Draft Kent LGR Implementation Reserve Memorandum of Understanding (MoU)

Purpose of the Reserve

To provide funds to resource the indicative implementation costs associated with Local Government Reorganisation (LGR) in Kent.

Developing a budget.

The unitary business case estimated costs prior to vesting day for the creation of unitary councils to be approximately £11,923,819. This funding requirement will be reduced by any government funding that is expected – as a result of the recent announcement an estimate of £4.4m has been assumed and deducted from the contributions due. This is set out in Appendix 1.

The following proposed contributions have been discussed with Kent Chief Executives and Section 151 Officers.

Apportionment of costs

The apportionment methodology looks to average the cost apportionment on the basis of population and taxbase. Population is used as this is a proxy measure for funding allocation from government and service demand and taxbase as this is a measure for the ability of councils to generate resources

Apportionment methodologies are:

- Between Unitary and Two-Tier area by 2024-25 Taxbase and Population Estimate
- Between County and Districts by 80%: 20%
- Between Districts and Boroughs by 2024-25 Taxbase and Population Estimate

The contribution is based on each authority's average allocation based on the two methodologies.

The breakdown of these contributions is as follows:

	26/27			27/28		
	Taxbase	Population	Average Agreed split to be paid	Taxbase	Population	Average Agreed split be paid
Medway	-	-	-	1,018,209	1,100,713	1,059,4
KCC	-	-	-	5,204,488	5,138,485	5,171,4
Ashford	-	-	-	111,623	107,720	109,6
Canterbury	-	-	-	119,499	132,060	125,7
Dartford	-	-	-	91,905	94,511	93,2
Dover	-	-	-	91,558	97,249	94,4
Folkestone & Hythe	-	-	-	90,643	91,665	91,
Gravesham	-	-	-	80,627	83,859	82,
Maidstone	-	-	-	152,909	141,470	147,
Sevenoaks	-	-	-	117,363	96,443	106,
Swale	-	-	-	112,823	123,327	118,
Thanet	-	-	-	104,056	114,260	109
Tonbridge & Malling	-	-	-	119,789	107,968	113
Tunbridge Wells	-	-	-	108,327	94,089	101
Total Districts	-	-	-	1,301,122	1,284,621	1,292
Total Allocation	-	-	-	7,523,819	7,523,819	7,52

Principles of the Reserve

All Councils will pay over their share into a dedicated separate code, to be held on behalf of the Kent Local Authorities Team by KCC. Implementation costs will begin to accrue from 01 March 2026.

Any LGR costs incurred prior to that date, will be borne and funded by the respective individual councils.

Any remaining funding from Government grant(s) linked to LGR will be spent first.

Contributing to the reserve

Contributions have been budgeted over the 2 year period. Contributions for each year will be paid to KCC at the start of the financial year.

Payments made by Medway Council, Districts and Boroughs will be scheduled to begin in April 2026 i.e. Financial Year 2026/27. Individual Authorities will make separate arrangements with KCC on the funding of the reserve making either phased payments or a single payment to the level of the agreed budget.

Costs incurred between 01/03/2026 and 26/03/2026 will be funded from the KCC allocation, ahead of receipt of the other Councils contributions.

Authority to Spend

Spending of the Implementation Reserve will be overseen by either:

a. Two representatives from Kent Chief Executives 'Programme Board' and two representatives from the Kent Finance Officers group will meet to administer the reserve in accordance with this MOU.

b. Senior Responsible Officer and the Implementation Team and approved in line with the implementation plan, as reported through to Joint Committees and shadow unitaries once established by the change order.

Incurring Expenditure

Authorities will be able to incur costs and apply for re-imbursement at their own risk or seek prior approval for the expenditure.

Costs incurred that are not covered within the original budget will be considered for their eligibility as outlined above in the 'Authority Spend' section above.

Agreements to potential cost overruns will first be reported and requested and rune though the same 'Authority to spend' process outlined above .

Supplemental contributions

Should further costs be agreed that will result in expenditure exceeding the size of the reserves, a revised budget will need to be submitted and agreed to the program governance process.

If approved top up rates will be calculated using the same methodology and individual councils will need to follow their own governance procedures for approving the additional funding.

Remaining balance

Any remaining uncommitted balance as at 31 March 2028 will be returned to the contributing authorities for amalgamation into their successor bodies or paid directly into the successor body depending on timing.

The amount will be determined using the apportionment methodology.

Termination of LGR process

In the event that the LGR process is terminated by government there is an acceptance that costs incurred up to the time of termination and the costs of winding down the LGR workstreams are shared between all Kent Authorities on the same basis of contribution as outlined in this MOU.

Criteria to determine eligibility

The following principles will be used to determine expenditure eligible to be met from the Reserve:

a. Costs of creating the shadow unitary authorities (expenditure should pass the test: would this cost be incurred if LGR were not occurring)

b. Costs of establishing the safe and legal new unitary authorities including the aggregation and disaggregation of services, assets liabilities and funding

c. Costs of staff working directly on LGR or seconded to the LGR programme team to allow backfilling of their roles.

d. Examples of eligible expenditure against the reserve being, **but not limited to,** the following:

i. Additional staff capacity to deliver the programme

ii. Procurement of specialist support and advisory services e.g. legal, procurement and contract planning, project and programme management

iii. Communication and public consultation

iv. Systems and Information Technology

v. Running costs related to the shadow authorities

vi. Rebranding, implementation and creating the new unitary authorities, including costs relating to the creation and running of Joint Committees.

The following costs will **not** be eligible for funding from the LGR Implementation Reserve:

i. Redundancy costs – these shall be borne by the decision making Council for the redundancy

ii. Costs of continued functioning of Council services and operations to vesting day;

iii. Costs relating to transformation and investment to deliver savings;

iv. Costs of creation of new entities including town or parish councils ahead of decisions by shadow authorities

v. Costs beyond 1 April 2028

vi. Costs associated with running elections for the new unitary Authorities. These will need to be covered through a separate cost sharing mechanism which will be developed when the basis for electoral wards is known.

Approval for additional types of expenditure should be agreed following the 'Authority to spend' process outlined above.

Conditions of Use

Once paid over to Kent County Council as the host authority for the Reserve, the management of the Reserve rests with the S151 of KCC in accordance with this MOU.

Monitoring

KCC finance teams will oversee the spend monitoring and reporting of the Implementation Budget, submitting this information to the Implementation Team in advance of its circulation to the Joint Committees and, once formed, the Shadow Authorities.

Appendix 1

	Assumed start date	2026-27	2027-28	Total
Strategic Team				
Director	Jul-26	£124,320	£165,760	£290,080
Senior Managers	Oct-26	£85,017	£226,713	£311,730
Strategic Partner	Oct-26	£600,000	£1,200,000	£1,800,000
Finance Team				
Manager	Jan-26	£22,071	£88,284	£110,355
6 x Professional	Apr-27		£401,751	£401,751
9 x Technical	Apr-27		£364,922	£364,922
HR Team				
Manger	Jan-26	£22,071	£88,284	£110,355
2 x Professional	Apr-27		£133,917	£133,917
1 x Technical	Apr-27		£40,547	£40,547
IT Team				
Manager	Jan-26	£22,071	£88,284	£110,355
6 x Professional	Apr-27		£401,751	£401,751
9 x Technical	Apr-27		£364,922	£364,922
Policy Team				
Manger	Jan-26	£22,071	£88,284	£110,355
3 x Professional	Apr-27		£200,876	£200,876
Service Teams				
3 x Manager	Jan-26	£66,213	£264,851	£331,064
9 x Professional	Apr-27		£602,627	£602,627
12 x Technical	Apr-27		£486,563	£486,563
Systems Consolidation			**£1,200,000**	**£1,200,000**
Culture & Comms			**£800,000**	**£800,000**
Workforce Development			**£500,000**	**£500,000**
Transition Processes			**£500,000**	**£500,000**
Contingency		**£289,150**	**£2,462,500**	**£2,751,651**
Total		**£1,252,984**	**£10,670,835**	**£11,923,819**
Less Estimated Government Grant		**-£1,252,984**	**-£3,147,016**	**-£4,400,000**
Net Contribution		**£0**	**£7,523,819**	**£7,523,819**

Definitions

Program Board – A group consisting of Kent Chief executives

Kent Finance Officers Group – The Professional Group of all S151 officers within Kent

Senior Responsible Officer – the Person appointed within the change order to oversee the process of reorganisation.

Implementation Team – The team formed by the Senior Responsible Officer to complete the LGR project.

Joint Committees – the committees formed under the instruction of the Statutory Order formed with members from the existing elected members of the Kent Authorities

Shadow Authorities – Formed by elected members of the new unitary authorities that can make decisions on its behalf before vesting day.

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