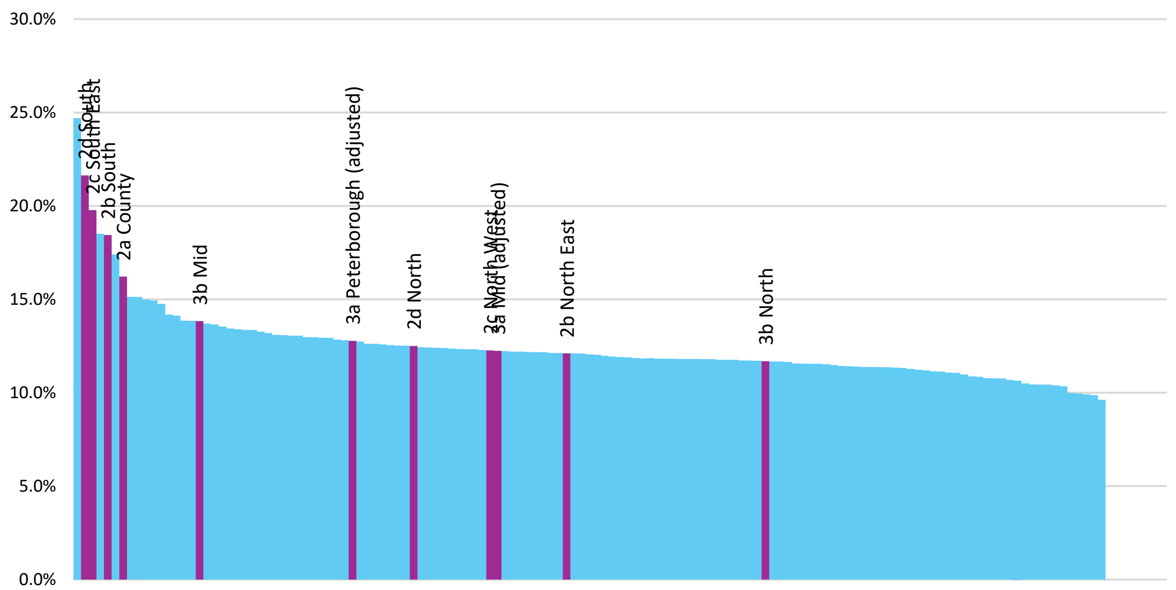


Chart 11 - LGR options - Share of RNF from County EPCS



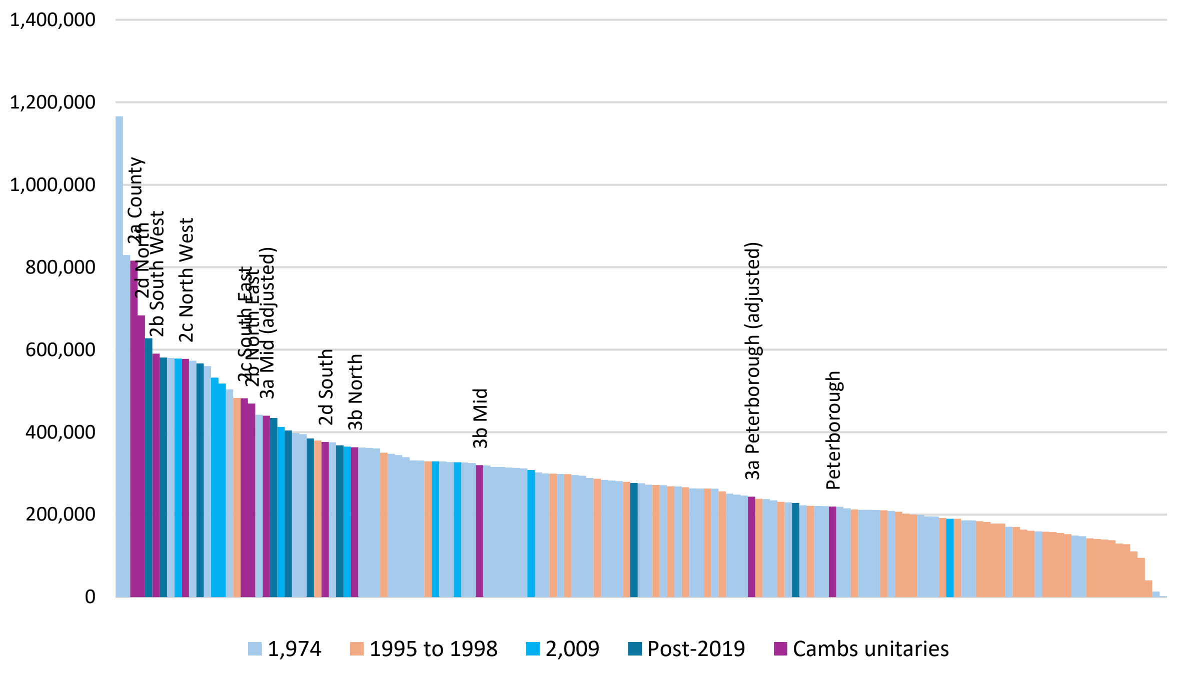
Growth forecasts

45. Parts of Cambridgeshire are expecting exceptionally strong population growth, combined with very high taxbase and business rates growth. This will change the size of the proposed unitaries (in terms of population), and generate considerable additional resources to fund services. If population size is the main measure of local government sustainability (which the government contends is the case), then the Cambridgeshire unitaries would become increasingly financially sustainable over the medium term. In reality, strong revenue growth from council tax and business rates will give these unitaries a strong financial base, even if there are periodic resets.

<u>Population</u>

46. Very high population growth is expected over the next 15 years, especially in South Cambridgeshire.[6] The population for Option 1 South is forecast to grow from 318,000 in the mid-2022 population estimates to 331,000 in 2026, 351,000 in 2031, 366,000 in 2036 and 381,000 in 2041. We can add in further population projections for the other proposed unitaries.

Chart 12 - LGR options - Mid-2041 population projections



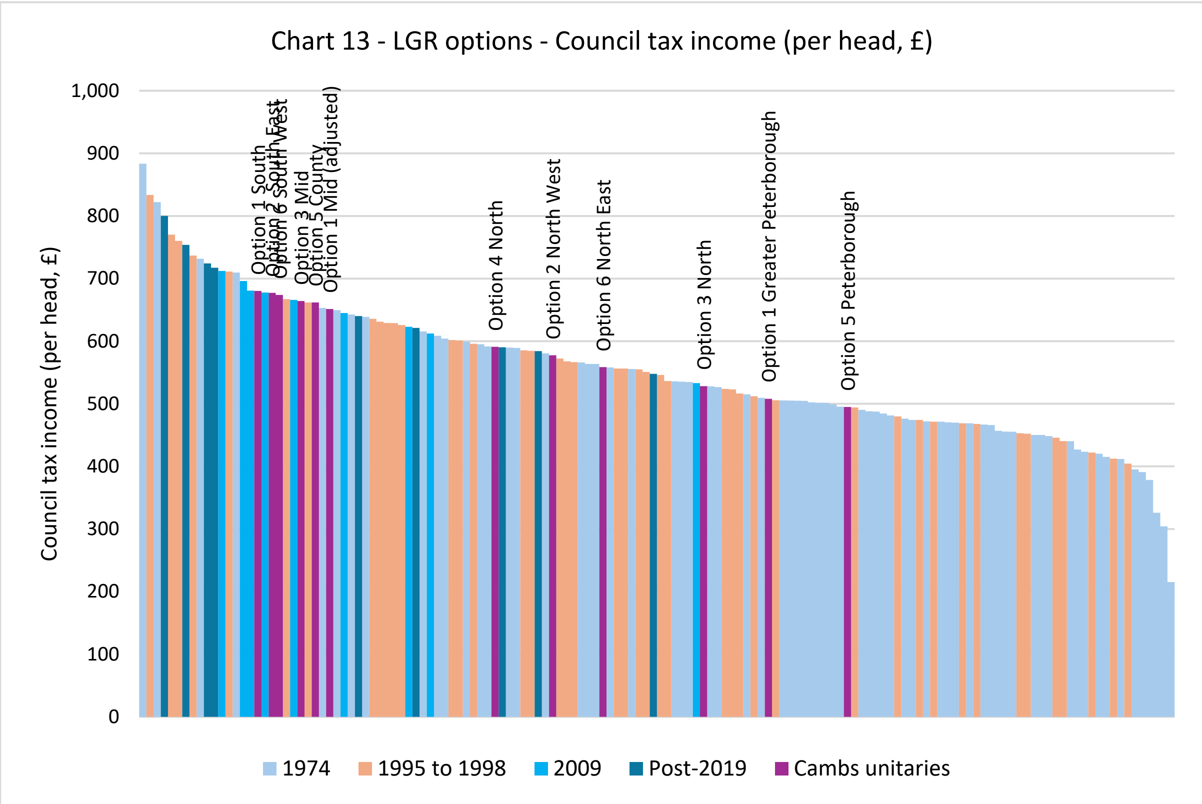
[6] Forecasts have been provided by Cambridge City Council.

Council tax

47. All of the unitary options including Cambridge and South Cambridgeshire have very high level of council tax income per head (**Chart 13**). We estimate that it would receive £680 per head, with only 15 other authorities generating more per head. Council tax per head is particularly high in South Cambridgeshire (not shown on the chart, with the council tax per head in Cambridge City is not much above average). Peterborough and unitaries in the northern part of the county have lower levels of council tax per head.

48. Future council tax growth is expected to be very strong over the next 15 years, and stronger even than in recent years (**Chart 14**). In recent years, taxbase growth has been strongest in Peterborough, East Cambridgeshire and Fenland, followed by South Cambridgeshire.

49. For all of the Cambridgeshire unitaries, the combination of high taxbase growth, with high levels of council tax per head will deliver very strong council tax revenues. This will support the financial viability of the authority over the medium term.



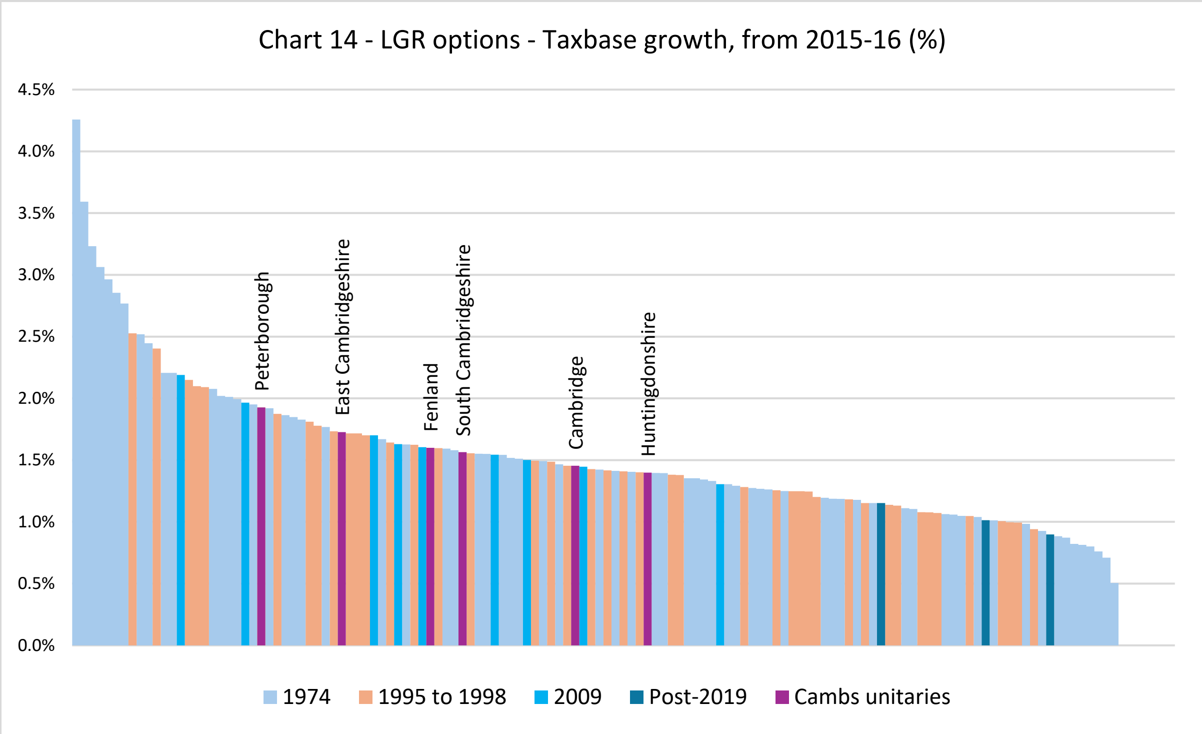


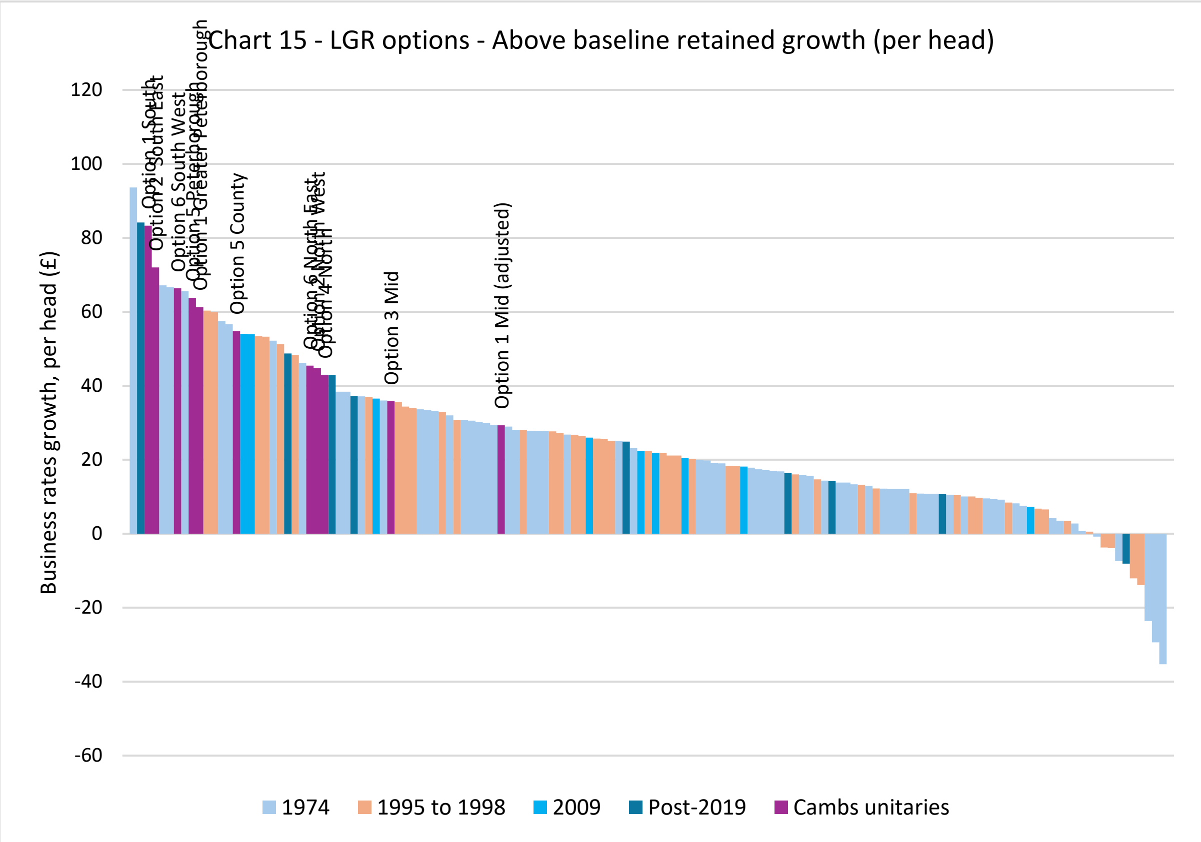
Chart 14 - LGR options - Taxbase growth, from 2015-16 (%)
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
Peterborough
East Cambridgeshire
Fenland
South Cambridgeshire
Cambridge
Huntingdonshire
1974
1995 to 1998
2009
Post-2019
Cambs unitaries

Business rates

50. Most of Cambridgeshire has generated considerable amounts of business rates growth since the inception of the Business Rates Retention System (BRRS) in 2013-14 (**Chart 15**). The BRRS allows councils to retain 50% of the growth in local business rates, of which 40% is retained by the district council, 9% by the county council and 1% by the fire authority.

51. We estimate that Cambridge would be 62% above its baseline (worth £95 per resident) and South Cambridgeshire would be 114% above baseline (worth £72 per resident); Peterborough has generated growth of £90 per resident, one of the highest for any single-tier council.

52. As a result, most of the proposed unitaries in Cambridgeshire would also be well above baseline. Option 1 South would be 79% above baseline (worth £83 per resident), and unitaries based on Peterborough would have similar amounts of above-baseline growth per head. On a per-head basis, Option 1 South would have the fourth highest above-baseline growth (below only North Northamptonshire and Tower Hamlets). Growth in the south of the county would generate considerable busines rates gains. Again, this is another indicator of future financial strength.



Council tax harmonisation

53. When new local authorities are created through reorganisation, the Band D council tax has to be harmonised. The new authority can choose how quickly to harmonise Band D council tax, but it must be completed over 8 years. Harmonisation is based on the Area Band D excluding local precepts (i.e. town and parish councils).

54. The starting point for the calculations is the combined (weighted) Band D for the outgoing district and county councils. The new authority can set different amounts of council tax in its predecessor areas for 7 years. A uniform council tax must be set by year 8. The gap between the highest charging area and the others must narrow every year – but there is no minimum narrowing requirement.

55. Increases are subject to referendum thresholds but these are applied in a more flexible way than for other types of authority. Each year the authority can choose to apply the referendum principles to the amounts set in each predecessor area or to the overall weighted average Band D.

56. As long as the new unitaries choose to set their Band D in line with the weighted average for the area, and apply the maximum Band D threshold uplifts, then there will be no loss of council tax income as a result of LGR.

57. Our initial calculations indicate that the maximum increase in district Band Ds is only £43.64 (**chart 16**), well within the range of other unitaries that have successfully harmonised Band D within the first year. This is the increase in Band D to bring any area up to the weighted average Band D in a new unitary.

58. The largest increase in Band D in recent reorganisations has been in North Yorkshire (residents in Hambleton had an increase of £82.30). A two-year strategy was adopted by North Yorkshire Council to harmonise Band D. In all other recent LGR cases, the new unitaries have opted for a one-year strategy (with the exception of Bournemouth, Christchurch and Poole), and this is viewed as being the preferable approach.

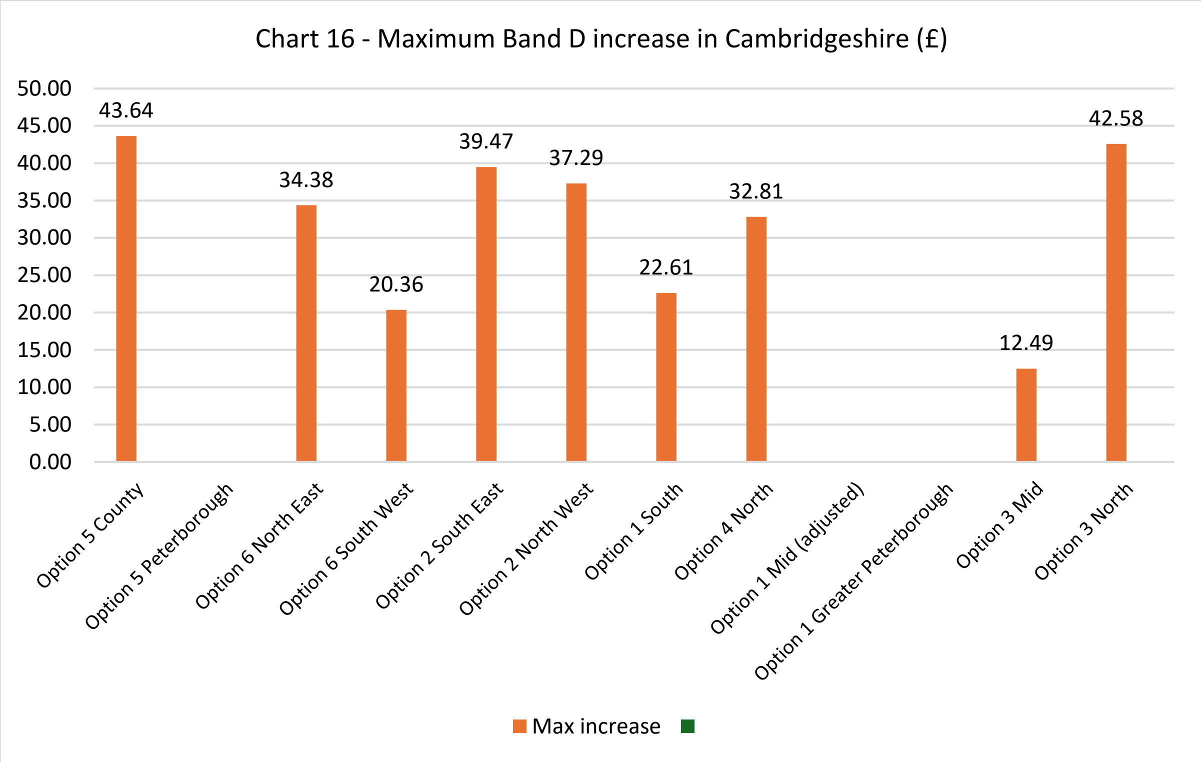


Chart 16 - Maximum Band D increase in Cambridgeshire (£)
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
43.64
34.38
20.36
39.47
37.29
22.61
32.81
12.49
42.58
Option 5 County
Option 5 Peterborough
Option 6 North East
Option 6 South West
Option 2 South East
Option 2 North West
Option 1 South
Option 4 North
Option 1 Mid (adjusted)
Option 1 Greater Peterborough
Option 3 Mid
Option 3 North
Max increase

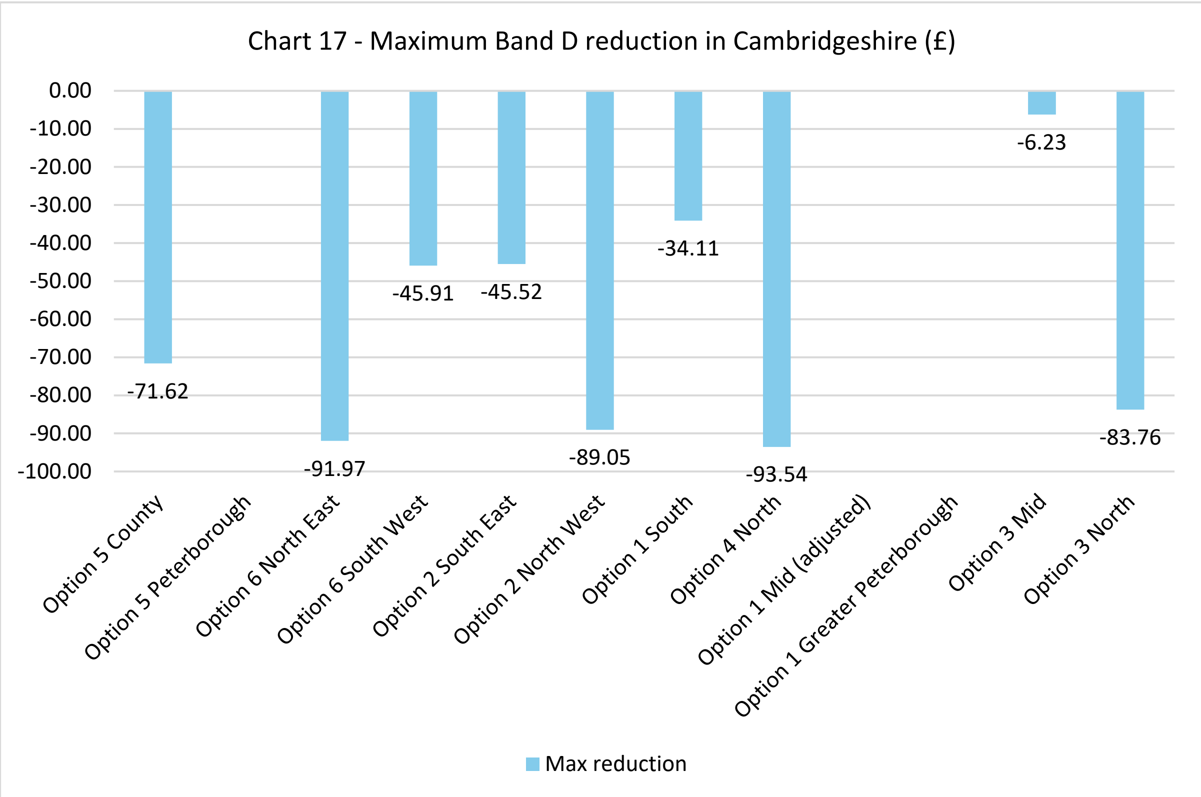


Chart 17 - Maximum Band D reduction in Cambridgeshire (£)
0.00
-10.00
-20.00
-30.00
-40.00
-50.00
-60.00
-70.00
-80.00
-90.00
-100.00
-71.62
-91.97
-45.91
-45.52
-89.05
-34.11
-93.54
-6.23
-83.76
Option 5 County
Option 5 Peterborough
Option 6 North East
Option 6 South West
Option 2 South East
Option 2 North West
Option 1 South
Option 4 North
Option 1 Mid (adjusted)
Option 1 Greater Peterborough
Option 3 Mid
Option 3 North
Max reduction

Table 4 – Council tax harmonisation (Cambridgeshire and Peterborough)

Option 5 County	**Cambridge**	**East Cambridgeshire**	**Fenland**	**Huntingdonshire**	**South Cambridgeshire**	**TOTAL**	**Max reduction**	**Max increase**
Council taxbase (for council tax setting purposes) (£)	45,490	32,972	31,571	66,096	68,632	244,761		
Band D (district) (£)	225	142	255	161	170			
Band D (county) (£)	1,620	1,620	1,620	1,620	1,620			
Deduct fire element of county Band D								
TOTAL Band D (incl ASC precept, excl local precepts)	1,845	1,762	1,875	1,781	1,790			
Band D (district) (£) 2025-26	232	147	262	166	175			
Band D (county) (£) 2025-26	1,701	1,701	1,701	1,701	1,701			
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,933	1,848	1,963	1,867	1,876			
Council Tax yield	87,922,273	60,925,300	61,975,680	123,368,593	128,756,402	462,948,247		
Variance (£, Band D)	**41**	**-44**	**72**	**-25**	**-15**	**1,891.43**	**72**	**-44**
Variance (%)	**2%**	**-2%**	**4%**	**-1%**	**-1%**			

Option 6 North East	**East Cambridgeshire**	**Fenland**	**Peterborough**	**TOTAL**	**Max reduction**	**Max increase**
Council taxbase (for council tax setting purposes) (£)	32,972	31,571	62,104	126,647		
Band D (district) (£)	142	255				
Band D (county) (£)	1,620	1,620				
Deduct fire element of county Band D						
TOTAL Band D (incl ASC precept, excl local precepts)	1,762	1,875	1,749			
Band D (district) (£) 2025-26	147	262				
Band D (county) (£) 2025-26	1,701	1,701				
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,848	1,963	1,837			
Council Tax yield	60,925,300	61,975,680	114,066,659	236,967,639		
Variance (£, Band D)	**-23**	**92**	**-34**	**1,871.09**	**92**	**-34**
Variance (%)	**-1%**	**5%**	**-2%**			

Option 6 South West	Cambridge	Huntingdonshire	South Cambridgeshire	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	45,490	66,096	68,632	180,218		
Band D (district) (£)	225	161	170			
Band D (county) (£)	1,620	1,620	1,620			
Deduct fire element of county Band D						
TOTAL Band D (incl ASC precept, excl local precepts)	1,845	1,781	1,790			
Band D (district) (£) 2025-26	232	166	175			
Band D (county) (£) 2025-26	1,701	1,701	1,701			
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,933	1,867	1,876			
Council Tax yield	87,922,273	123,368,593	128,756,402	340,047,268		
Variance (£, Band D)	**46**	**-20**	**-11**	**1,886.87**	**46**	**-20**
Variance (%)	**2%**	**-1%**	**-1%**			

Option 2 South East	Cambridge	East Cambridgeshire	South Cambridgeshire	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	45,490	32,972	68,632	147,094		
Band D (district) (£)	225	142	170			
Band D (county) (£)	1,620	1,620	1,620			
Deduct fire element of county Band D						
TOTAL Band D (incl ASC precept, excl local precepts)	1,845	1,762	1,790			
Band D (district) (£) 2025-26	232	147	175			
Band D (county) (£) 2025-26	1,701	1,701	1,701			
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,933	1,848	1,876			
Council Tax yield	87,922,273	60,925,300	128,756,402	277,603,974		
Variance (£, Band D)	**46**	**-39**	**-11**	**1,887.26**	**46**	**-39**
Variance (%)	**2%**	**-2%**	**-1%**			

Option 2 North West	Fenland	Huntingdonshire	Peterborough	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	31,571	66,096	62,104	159,771		
Band D (district) (£)	255	161				
Band D (county) (£)	1,620	1,620				
Deduct fire element of county Band D						
TOTAL Band D (incl ASC precept, excl local precepts)	1,875	1,781	1,749			
Band D (district) (£) 2025-26	262	166				
Band D (county) (£) 2025-26	1,701	1,701				
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,963	1,867	1,837			
Council Tax yield	61,975,680	123,368,593	114,066,659	299,410,933		
Variance (£, Band D)	**89**	**-7**	**-37**	**1,874.01**	**89**	**-37**
Variance (%)	**5%**	**0%**	**-2%**			

Option 1 South	Cambridge	South Cambridgeshire	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	45,490	68,632	114,122		
Band D (district) (£)	225	170			
Band D (county) (£)	1,620	1,620			
Deduct fire element of county Band D					
TOTAL Band D (incl ASC precept, excl local precepts)	1,845	1,790			
Band D (district) (£) 2025-26	232	175			
Band D (county) (£) 2025-26	1,701	1,701			
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,933	1,876			
Council Tax yield	87,922,273	128,756,402	216,678,674		
Variance (£, Band D)	**34**	**-23**	**1,898.66**	**34**	**-23**
Variance (%)	**2%**	**-1%**			

Option 4 North	East Cambridgeshire	Fenland	Huntingdonshire	Peterborough	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	32,972	31,571	66,096	62,104	192,743		
Band D (district) (£)	142	255	161				
Band D (county) (£)	1,620	1,620	1,620				
Deduct fire element of county Band D							
TOTAL Band D (incl ASC precept, excl local precepts)	1,762	1,875	1,781	1,749			
Band D (district) (£) 2025-26	147	262	166				
Band D (county) (£) 2025-26	1,701	1,701	1,701				
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,848	1,963	1,867	1,837			
Council Tax yield	60,925,300	61,975,680	123,368,593	114,066,659	360,336,232		
Variance (£, Band D)	**-22**	**94**	**-3**	**-33**	**1,869.52**	**94**	**-33**
Variance (%)	**-1%**	**5%**	**0%**	**-2%**			

Option 3 Mid	East Cambridgeshire	Huntingdonshire	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	32,972	66,096	99,068		
Band D (district) (£)	142	161			
Band D (county) (£)	1,620	1,620			
Deduct fire element of county Band D					
TOTAL Band D (incl ASC precept, excl local precepts)	1,762	1,781			
Band D (district) (£) 2025-26	147	166			
Band D (county) (£) 2025-26	1,701	1,701			
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,848	1,867			
Council Tax yield	60,925,300	123,368,593	184,293,893		
Variance (£, Band D)	**-12**	**6**	**1,860.28**	**6**	**-12**
Variance (%)	**-1%**	**0%**			

Option 3 North	Fenland	Peterborough	TOTAL	Max reduction	Max increase
Council taxbase (for council tax setting purposes) (£)	31,571	62,104	93,675		
Band D (district) (£)	255				
Band D (county) (£)	1,620				
Deduct fire element of county Band D					
TOTAL Band D (incl ASC precept, excl local precepts)	1,875	1,749			
Band D (district) (£) 2025-26	262				
Band D (county) (£) 2025-26	1,701				
TOTAL Band D (incl ASC precept, excl local precepts) 2025-26	1,963	1,837			
Council Tax yield	61,975,680	114,066,659	176,042,339		
Variance (£, Band D)	**84**	**-43**	**1,879.29**	**84**	**-43**
Variance (%)	**4%**	**-2%**			

Impact of funding reforms

60. The actual funding disaggregation for any new unitaries will have to be based on the new funding system that is being implemented in 2026-27. Fundamental changes are being made to the funding system that will include changes in “needs” distribution, council tax equalisation, and a business rates baseline reset.

61. We will be updating our funding disaggregation model over the next few months to reflect the proposed funding reforms. It is unlikely that we will have any certainty about the impact of the funding reforms until July 2025, or possibly only December 2025. Our model will provide an indication of the likely direction of travel.

62. It will of course be essential to understand whether the proposed unitaries will be better- or worse-off in 2027-28 than they are now. This will affect the financial viability of LGR business cases in Cambridgeshire and across England, and particularly those in South-East England.

63. Pixel does have some modelling of the potential impact of funding reforms, but they are based on the current local authorities rather than the new unitary structure. Our assumptions are also likely to change, potentially considerably, in the coming months.

    - Our modelling indicates that the County Council might gain by around £40m in 2026-27 (equivalent to about 5% of total resources), but these gains are likely to be reduced as the funding reforms are developed in 2025.
    - Cambridge City Council might lose as much as £8m (equivalent to about 25% of total resources, before damping), and South Cambridgeshire District Council as much as £10m (about 35% of total resources).
    - Losses in the two district councils are driven largely by the baseline reset. These losses are, in effect, the result of successfully growing the business rates base.
    - Peterborough is likely to gain from the funding reforms (potentially £10m+).

64. All district councils across Cambridgeshire are very likely to lose, if not as much as Cambridge City and South Cambridgeshire. The (possible) gains in the County Council will be distributed across the whole county, although we do not yet know the split of these changes.

Conclusions

65. Our conclusions are based on the summary of each of the options and individual unitaries provided in **Appendix 1**. We have shown for each authority how it compares to all the other single-tier authorities in England. Each of the proposed Cambridgeshire unitaries is scored based on which quartile it is in for a range of categories.

66. Quartiles are calculated by dividing a dataset into four equal parts, with the first quartile representing the 25th percentile, the second quartile being the median (50th percentile), and the third quartile representing the 75th percentile.

67. Given that the government is equating financial viability with scale (population, financial size, etc), those unitaries that are in the first and second quartile are more likely to be approved by ministers. However, being in the third and fourth quartiles does not rule-out a proposed unitary, but it will have to work harder to prove that it will be financially viable.

Option 5 (County, Peterborough)

68. The proposed county unitary would be one of the largest single-tier councils in the country, and of a similar in size to other single-tier councils, some of which have been created recently (North Yorkshire, 627,000). In terms of population, financial size and aggregate "needs" (RNF), the county unitary would be in the first quartile in all categories.

69. The existing Peterborough unitary is in the third quartile for population, overall RNF and for children's/ younger adults. It is in the fourth quartile for older people's services and overall total resources, largely because of its lower level of council tax per head. This analysis indicates that there is a case for increasing the scale of a Peterborough-based unitary.

70. Overall, this option is very unbalanced, with Option 5 County being one of the largest single-tier authorities whilst Peterborough's population is in the third quartile. Whether this option is financially viable depends on views about whether the current Peterborough unitary has sufficient financial scale.

Option 6 (North East, South West)

71. Both these proposed unitaries would have sufficient financial scale to be financially viable. They are in the first or second quartiles on all measures.

Option 2 (South East, North West)

72. The North West unitary is in the first quartile for all categories, and would easily have the population and financial scale to meet the government's criteria. South East has more mixed scores; it is above average for population and EPCS (general services), but its scale in terms of RNF is dragged down by having smaller RNFs for children's and younger adults services.

73. The South-East unitary might be considered to be financially viable, although the two unitaries are unbalanced (North West, including Peterborough, is substantially larger than South East). However, South East has more scale in terms of population and financial size than Option 1 South, which is included in all the remaining options.

Option 4 (South, North)

74. The North unitary is in the first quartile for all categories, and would easily have the population and financial scale to meet the government's criteria.

75. Scores for the South are more mixed, particularly on children's and younger adults RNF. Ministers will be concerned about the scale of these services and whether they would be of insufficient scale to be viable. However, there is a good case that the South would be financially viable because (a) it has scale from non-social care services, (b) it can generate considerable additional income from its local taxbases, and (c) it will become larger in both absolute and relative terms in the medium term. The smaller scale of demand-led services, such as social care, also suggests that the new authority will be less exposed to budget pressures in these services.

76. If South can be considered financially viable, then Option 4 overall can be considered financially viable.

Option 1 (Mid adjusted, Peterborough adjusted, South)

77. Peterborough (adjusted) includes additional population compared to the existing unitary, but it is still in the third quartile on all measures. It has greater scale than the current unitary but might still not be considered to have sufficient scale by ministers. On its adjusted basis, Peterborough is a larger unitary, and is in the second quartile for some of the key measures (population, total resources), and is only in the third quartile on the "needs" (RNF) measures.

78. This option also includes South (see also options 3 and 4). If the South unitary can be considered financially viable, then it is possible that Option 1 overall can be considered financially viable, although it would also include an adjusted Peterborough that is in the third quartile on all measures.

Option 3 (Mid, North, South)

79. The North is in the second quartile and generally is likely to have sufficient scale in terms of population, total resources, and "needs" (RNF). Mid, on the other hand, is in the fourth quartile for overall RNF and children's/ younger adults services. It is also smaller than the South (it is in the third quartile for population and for EPCS services.

80. Overall, this option is not well balanced, particularly comparing Mid and North. Whilst a good case can be made to justify the South, we are not aware of whether there is a similar case to be made for Mid.

Overall summary

81. It is more straightforward to make the case for the Option 5 County and for the two-unitary options (option 4 and 5). All would be financially viable, and with the exception of Option 1 South, would have population that is larger than the minimum 350,000 threshold. All would have high levels of council tax income, both per head and as a share of total resources. Business rates and council taxbase growth have both been strong in recent years. Social care services would have sufficient scale to be financially viable. And whilst a Cambridgeshire County unitary would have a larger share of the social care “needs” in the county, these would not be unusual compared to other single-tier councils in England.

82. The three-unitary options would all struggle for population and financial scale. Each of the unitaries within these options averages around 300,000. In our view, it will be harder to make a business case that shows they are financially viable, even though they are of a similar size to some of the recently-created unitaries (Cumberland, Westmorland and Furness). It might be difficult to persuade Whitehall that they will be financially robust. Any business case for these authorities would need to show that they will grow in size (population) and that they can generate taxation income to help support their operations. Plans for social care will need to show that they will have sufficient scale.

Adrian Jenkins,

Pixel Financial Management

6 May 2025

Appendix 1 – Overall assessment for unitary options in Cambridgeshire (comparisons to quartiles)

	Population	Total RNF	Total Resources	Older people RNF	Children's RNF	Younger adults RNF	EPCS
Option 1 Greater Peterborough	3	3	3	3	3	3	3
Option 1 Mid (adjusted)	2	3	2	2	3	3	3
Option 1 South	2	4	3	3	4	4	2
Option 2 South East	1	3	2	2	3	3	1
Option 2 North West	1	1	1	1	1	1	1
Option 3 Mid	3	4	3	3	4	4	3
Option 3 North	2	2	2	2	2	2	2
Option 4 North	1	1	1	1	1	1	1
Option 5 County	1	1	1	1	1	1	1
Option 5 Peterborough	3	3	4	4	3	3	3
Option 6 North East	1	2	1	1	2	2	2
Option 6 South West	1	2	1	1	2	2	1

1 = upper quartile, 2 = second quartile, 3 = third quartile, 4 = lower quartile, compared to all the other single-tier local authorities in England