

# Financial assessment

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# Approach

The evidence presented in this assessment comes from three sources –

- Analysis conducted internally by the KCC Finance team, which considered:
  - Council tax harmonisation and council tax yield in the potential new unitary authorities based on 2024-25 tax base estimates and individual council tax rates.
  - Levels of debt and reserves across the 14 councils in the Kent and Medway area.
  - The Adult Social Care, Children's Social Care and Home to School Transport 'legacy' costs which the new unitary authorities would inherit following disaggregation<sup>1</sup>.
- Commissioned analysis by Newton, which considered:
  - Disaggregation costs for people-based services (Adult Social Care, Children's Social Care, and services for children with SEND), drawing on data supplied by KCC. This approach is based on a hybrid model including both disproportionately inherited costs on day one (using a general model designed to allow comparisons between proposed scenarios rather than detailed financial analysis) as well as additional future costs.
- Commissioned analysis by PwC, which considered:
  - Overall additional operational costs and benefits and initial transition costs arising from new unitary scenarios. Their modelling incorporated structural and management costs, redundancy estimates, senior leadership changes and anticipated savings. In their reports, PwC acknowledge the limitations of their modelling and describe it as an 'initial assessment' and state that more work would be required to generate more detailed figures.

The evidence outlined in this assessment should be considered alongside certain contextual and methodological factors, set out below.

## *Rounding*

- In parts of this summary, the total sum of a set of figures may differ slightly from what is reported by 1 or 0.1. This is due to rounding differences and does not indicate an error in reporting.

## *Balance analysis*

- Balance analysis is a method used to evaluate the distribution of factors in different scenarios, aiming for equitable outcomes. It examines measures like council tax receipts, costs and deprivation for example. A balance score near 1 indicates an optimal distribution with equitable resource allocation, while a larger number indicates potential imbalances.

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<sup>1</sup> Costs are based on allocating forecast/actual KCC net spend (i.e. spending less any attributable income largely from specific grants, partner contributions and client charges) for 2024-25 according to the geographical areas where costs are currently incurred. The analysis is based on a direct allocation of service costs wherever possible (including where direct allocation is not possible at appropriate apportionment). The purpose of this is to identify where these costs are currently disproportionately distributed (either per head of population or proportionate to band D equivalent council tax base) at no overall additional cost compared to current KCC spend. This analysis does not attempt to identify the additional service costs the unitary authorities would incur either on day one or over time due to diseconomies of scale, or due to differential rates of growth. The analysis is based solely on KCC spend and at this stage does not include Medway which would need to be added in on a like for like basis (using the Revenue Outturn submissions when these become available)

### *Council tax harmonisation*

- The new unitary authorities will need to decide their approach to council tax harmonisation. They may choose to harmonise in line with the district which has the highest rate of council tax, meaning that most residents would pay more council tax, but that the unitary authority would likely have a higher tax yield and be more financially sustainable. Or they may choose to harmonise at the lowest rate or at a mid-point between these figures. These choices will require trade-offs and will inevitably pose political challenges. For this assessment of the implications of council tax harmonisation, the average rate of council tax has been used. This has been used purely to allow for comparison and does not presuppose where the new unitary authorities will set their council tax rates or indicate a KCC position on the matter.

### *Transition and disaggregation*

- As set out above, the PwC analysis of the recurring costs and benefits of the transition should be considered an 'initial' assessment as more detailed work is required. However, this is the only evidence currently available which sets out the potential overall costs and benefits of the different reorganisation scenarios. While there may need to be some updates to the figures following more work, the analysis provides a useful basis upon which to compare the overall trends for the different options.
- The Newton analysis of disaggregation costs for people-based services – Adult Social Care, Children's Social Care, and services for children with SEND – was conducted on a formulaic basis using data provided by KCC. The broad trends are consistent with the more detailed analysis carried out by KCC Finance team.
- The analysis conducted internally by KCC focussed on the disaggregation of current spend and estimated share of resources of Adult Social Care, Children's Social Services and Home to School Transport. This was largely based on mapping the cost of individual client packages to locality areas and thus provided a higher level of detail than the analyses by PwC or Newton but was limited to the KCC area (i.e. excludes Medway) and current spend.

### *Debt and reserves*

- The analysis of levels of debt and reserves is based on figures from September 2024. These figures were the most recently available at the time of analysis and drafting of this report.

## Overview

This report assesses the financial implications of unitary authorities across the six different options. For ease of reference, the table below provide a quick overview of the forecast additional costs and benefits from establishment of unitary authorities to replace current two-tier structures. The overview makes no assessment of the viability of individual authorities and is only a starting point for comparison. The financial summary is shown in line with central government financial appraisal guidelines with additional costs shown as negatives and savings as positives, this is contrary to normal local authority budgeting conventions where costs are shown as positives and savings/income as negatives. More detailed financial analysis for each of the proposed models is included in the following sections and should be considered alongside this initial assessment. The figures reported in this table show that fewer unitary authorities would result in quicker 'payback' following initial transition costs. In a 4UA model the initial transition costs would never be recovered as the operating model represents a recurring net additional cost of £5.4m each year following the establishment of unitary authorities.

Financial summary - based on PwC assessment only.

	Option 1 3 unitaries	Option 2 4 unitaries	Option 3 4 unitaries	Option 4 4 unitaries	Option 5 2 unitaries	Option 6 1 unitary
Gross annual benefit	£37.7m	£34.7m			£40.6m	£49.4m
Recurring annual cost	- £28.4m	- £40.0m			- £24.1m	£0
Net recurring benefit per annum	£9.3m	- £5.4m			£16.5m	£49.4m
Transition cost	- £42.6m	- £54.7m			- £25.8m	- £23.2m
Net phased benefit after 10 years	£16.4m	- £143.6m			£102.6m	£426.6m
Payback period	8.2 years	N/A			3.8 years	< 1 year
Council Tax harmonisation (total income gained / foregone in Years 1-7 based on harmonisation to high-point)	£148.7m	£140.4m	- £0.1m	£54.9m	£196m	£193m

Option 6 is included as a benchmark.

## Overall findings

- Unitarisation costs** – PwC’s modelling of the forecasts for initial transition costs and ongoing recurring costs and benefits of unitarisation show that the short term and long-term costs are higher when more new unitary authorities are created, and inversely the costs are lower when fewer new unitary authorities are created. They found that for the benchmark model (1UA model), the ‘payback period’ for the initial costs of unitarisation would be less than a year and there would be a net benefit of £426.6m over 10 years. The 2UA model paid back after 3.8 years and would return £102.2m after 10 years; and the 3UA paid back after 8.2 years and would return £16.4m after 10 years. Significantly, they found that the initial costs for moving to a 4UA model would never be paid back, because in both the short term and long term a 4UA model would incur recurring financial losses.
- Council tax harmonisation** – As set out above, the new unitary authorities will decide their own approach to harmonisation. There will inevitably be political and financial risks associated with such a decision. Harmonising at a low point may be considered more politically palatable but would result in lower council tax yields, while harmonising at a high point may be politically challenging but would result in higher council tax yields.
- Council tax harmonisation** – In all of the models (aside from the benchmark 1UA model), when harmonising at an average point, there is a disparity in the amount of council tax raised per resident between the West unitary authority and the other authorities, with West Kent having greater revenue raising potential. This reflects the higher property values in the districts which would make up the West Kent unitary authority. The disparity is most pronounced in the 4UA model - Option 4 which groups together Sevenoaks, Tonbridge and Malling, and Tunbridge Wells. In this model, the council tax yield per resident in the West Kent unitary authority would be £767 compared to £589 per resident in the North Kent unitary authority, which gives a balance ratio of 1.3.

Balance ratio from internal KCC analysis – a score close to 1 indicates strong balance

**Variation in overall council tax yield and council tax yield per resident when harmonising at average point**

	Option 1 3 unitaries	Option 2 4 unitaries	Option 3 4 unitaries	Option 4 4 unitaries	Option 5 2 unitaries	Option 6 1 unitary
Balance ratio for overall tax yield	1.09	1.72	1.60	1.19	1.38	No variation
Balance ratio for tax yield per resident	1.27	1.28	1.28	1.30	1.06	No variation

- Disaggregation** – Newton’s modelling of the costs of disaggregating people-based services showed that fewer new unitary authorities result in lower costs (see table below). The 1UA model (the benchmark model) was the only one which showed an annual cost saving at £16.9m lower than the current baseline (£1.5bn), while the costs for the 4UA model – Option 2 would be £22.7m higher than the baseline.

Disaggregation costs from Newton analysis only.

**Change in spend on people-based services from baseline in 2025.**

	Option 1 3 unitaries	Option 2 4 unitaries	Option 3 4 unitaries	Option 4 4 unitaries	Option 5 2 unitaries	Option 6 1 unitary
Change from Baseline 2025	- £14.9m	- £22.7m	- £20.8m	- £19.1m	- £4.9m	£16.2m

- **Disaggregation** – Both Newton’s and KCC’s analysis of the costs of disaggregating people-based services found that the costs are not spread evenly across the county, with particularly high costs in Eastern areas and to a lesser degree in Northern areas. There are two main factors which explain this. Firstly, there is a high cost per resident of Adult Social Care in Folkestone & Hythe and in Dover due to the high proportion of the County’s care placements for vulnerable adults in these districts. And secondly, because the costs for Children’s Social Services correlate with levels of deprivation, with particularly high costs per resident in Thanet, Swale, and Folkestone & Hythe districts.
- **Debt and reserves** – In all of the models, the West Kent unitary authority will inherit lower levels of debt and higher levels of reserves than the other unitary authorities, indicating that the West Kent unitary authority will be more financially resilient. As part of LGR negotiations, KCC’s debt and reserves will need to be distributed between the new unitary authorities (aside from in the benchmark 1UA model). Depending on the distribution, this process could go some way to mitigating disparities, but these negotiations are likely to be challenging so it is important that this is done in a fair and transparent manner.
- **The Fair Funding Review** – The points above clearly indicate financial disparities in all of the proposed models (aside from the benchmark 1UA model). The West Kent unitary authority will inherit a more sustainable level of debt to reserves, higher revenue raising potential, and lower costs per resident for people-based services than the other unitary authorities. New unitary authorities which cover Eastern, Southern and Northern parts of the county will likely face significant spending pressures to deliver statutory services.

Current Government policy is to review and update the approach to determining funding allocations for local authorities. One of the aims is for funding to more closely match levels of relative needs and resources taking account of differential costs of delivering services and the revenue raising abilities of local authorities. This should result in areas with high levels of need and limited spending power receiving more funding. The approach is still being developed (the Fair Funding Review 2.0 is being consulted on from June to August 2025) but if these aims are met, some of financial disparity between unitary authorities in Kent and Medway should be mitigated by higher government funding and tax equalisation.

# Detailed findings

## Option 1 – 3UA

### Unitarisation costs

- The PwC analysis of the initial costs of unitarisation in a 3UA model found a ‘one-off transition cost’ of £42.6m.
- PwC calculated a recurring annual cost of £28.4m, and a gross annual benefit of £37.7m. This gives a recurring annual benefit of unitarisation of £9.3m.
- Taking into account the initial cost of £42.6m, the ‘payback’ period of unitarisation would be 8.2 years and there would be £16.4m net benefit after 10 years.

### Council tax harmonisation

- The new unitary authorities will need to decide the council tax rate at which they harmonise. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
North Kent	£1,754.69	£1,789.89	£1,841.85
West Kent	£1,815.99	£1,859.93	£1,903.77
East Kent	£1,798.78	£1,849.50	£1,906.78
Balance ratio	1.03	1.04	1.04

- These rates are relatively equitable with a ratio of between 1.03 and 1.04 between the highest rates and lowest rates in the different scenarios.
- There will inevitably be residents who will have to pay more or less than their current rate of council tax. If harmonising at the average rate, residents in Ashford would have the biggest increase to their council tax at £50.72, while residents in Folkestone and Hythe would have the biggest decrease of £57.28.
- Overall, when harmonising at the average rate within the 3UA model, 50% of residents would be paying more council tax and 50% would be paying less council tax. Within the North Kent authority 42% would pay more council tax, in the West Kent authority 69% would pay more council tax and in the East Kent authority 42% would pay more council tax.
- At the average rate of harmonisation, the overall tax yield for each new unitary authority would be relatively equitable. As set out in the table below, the East Kent unitary authority would raise £427m compared to £391m in the North Kent unitary authority - this is an overall difference of £36m, a percentage difference of 9%, and a balance ratio of 1.09.

- However, when looking at the tax yield per resident, the differences between the unitary authorities are greater, with £589 per resident in North Kent compared to £750 in West Kent. This is a percentage difference of 27% and a balance ratio of 1.27. This is reflective of the greater affluence and revenue generation potential in the West Kent unitary authority.

Unitary authority	Overall tax yield	Tax yield per resident
North Kent	£390.7m	£589
West Kent	£413.8m	£751
East Kent	£427.2m	£646
Balance ratio	1.09	1.27

- KCC Finance team modelled the ‘year 1’ council tax yield following harmonisation. If harmonising high, the overall council tax yield in the 3UA model would be £34.3m higher than the baseline, and if harmonising low the overall council tax yield would be £29.2m lower than the baseline. The potential financial gains and losses are greater than in the 4UA models, but are lower compared to the 2UA model or the benchmark 1UA model.

## Transition and Disaggregation

### *Newton modelling of disaggregation costs*

- Newton modelled the costs of disaggregating people-based services – Adult Social Care, Children’s Social Care, and services for children with SEND – using data provided to them by KCC. In a 3UA model, the total additional cost for people-based services after disaggregation (for 2025) was £14.9m, which is a 1% increase against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £767 per resident. However, the costs of people-based services are not spread evenly. There would be particular pressure on the East Kent unitary authority which would have a £885 spend per resident – an increase of 15.3% against the baseline. The North Kent unitary authority would have a spend of £729 per resident which is a decrease of 4.9% against the baseline; and the West Kent unitary authority would have a spend of £693 which is a decrease of 9.6% against the baseline.
  - The difference between the highest spend per resident in East Kent compared to the lowest spend per resident in West Kent is £192
  - The ratio between East and West Kent is 1.28
  - The percentage difference is 27.7%
- The overall disaggregation costs for people-based services in a 3UA model are lower than in any of the 4UA models, but are higher than in the 2UA or 1UA models.

### *KCC analysis of disaggregation costs*

- Internal KCC analysis of the ‘legacy costs’ of Adult Social Care ‘Community Teams’ (covering the KCC area only) shows the same overall pattern, with the East Kent unitary authority inheriting the highest costs per resident. The cost per resident in the East Kent unitary authority would be £402, in the North Kent unitary authority it would be £241 and in the West Kent unitary authority it would be £291. This is a balance ratio of 1.67. To a large extent, this can be explained by the much higher than average (£325) costs per resident in Folkestone and Hythe (£623) and Dover (£471) districts. The reason these districts have the highest spend is because they provide a high proportion of the county’s care placements for vulnerable adults. This is however, more balanced than any of the 4UA models as the legacy costs are distributed across larger authorities.



- Internal KCC analysis of the legacy costs of Children's Social Services (CSC) and Home to School Transport (HTST) show similar patterns with the highest spend in the North and East Kent unitary authorities. For CSC, in the North and East Kent unitary authorities, the cost per resident would be £153 and £152 respectively, and in the West Kent unitary authority it would be much lower at £79 per resident. This is balance ratio of 1.94.
- For HTST the costs are £55 per resident in North Kent, £48 in West Kent and £38 in East Kent. This is a balance ratio of 1.44.
- When considering the higher spend per resident on people-based services, combined with the lower tax yield per resident in East and North Kent, it is likely that these authorities will inherit significant spending pressures to meet statutory obligations.

## Debt and reserves

- Internal KCC analysis of the amount of debt and reserves held by councils across Kent and Medway shows a disparity between the West Kent unitary authority, which will inherit low levels of debt, and the North and East Kent unitary authorities, which will inherit high levels of debt.
- Medway and Gravesham in the North both hold high levels of debt compared to their reserves, at £14.15 and £10.50 debt per £1 in reserves respectively. And in West Kent, Sevenoaks, Tonbridge and Malling, and Tunbridge Wells have very low levels of debt.
- Please note that the combined figures presented in the table below do not include the debt and reserves held by KCC. As part of LGR negotiations, these would need to be distributed across the new unitary authorities fairly to support their financial viability. The figures presented under the 'combined' heading are for the councils (i.e. the districts and Medway) that would be the constituent members of the potential new unitary authorities.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
North Kent	£143.5m	£724.2m	£5.05	24.16%
West Kent	£115.6m	£60.2m	£0.52	62.37%
East Kent	£154.5m	£695.6m	£4.50	27.96%
KCC (to be distributed)	£357.6m	£934.5m	£2.61	38.3%

## Option 2 – 4UA (N, E, S, W)

### Unitarisation costs

- Analysis undertaken by PwC shows that the establishment of four unitary authorities would generate initial transition costs of £54.7m.
- PwC calculated a recurring annual cost of £40m, and a gross annual benefit of £34.7m. This results in a recurring net annual cost of unitarisation of £5.4m.
- It is important to note that the figures outlined above are consistent across all of the four unitary models, irrespective of the different geographical configurations.
- Similarly, there is no payback period for any of the four unitary models – i.e. the unitary authorities would never return to a breakeven point.

### Council tax harmonisation

- The new unitary authorities will need to decide the council tax rate at which they harmonise. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
North Kent	£1,754.69	£1,783.41	£1,841.85
East Kent	£1,811.52	£1,844.77	£1,874.00
South Kent	£1,798.78	£1,840.33	£1,906.78
West Kent	£1,815.99	£1,859.93	£1,903.77
Balance ratio	1.03	1.04	1.04

- These rates are all relatively equitable with ratios of between 1.03 and 1.04.
- There will inevitably be residents who will have to pay more or less than their current rate of council tax. For example, if harmonising at the average rate, residents in Tunbridge Wells would see the biggest council tax increase of £50.72, while residents in Folkestone and Hythe would see the biggest council tax decrease of £66.45.
- Overall, when harmonising at the average rate within this 4UA model, 57% of residents would be paying more council tax and 43% would be paying less council tax. Within the North Kent authority 54% would pay more council tax, in the East Kent authority 34% would pay more, and in the South and West Kent authorities 69% would pay more.
- At the average rate of harmonisation, the overall tax yield between different unitaries varies considerably (see table below). For example, West Kent would raise £414m compared to £241m in South Kent – this is an overall difference of £173m, a percentage difference of 72%, and a balance ratio of 1.72. This is largely as a result of the considerable population difference between the two authorities.

- When looking at the tax yield per resident, the greatest disparity exists between North Kent (£589) and West Kent (£751). This is a percentage difference of 28% and a balance ratio of 1.28. This is because, whilst population sizes are relatively similar between the two authorities, West Kent is generally more affluent and therefore has potential to generate more revenue.
- This model results in the least equitable distribution of council tax across all of the different options.

Unitary authority	Overall tax yield	Tax yield per resident
North Kent	£299.5m	£589
East Kent	£277m	£612
South Kent	£241.4m	£664
West Kent	£413.8m	£751
Balance ratio	1.72	1.28

- KCC Finance team modelled the ‘year 1’ council tax yield following harmonisation. If harmonising high, the overall council tax yield in this 4UA model would be £32.7m higher than the baseline, and if harmonising low the overall council tax yield would be £25m lower than the baseline. The potential financial gains and losses in the 4UA models are lower than in the other models.

## Transition and Disaggregation

### *Newton modelling of disaggregation costs*

- Newton modelled the costs of disaggregating people-based services – Adult Social Care, Children’s Social Care, and services for children with SEND – using data provided to them by KCC. In this 4UA model, the total additional cost for people-based services after disaggregation (for 2025) is £22.7m, which is a 1.52% increase against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £767 per resident. However, the costs of people-based services are not spread evenly. There would be particular pressure on the South Kent unitary authority which would have a spend of £935 per resident – an increase of 21.9% against the baseline. The North Kent unitary authority would have a spend of £730 per resident which is a decrease of 4.9% against the baseline; the East Kent unitary authority would have a spend of £808 which is an increase of 5.4% against the baseline; and the West Kent unitary authority would have a spend of £693 which is a decrease of 9.6% against the baseline.
  - The difference between the highest spend per resident in South Kent compared to the lowest spend per resident in West Kent is £242.
  - The ratio between South and West Kent is 1.35.
  - The percentage difference is 34.9%.

### *KCC analysis of disaggregation costs*

- Internal KCC analysis of the ‘legacy costs’ of Adult Social Care ‘Community Teams’ (covering the KCC area only) shows the same overall pattern, with the South Kent unitary authority inheriting the highest costs per resident. The cost per resident in the South Kent unitary authority would be £440, in East Kent it would be £329, in North Kent it would be £216 and in West Kent it would be £291. This is a balance ratio of 2.03 which is high compared to other options. This can largely be explained by the much higher than average (£325) costs per resident in Folkestone and Hythe (£623) and Dover (£471) districts. The reason these districts have the highest spend is because they provide a high proportion of the county’s care for vulnerable adults.

- Internal KCC analysis of the legacy costs of Children’s Social Services (CSC) and Home to School Transport (HTST) show similar patterns with the highest spend in the East and South Kent unitary authorities. For CSC, in the East and South Kent unitary authorities, the cost per resident would be £171 and £141 respectively. In North Kent it would be £134 and in West Kent it would be much lower at £79 per resident. This is a balance ratio of 2.16. The difference between the highest and lowest CSC costs are highest in this model, both overall (i.e. when compared against the 1, 2 and 3UA options) and also when compared against the other 4UA options.
- For HTST, the costs are more balanced at £48 per resident in both East and West Kent, £46 in North Kent and £39 in South Kent. This is a balance ratio of 1.23.
- Overall, when considering the higher spend per resident on people-based services and the lower tax yield per resident in South and East Kent, it is likely that there will be significant spending pressures to meet statutory obligations in these authorities.

## Debt and reserves

- Internal KCC analysis of the amount of debt and reserves held by councils across Kent and Medway shows a disparity between the West Kent unitary authority, which will inherit low levels of debt, and the other unitary authorities, which will inherit higher levels of debt.
- Please note that the combined figures presented in the table below do not include the debt and reserves held by KCC. As part of LGR negotiations, these would need to be distributed across the new unitary authorities fairly to support their financial viability. The figures presented under the ‘combined’ heading are for the councils (i.e. the districts and Medway) that would be the constituent members of the potential new unitary authorities.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
North Kent	£123.5m	£714.2m	£5.78	20.58%
East Kent	£72.4m	£216.8m	£2.99	36.09%
South Kent	£102.1m	£488.9m	£4.79	26.16%
West Kent	£115.6m	£60.2m	£0.52	62.37%
KCC (to be distributed)	£357.6m	£934.5m	£2.61	38.3%

## Option 3 – 4UA (N, E, M, W)

### Unitarisation costs

- Analysis undertaken by PwC shows that the establishment of four unitary authorities would generate initial transition costs of £54.7m.
- PwC calculated a recurring annual cost of £40m, and a gross annual benefit of £34.7m. This results in a recurring net annual cost of unitarisation of £5.4m.
- It is important to note that the figures outlined above are consistent across all of the four unitary models, irrespective of the different geographical configurations.
- Similarly, there is no payback period for any of the four unitary models – i.e. the unitary authorities would never return to a breakeven point.

### Council tax harmonisation

- The new unitary authorities will need to decide the council tax rate at which they harmonise. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
North Kent	£1,754.69	£1,783.41	£1,841.85
East Kent	£1,825.20	£1,850.99	£1,874.00
Mid Kent	£1,798.78	£1,834.41	£1,906.78
West Kent	£1,815.99	£1,859.93	£1,903.77
Balance ratio	1.04	1.04	1.04

- These rates are relatively equitable with a ratio of 1.04 the highest rates in West Kent and the lowest rate in North Kent.
- There will inevitably be residents who will have to pay more or less than their current rate of council tax. If harmonising at the average rate, residents in Tunbridge Wells would see the biggest council tax increase of £43.94, while residents in Folkestone and Hythe would see the biggest council tax decrease of £72.37.
- Overall, when harmonising at the average rate within this 4UA model, 65% of residents would be paying more council tax and 35% would be paying less council tax. Within the North Kent authority 54% would pay more council tax, in the East Kent authority 67% would pay more, in the Mid Kent authority 71% would pay more, and in the West Kent authority 69% would pay more.
- At the average rate of harmonisation, the overall tax yield varies considerably between West Kent and other parts of the county (see table below). For example, West Kent would raise £414m compared to £258m in Mid Kent – this is an overall difference of £156m, a percentage difference of 60%, and a balance ratio of 1.6. This is largely as a result of the population difference between the two authorities.

- When looking at the tax yield per resident, the findings remain consistent with those outlined earlier for the other 4UA model - the greatest disparity exists between North Kent (£589) and West Kent (£751). This is a percentage difference of 28% and a balance ratio of 1.28. This is because, whilst population sizes are relatively similar between the two authorities, West Kent is generally more affluent and therefore has potential to generate more revenue.

Unitary authority	Overall tax yield	Tax yield per resident
North Kent	£299.5m	£589
East Kent	£260.4m	£626
Mid Kent	£258m	£644
West Kent	£413.8m	£751
Balance ratio	1.60	1.28

- KCC Finance team modelled the 'year 1' council tax yield following harmonisation. If harmonising high, the overall council tax yield in this 4UA model would be £33.0m higher than the baseline, and if harmonising low the overall council tax yield would be £23.2m lower than the baseline. The potential financial gains and losses in the 4UA models are lower than in the other models. Of the 4UA models, this option has the highest potential gains and lowest potential losses (though it is very marginal).

## Transition and Disaggregation

### *Newton modelling of disaggregation costs*

- Newton modelled the costs of disaggregating people-based services – Adult Social Care, Children's Social Care, and services for children with SEND – using data provided to them by KCC. In this 4UA model, the total additional cost for people-based services after disaggregation (for 2025) is £20.8m, which is a 1.39% increase against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £767 per resident. However, the costs of people-based services are not spread evenly. There would be particular pressure on the East Kent unitary authority which would have a spend of £894 per resident – an increase of 16.6% against the baseline. The North Kent unitary authority would have a spend of £730 per resident which is a decrease of 4.9% against the baseline; the Mid Kent unitary authority would have a spend of £829 which is an increase of 8.1% against the baseline; and the West Kent unitary authority would have a spend of £693 which is a decrease of 9.6% against the baseline.
  - The difference between the highest spend per resident in the East compared to the lowest spend per resident in the West is £201
  - The ratio between the East and West is 1.29
  - The percentage difference is 29%

### *KCC analysis of disaggregation costs*

- Internal KCC analysis of the 'legacy costs' of Adult Social Care 'Community Teams' (covering the KCC area only) shows the same overall pattern, with the East Kent unitary authority inheriting the highest costs per resident, closely followed by the Mid Kent unitary authority. The cost per resident in the East Kent unitary authority would be £389, in the Mid Kent unitary authority it would be £366, in the North Kent unitary authority it would be £216 and in the West Kent unitary authority it would be £291. This is a balance ratio of 1.8 which is more balanced compared to the 4UA options. This is because Dover and Folkestone and Hythe are in separate unitary authorities so the high legacy costs are spread across different unitary areas.

- This model results in the least disparity between the highest and lowest spend per resident when compared against the other 4UA options. This is largely because under this configuration Folkestone and Hythe and Dover are split across the Mid and East Kent unitary authorities.
- Internal KCC analysis of the legacy costs of Children's Social Services (CSC) and Home to School Transport (HTST) show similar patterns with the highest spend in the Mid and East unitary authorities. For CSC, in the Mid and East Kent unitary authorities the cost per resident would be £162 and £153 respectively. In North Kent it would be £134 and in West Kent it would be much lower at £79 per resident. This is a balance ratio of 2.05.
- For HTST, the costs are more balanced at £49 per resident in Mid Kent, £48 per resident in West Kent, £46 in North Kent and £40 in East Kent. This is a balance ratio of 1.23.
- Overall, when considering the higher spend per resident on people-based services and the lower tax yield per resident in East and Mid Kent, it is likely that there will be significant spending pressures to meet statutory obligations in these authorities.

## Debt and reserves

- Internal KCC analysis of the amount of debt and reserves held by councils across Kent and Medway shows a disparity between the West Kent unitary authority, which will inherit low levels of debt, and the other unitary authorities, which will inherit higher levels of debt.
- Please note that the combined figures presented in the table below do not include the debt and reserves held by KCC. As part of LGR negotiations, these would need to be distributed across the new unitary authorities fairly to support their financial viability. The figures presented under the 'combined' heading are for the councils (i.e. the districts and Medway) that would be the constituent members of the potential new unitary authorities.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
North Kent	£123.5m	£714.2m	£5.78	20.58%
East Kent	£101m	£338.1m	£3.35	33.39%
Mid Kent	£73.5m	£367.6m	£5.00	27.12%
West Kent	£115.6m	£60.2m	£0.52	62.37%
KCC (to be distributed)	£357.6m	£934.5m	£2.61	38.3%

## Option 4 – 4UA (N, E, M, W)

### Unitarisation costs

- Analysis undertaken by PwC shows that the establishment of four unitary authorities would generate initial transition costs of £54.7m.
- PwC calculated a recurring annual cost of £40m, and a gross annual benefit of £34.7m. This results in a recurring net annual cost of unitarisation of £5.4m.
- It is important to note that the figures outlined above are consistent across all of the four unitary models, irrespective of the different geographical configurations.
- Similarly, there is no payback period for any of the four unitary models – i.e. the unitary authorities would never return to a breakeven point.

### Council tax harmonisation

- The new unitary authorities will need to decide the council tax rate at which they harmonise. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
North Kent	£1,754.69	£1,783.41	£1,841.85
East Kent	£1,825.20	£1,863.45	£1,906.78
Mid Kent	£1,798.78	£1,845.13	£1,903.77
West Kent	£1,815.99	£1,840.52	£1,854.54
Balance ratio	1.04	1.04	1.04

- These rates are relatively equitable with ratios of 1.04 between the rates in East Kent and North Kent.
- There will inevitably be residents who will have to pay more or less than their current rate of council tax if harmonising at these average rates. If harmonising at the average rate, residents in Ashford would see the biggest council tax increase of £46.35, while residents in Maidstone would see the biggest council tax decrease of £58.64.
- Overall, when harmonising at the average rate within this 4UA model, 46% of residents would be paying more council tax and 54% would be paying less council tax. Within the North Kent authority 54% would pay more council tax, in the East Kent authority 52% would pay more, in the Mid Kent authority 42% would pay more, and in the West Kent authority 31% would pay more.
- At the average rate of harmonisation, the overall tax yield is relatively even across the four unitaries, with a discrepancy of approximately £54m (19%) between the highest (East Kent) and lowest (West Kent). Inclusion of Maidstone in the Mid Kent unitary contributes to the improved financial viability of this authority and mitigates undue advantage that exists in the other four unitary models.



- However, when looking at average tax yield per resident, the disparity between North Kent (£589) and West Kent (£767) becomes even wider (£178) compared to the other 4UA options. This is a percentage difference of 30% and a balance ratio of 1.30. This is because, with Maidstone joining Mid Kent, the most affluent districts (Sevenoaks, Tonbridge and Malling, and Tunbridge Wells) are grouped together in a single authority.

Unitary authority	Overall tax yield	Tax yield per resident
North Kent	£299.5m	£589
East Kent	£338m	£642
Mid Kent	£311m	£660
West Kent	£284m	£767
Balance ratio	1.19	1.30

- KCC Finance team modelled the 'year 1' council tax yield following harmonisation. If harmonising high, the overall council tax yield in this 4UA model would be £29.7m higher than the baseline, and if harmonising low the overall council tax yield would be £23.3m lower than the baseline. The potential financial gains and losses in the 4UA models are lower than in the other models.

## Transition and Disaggregation

### *Newton modelling of disaggregation costs*

- Newton modelled the costs of disaggregating people-based services – Adult Social Care, Children's Social Care, and services for children with SEND – using data provided to them by KCC. In this 4UA model, the total additional cost for people-based services after disaggregation (for 2025) is £19m, which is a 1.27% increase against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £767 per resident. However, the costs of people-based services are not spread evenly. There would be particular pressure on the East Kent unitary authority which would have a spend of £928 per resident – an increase of 21.1% against the baseline. The North Kent unitary authority would have a spend of £730 per resident which is a decrease of 4.9% against the baseline; the Mid Kent unitary authority would have a spend of £736 which is a decrease of 4% against the baseline; and the West Kent unitary authority would have a spend of £670 which is a decrease of 12.6% against the baseline.
  - The difference between the highest spend per resident in East Kent compared to the lowest spend per resident in West Kent is £258
  - The ratio between East and West Kent is 1.39
  - The percentage difference is 38.5%

### *KCC analysis of disaggregation costs*

- Internal KCC analysis of the 'legacy costs' of Adult Social Care 'Community Teams' (covering the KCC area only) shows the same overall pattern, with the East Kent unitary authority inheriting the highest costs per resident. The cost per resident in the East Kent unitary authority would be £438, in the Mid Kent unitary authority it would be £271, in the North Kent unitary authority it would be £216 and in the West Kent unitary authority it would be £302. This is a balance ratio of 2.02 which is high compared to other options. Again, this can largely be explained by the much higher than average (£325) costs per resident in Dover (£471) and Folkestone and Hythe (£623) districts. The reason these districts have the highest spend is because they provide a high proportion of the county's care for vulnerable adults.

- This model results in the widest disparity between the highest and lowest spend per resident when compared against the other 4UA options. This is because under this configuration, Folkestone and Hythe and Dover are grouped together in East Kent, whilst Maidstone joins Mid Kent, therefore lowering West Kent's spend per resident and exacerbating the disparity.
- Internal KCC analysis of the legacy costs of Children's Social Services (CSC) and Home to School Transport (HTST) show similar patterns with the highest spend in the East Kent unitary authority. For CSC, in the East Kent unitary authority the cost per resident would be £160, followed by £134 in the North Kent unitary authority, £126 in the Mid Kent unitary authority and £76 in the West Kent unitary authority. This is a balance ratio of 2.11.
- For HTST, the costs are more balanced at £52 per resident in Mid Kent, £47 per resident in West Kent, £46 in North Kent and £38 in East Kent. This is a balance ratio of 1.37. The difference between the highest and lowest HTST costs are highest in this model, both overall (i.e. when compared against the 1, 2 and 3UA options) and also when compared against the other 4UA options.
- Overall, when considering the higher spend per resident on people-based services and the lower tax yield per resident in East Kent, it is likely that there will be significant spending pressures to meet statutory obligations in this particular authority.

## Debt and reserves

- Internal KCC analysis of the amount of debt and reserves held by councils across Kent and Medway shows a disparity between the West Kent unitary authority, which will inherit low levels of debt, and the other unitary authorities, which will inherit higher levels of debt.
- Please note that the combined figures presented in the table below do not include the debt and reserves held by KCC. As part of LGR negotiations, these would need to be distributed across the new unitary authorities fairly to support their financial viability. The figures presented under the 'combined' heading are for the councils (i.e. the districts and Medway) that would be the constituent members of the potential new unitary authorities.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
North Kent	£123.5m	£714.2m	£5.78	20.58%
East Kent	£118.6m	£439.9	£3.71	31.62%
Mid Kent	£94.6m	£311.7m	£3.30	34.08%
West Kent	£76.8m	£14.3m	£0.19	69.15%
KCC (to be distributed)	£357.6m	£934.5m	£2.61	38.3%

- This is the least equitable option (both overall and when compared against the other 4UA models), with West Kent inheriting even lower levels of debt (£0.19 for every £1 in reserves). This is because Maidstone joins Mid Kent, leaving just Sevenoaks, Tonbridge & Malling and Tunbridge Wells in West Kent, who all have very low levels of debt.

## Option 5 – 2UA

### Unitarisation costs

- The PwC analysis of the initial costs of unitarisation in a 2UA model found a ‘one-off transition cost’ of £25.8m.
- PwC calculated a recurring annual cost of £24.1m, and a gross annual benefit of £40.6m. This gives a recurring annual benefit of unitarisation of £16.5m.
- Taking into account the initial cost, the ‘payback’ period of unitarisation would be 3.8 years and there would be £102.6m net benefit after 10 years. This is sooner and a significantly higher net benefit in comparison to the 3UA model and the 4UA models (which never achieve payback).

### Council tax harmonisation

- The new unitary authorities will need to decide the council tax rate at which they harmonise. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
East Kent	£1,798.78	£1,842.70	£1,906.78
West Kent	£1,754.69	£1,827.01	£1,903.77
Balance ratio	1.03	1.00	1.00

- These rates are very close with a difference of £44 between the two authorities at the low point, £16 at the average point, and £3 at the high point. This model results in the most equitable split of council tax rates between unitaries across all of the different options (bar the single unitary option).
- The 2UA model leads to some of the largest changes for residents if set at these levels. Residents in Medway would see their council tax increase by £72.32 and residents in Maidstone would see their council tax decrease by £76.76.
- Overall, when harmonising at the average rate within the 2UA model, 48% of residents would be paying more council tax and 54% would be paying less council tax. Within the West Kent authority 46% would pay more council tax, and in the East Kent authority 50% would pay more.
- At the average rate of harmonisation, the overall tax yield of the new unitary authorities would be less equal than in the 3UA model. As set out in the table below, the East Kent unitary authority would raise £518m compared to £713m in West Kent - this is an overall difference of £195m, a percentage difference of 38%, and a balance ratio of 1.38. These figures are approximately in line with the PwC analysis of council tax receipts which also showed a large difference between the unitary authorities.
- This difference can largely be explained by population size. When looking at the tax yield per resident, the differences between the unitary authorities are smaller, with £635 per resident in

East Kent compared to £673 in West Kent. This is a percentage difference of 6% and a balance ratio of 1.06.

Unitary authority	Overall tax yield	Tax yield per resident
West Kent	£713.3m	£673
East Kent	£518.4m	£635
Balance ratio	1.38	1.06

- KCC Finance team modelled the ‘year 1’ council tax yield following harmonisation. If harmonising high, the overall council tax yield in the 2UA model would be £48m higher than the baseline, and if harmonising low the overall council tax yield would be £40.6m lower than the baseline. The potential financial gains and losses in the 2UA model are greater than in the 3UA and 4UA models.

## Transition and Disaggregation

### *Newton analysis of disaggregation costs*

- Based on Newton’s modelling of the costs of disaggregating people-based services – Adult Social Care, Children’s Social Care, and services for children with SEND the additional cost after disaggregation (for 2025) would be £4.9m, which is a less than a 1% increase against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £767 per resident. The costs of people-based services are not spread evenly but they are more equal than in the 3UA model. In the East Kent unitary authority, the spend per resident would be £853 which is an increase of 11.2% against the baseline; and the West Kent unitary authority would have a spend of £704 which is a decrease of 8.3% against the baseline.
  - The difference between the spend per resident in East Kent compared to the spend per resident in West Kent is £149
  - The ratio between East and West Kent is 1.21
  - The percentage difference is 21.2%
- The overall disaggregation costs for people-based services in the 2UA model are lower than in the 3UA or any of the 4UA models, but are higher than in the 1UA models.

### *KCC analysis of disaggregation costs*

- Internal KCC analysis of the ‘legacy costs’ of Adult Social Care ‘Community Teams’ (covering the KCC area only) shows the same overall pattern, with the East Kent unitary authority inheriting highest costs per resident. To a large extent, this can be explained by the much higher than average (£325) costs per resident in Folkestone and Hythe (£623) and Dover (£471) districts. The reason these districts have the highest spend is because they provide a high proportion of the county’s care for vulnerable adults. The cost per resident in the East Kent unitary authority would be £379, and the cost per resident in the West Kent unitary authority would be £269. This is a balance ratio of 1.41 which is the lowest of all the options. In comparison to 3UA or 4UA models, the difference between unitary authorities is more balanced due to the costs being spread over a larger authority.
- Internal KCC analysis of the legacy costs of Children’s Social Services (CSC) and Home to School Transport (HTST) show similar patterns with the highest spend in the East Kent unitary authority.

For CSC, the East Kent unitary authority the cost per resident we would be £158 and in West Kent it would be lower at £95 per resident. This is a balance ratio of 1.66.

- For HTST the costs are far more balanced at £47 in West Kent and £44 in East Kent. This is a balance ratio of 1.07.
- When considering the higher spend per resident on people-based services, and the lower tax yield per resident in East Kent, it is likely that there will be significant spending pressures to meet statutory obligations in this authority in particular.

## Debt and reserves

- Medway and Gravesham both hold high levels of debt compared to their reserves, at £14.15 and £10.50 debt per £1 in reserves respectively. And Sevenoaks, Tonbridge and Malling, and Tunbridge Wells all have very low levels of debt. Unlike in the 3UA and 4UA models, all of these areas are included together within the same unitary authority. This has the effect of balancing out the overall figure and means that there is greater equity between the councils in terms of debt and reserves – while this might be seen as advantageous for the districts with high levels of debt, it would likely be seen unfavourably within the districts with low levels of debt.
- Please note that the combined figures presented in the table below do not include the debt and reserves held by KCC. As part of LGR negotiations, these would need to be distributed across the new unitary authorities fairly to support their financial viability. The figures presented under the ‘combined’ heading are for the councils (i.e. the districts and Medway) that would be the constituent members of the potential new unitary authorities.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
West Kent	£239.1m	£774.4m	£3.24	33.61%
East Kent	£174.5m	£705.6m	£4.04	30.2%
KCC (to be distributed)	£357.6m	£934.5m	£2.61	38.3%

## Option 6 – 1UA (benchmark)

Much of the analysis presented for the other models, particularly relating to balance analysis and differences between unitary authorities, does not apply to the single unitary model. However, there are still a number of indicators upon which to assess the 1UA model. It is important to note that the 1UA model has been used as a 'benchmark' from which to compare the other models - whilst there is a strong financial case for a single unitary, it is not necessarily a genuinely viable option due to limitations around population size, practical service delivery and devolution arrangements.

### Unitarisation costs

- The PwC analysis of the initial costs of unitarisation for the 1UA model found a 'one-off transition cost' of £23.2m.
- PwC calculated that there would be no recurring annual cost, and that there would be a gross annual benefit of £49.4m.
- Taking into account the initial cost, the 'payback' from unitarisation would be achieved within a year and there would be a £426.6m net benefit after 10 years. This is the quickest payback period and the highest net benefit of all the options.

### Council tax harmonisation

- The new unitary authority will need to decide the council tax rate at which it harmonises. This will be at a point between the highest rate of council tax among the constituent authorities and the lowest rate. The table below sets out three scenarios on what the annual council tax for a Band D property could be in the new unitary authorities after harmonisation (based on current rates):

Council tax harmonisation	Low point	Average point	High point
Single unitary covering Kent and Medway	£1,754.69	£1,837.10	£1,906.78

- Medway currently has the lowest Band D rate of council tax at £1,754.69 (low point) whilst Folkestone and Hythe has the highest rate at £1,906.78 (high point).
- With council tax set at the average rate, residents in six of the 13 constituent areas would see their council tax rise. This highest increase would be in Medway which would see an increase of £82.41. Residents in Folkestone and Hythe would see the biggest decrease of £69.68.
- Overall, when harmonising at the average rate within the 1UA model, 48% of residents would be paying more council tax and 52% would be paying less council tax.
- At the average rate of harmonisation, the overall tax yield for the new unitary authority would be £1.23bn which is line with other models.
- KCC Finance team modelled the 'year 1' council tax yield following harmonisation. If harmonising high, the overall council tax yield in the 1UA model would be £49.2m higher than the baseline, and if harmonising low the overall council tax yield would be £53m lower than the baseline. Compared to the 2UA model, the potential financial gains from harmonising high in the 1UA

model are minimal (circa £1.2m difference) but the potential financial losses are significant (circa £12.4m difference).

## Transition and Disaggregation

- Based on Newton's modelling of the costs of disaggregating people-based services – Adult Social Care, Children's Social Care, and services for children with SEND – the costs after disaggregation (for 2025) would be £16.2m lower which is a 1% decrease against the baseline (the current figure is £1.5bn).
- Across the Kent and Medway area, this equates to a spend of £759 per resident.
- This is the only model in which disaggregation of people-based services has a financial gain.
- Internal KCC analysis of the 'legacy costs' of Adult Social Care 'Community Teams' (covering the KCC area only) shows an average spend of £325 per resident. The cost per resident for Children's social care was £127 and £45 for Home to School Transport. The 1UA model is the only model in which these costs would be distributed across the entire area, which mitigates the impact of the particularly high costs of residential care in Folkestone and Hythe and Dover.

## Debt and reserves

- As the whole Kent and Medway area is covered by a single authority, the 1UA model is the only model in which KCC's reserves and debt could be straightforwardly transferred to the new unitary authority. In the table below, the figures have been divided so that the districts and Medway are presented separately to KCC, and overall figures show the level of debt and reserves the new unitary authority would inherit.

Unitary authority	Combined reserves	Combined debt	Level of debt per £1 in reserves	Reserves to debt %
Kent districts and Medway	£413.6m	£1480.0m	£3.58	27.9%
KCC	£357.6m	£934.5m	£2.61	38.3%
Overall	£771.2m	£2414.5m	£3.13	31.9%