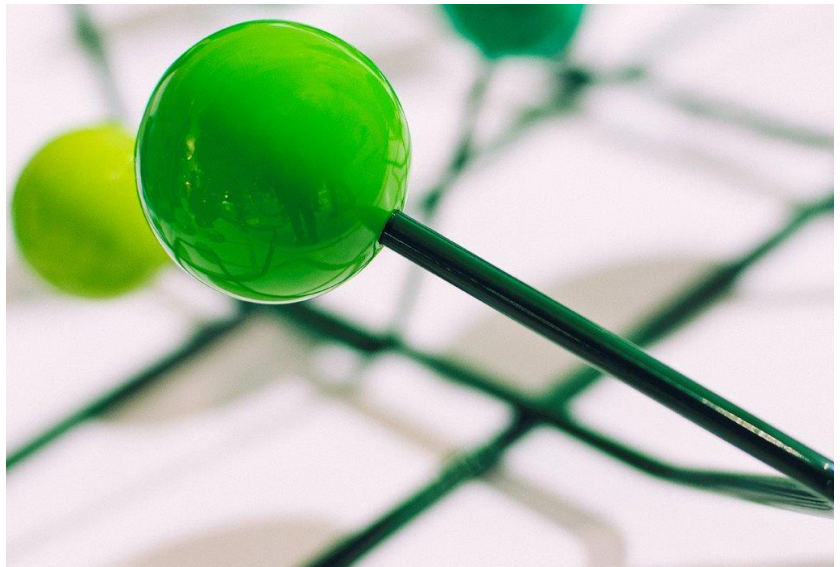


# Deloitte.

Hampshire County Council  
Initial analysis of options for local  
government in Hampshire and the  
Isle of Wight



# Contents

Executive Summary	2
2 Introduction	20
3 Unitary authority options and approach	25
4 Options analysis	33
5 Options analysis summary	63
Appendix A: Financial assessment	70
Appendix B: Council Tax Harmonisation	92
Appendix C: Performance	94

This report and the work connected therewith are subject to the Terms and Conditions of the Works Order letter dated 7 April 2016 between Hampshire County Council and Deloitte LLP. The report is produced solely for the use of Hampshire County Council for the purpose of providing an initial analysis of the estimated financial costs and savings and non-financial benefits and risks of options for local government at the Hampshire and Isle of Wight (HIOW) level. The aim is to provide a broad analysis of options which can inform Hampshire County Council and the wider organisations. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Deloitte LLP will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

# Executive Summary

## Introduction

This is the Executive Summary of the Deloitte report that provides an initial analysis of the estimated financial costs and savings and non-financial benefits and risks of options for local government at the Hampshire and Isle of Wight (HIOW) level. This Executive Summary:

- Provides the context of the work Hampshire County Council (the County Council) appointed Deloitte to undertake;
- Describes the options under assessment;
- Explains how the options were assessed from both a financial and non-financial perspective;
- Summarises the outcomes of the assessment; and
- Presents the report's conclusions.

## Context

In view of the ongoing discussions around options for establishing Combined Authorities (CAs), across HIOW, the County Council commissioned Deloitte to complete an independent analysis of options for alternative governance arrangements in the form of unitary local government. A wide range of options across the HIOW geography are set out in this report, not least in order to satisfy the need for a robust and comprehensive, if not exhaustive, comparative analysis. This is intended to help the County Council to form a view on which option(s) best serves the interests of Hampshire residents as well as to assist the Government in any decisions it may need to take.

It should be noted that there are essentially two 'communities of interest' served by this report. The wider community is the whole population of the HIOW area: Hampshire County; Portsmouth City, Southampton City; and the Isle of Wight. This wider community are potentially affected by some of the options. The slightly smaller community is that of Hampshire County alone. It is recognised that the primary responsibility of Hampshire County Council, as commissioners of this study, is to the residents of the county. At various stages this report makes reference to those respective communities.

This section provides the context for the work that has been undertaken. This includes the national and local context, and HIOW specific information.

### Background – national context

This section provides contextual information regarding devolution and Unitary Authorities (UAs).

### Devolution

Following the last general election the Chancellor George Osborne promised a "devolution revolution" with a shift in power from central government to local government.

This devolution is primarily expected to come through CAs. They are seen as a mechanism for greater delegation over local decision making, enhanced spending powers, and a step towards local authorities becoming self-sufficient. This is all part of the Government's ambition to 'rebalance the economy for the next generation'. Where CAs are seeking the devolution of major powers the requirement for an elected mayor is a central part of the government's policy.

In the last few years a number of CAs have been established across England, with the first devolution agreement made in 2014 with greater Manchester. Subsequently a number of deals have been agreed with Government including Sheffield City region, West Yorkshire, Cornwall, Tees Valley, North East, Liverpool and West Midlands.

In January 2015 the Communities and Local Government Select Committee commissioned an investigation 'Devolution: the next five years and beyond' which focused in particular on whether the Manchester model of devolution is suitable for other areas. The report highlighted caution regarding the applicability of the Manchester model to other areas, that it could "not be easily lifted and dropped on to other city regions, where the physical and economic geography may differ" and that the Government could not "simply roll out the same model everywhere". It also highlighted the attitudes of authorities towards

the idea of an elected mayor with many feeling that it was a trade off in return for more powers. However, the report suggests that there is a strong belief amongst local authorities that they should be free to determine whether an elected mayor was an applicable model for their area, and those areas that have opposed mayoralty authorities have been invited to propose alternative governance arrangements.

In the March 2016 budget George Osborne announced further devolution deals where agreements had been made to create CAs. In addition, the Chancellor confirmed that new powers over the criminal justice system would be transferred to Greater Manchester and that the Greater London Authority will move towards full retention of its business rates from next April, three years earlier than planned. East Anglia was announced as an agreed single East Anglia CA, headed up by an elected Mayor and attracting new investment. A new West of England mayoral authority was also announced. Since the budget, a number of the deals have been called into question by politicians and some of the organisations involved.

### **Unitary authorities**

Authorities that do not want to create a mayoralty can propose alternative governance arrangements including the creation of UAs.

UAs remove the two tier system of local government that exists in England and have only one tier of government responsible for all services, and in some cases have additional responsibility for issues that would otherwise fall under the remit of national government. In addition to reducing costs, the removal of the two tier system can reduce duplication of services, make it easier to strategically plan services for an area removing, for example, any confusion over split responsibilities between the tiers for economic development, provide a stronger voice for communities, and provide clearer representation between local government and other public bodies.

Over the years numerous UAs have been created, most recently in 2009 when ten new UAs were created:

- Bedfordshire County Council was abolished and two UA's were created and a similar reorganisation was implemented in Cheshire; and
- Five counties (Northumberland, Shropshire, Wiltshire, Cornwall and Durham) were abolished and five UAs were created in the five respective geographies.

There has been some debate regarding whether UAs can reduce costs and maintain effective service delivery. This was analysed by Deloitte in May 2011, in our report, "Sizing-Up: Local Government Mergers and Service Integration". The report compared the reduction in service costs for the 2009 UAs (looking at pre-and post-merger points) with those remaining as two-tier areas. The analysis used published CLG data and asserted that the incremental value for money benefits of UAs can be clearly demonstrated. Using published data from DCLG and covering a 24 month period, there was an overall savings total of 13.4% on services (within the scope of the analysis) for the new UAs compared to an increase of 2.1% for those remaining as two-tier:

- Housing benefit administration costs reduced by £8.2m (27.4%) for the new UAs, but increased by £33.6m (6.2%) for the non-unitary;
- Corporate and Democratic costs reduced by £51m (30%) in UAs, while non-unitary authorities saw an increase of £92m (5.5%); and
- Waste Collection and Disposal costs reduced by £6.0m (2.4%) in UAs, but increased by £14.4m (0.5%) on average for the others.

Other reports, such as Lord Heseltine's 2012 'No Stone Unturned – In pursuit of Growth', have also made the case for UAs. In this report Lord Heseltine commented on the 353 principal authorities in England stating that 'The number of different councils doing similar things remains costly and confusing'.

## Background – local context

The case for a HIOW CA, with the County Council working alongside 18 local partners, has been in development since July 2015. This case focused on the benefits to be gained from devolved powers and funding being transferred from Central Government, and the direct translation of this into public service transformation in areas like skills, health and social care, and infrastructure planning, rather than the financial efficiencies of working together as a CA, which are considered to be a longer-term gain.

There is a longstanding understanding in principle that business rates would be pooled and redistributed at the HIOW level to provide a more sustainable funding model for local services across the whole geography, reflecting the variations in local financial resilience.

HIOW partners including the County Council, collectively have always been against local government reorganisation and this was a founding principle of the partnership. Until very recently there has also been a clear consensus against having a directly-elected mayor. Up until January 2016 the Government's position was that it would not force HIOW down either route, but was prepared to discuss locally agreed alternatives.

Recently the Government has changed tack and made it clear that an elected mayor is essential for a devolution deal – and if that cannot be delivered, then reorganisation is an alternative. On 12th February the HIOW partners (including the County Council) voted against both these options and in support of maintaining local proposals.

Subsequent to this, local authorities in South Hampshire, including District Councils in the administrative county of Hampshire, have opened negotiations with HM Treasury for an alternative 'Solent' Combined Authority with an elected Mayor. Simultaneously, Districts not included in these discussions have joined together to explore options for an alternative Combined Authority covering the remainder of the county.

The County Council advises that the negotiation that developed the proposed Solent Combined Authority included consideration of unitary reorganisation, including a 'Greater Portsmouth' UA.

## Background information about Hampshire

The HIOW area has a total population 1.94 million<sup>1</sup>. The area covered by the County Council has a population of 1.35m making it the third largest shire county in England. The existing UAs in Southampton, Portsmouth and the Isle of Wight serve a combined population of 0.59m. HIOW has three UAs, 11 District Councils and 261 Parish and Town Councils. Residents are represented by 19 Members of Parliament, 78 County Councillors and 696 (before imminent reduction in Winchester) Unitary, District and Borough Councillors.

The following map shows the area covered by the County Council.



Some information about the authorities in the HIOW area is shown in the following table. This shows staff full time equivalents (FTEs) at each Council. Teachers have been excluded on the assumption they will be largely unaffected by any

<sup>1</sup> Office for National Statistics as at mid-2014

restructuring. The Revenue Outturn Service Expenditure figures have been taken from the 2014-15 Revenue Outturn (RO) statistics for the authorities. The Budget Requirement figures are for 2016-17 and have been taken from data provided to the County Council by the authorities. The population figures are taken from the Office for National Statistics as at mid-2014. These data sources are the latest publicly available.

	Staff FTEs excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population	Members
Hampshire County Council	9,865	1,839,745	733,799	<sup>1</sup>	78
Isle of Wight Council	1,572	277,757	119,259	139,105	40
Portsmouth City Council	2,205	385,606	139,448	209,085	42
Southampton City Council	2,592	528,659	166,537	245,290	48
Basingstoke and Deane Borough Council	536	72,169	9,794	172,870	60
East Hampshire District Council	265	23,311	8,374	117,483	44
Eastleigh Borough Council	469	30,842	8,186	128,877	44
Fareham Borough Council	396	25,232	8,829	114,331	31
Hart District Council	137	23,550	7,899	93,325	33
New Forest District Council	823	37,694	17,191	178,907	60
Rushmoor Borough Council	259	24,044	9,307	95,296	39
Test Valley Borough Council	451	32,636	11,763	119,332	48
Winchester City Council	428	33,827	8,671	119,218	57
Gosport Borough Council	247	26,331	9,346	84,287	34
Havant Borough Council	359	36,046	12,843	122,210	38
<b>Total for HIOW</b>	<b>20,604</b>	<b>3,397,449</b>	<b>1,271,246</b>	<b>1,939,616</b>	<b>696</b>

<sup>1</sup> – The County Council covers the population of all of the Districts in the county a total of 1.35m

To give context to these authority sizes and the options that follow it is useful to consider the following authorities and CAs.

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Population
Cornwall UA	8,465	852,637	547,600
Birmingham UA	13,000	2,271,104	1,100,000
West Midlands Combined Authority		-	2,808,400
Greater Manchester Combined Authority		-	2,733,000

The Local Government Association (LGA) publishes a future funding outlook report. The latest version of that report published in 2015 predicts that in 2016/17 there will be a £6bn gap between the funding available and the spending required to deliver local council services at 2014/15 levels. They project this gap to grow to £10.3bn by 2018/19. They predict that the rising spend on social care and waste management will result in a 35% reduction for funding of other services by the end of this decade.

In 2015 Grant Thornton published a report called 'Reforging Local Government' that looked at financial health and governance in local authorities. The report concluded based on a sample of councils 'there was a broad consistency across the English regions, particularly around the increase in strategic financial planning risk... District Councils as a whole, across all regions, were consistently showing a higher degree of risk around long term sustainability'.

In the local area:

- Southampton City Council in November 2015 announced a 2016/2017 funding gap of £39.1m, following a cut of £12.2m in government grant funding and significant in-year pressures, including adults and children’s social care of £9m;
- In November 2015 Portsmouth City Council announced a funding gap for 2016/17 of £11m and a need to make a further £20m in cuts over the following 2 years with significant cost pressures in essential care services;
- The Isle of Wight Council also identified a funding gap of £17.3m for 2016/17 and cited adult social care and children’s services as cost pressures; and
- The County Council had a funding gap of £44m for 2016/17 with adult social care being listed as a key pressure.

### Performance of authorities

It is clear that all authorities in the area are facing significant financial pressures and the opportunities for saving presented by the unitary options considered in this report represent an opportunity to ease some of those pressures.

The relative performance of the authorities in the HIOW area is illustrated at Appendix C. The data presented shows significant variation across the authorities particularly in the person centred services such as social care and children’s services where the County Council is shown to be a consistently higher performer.

### Options under assessment

Seven options (A-G) were developed to give a broad range of potential council combinations to be representative of the main types of aggregation (merging organisations and governance and merging services across a larger geography) and disaggregation (splitting up organisations and services). This is not an exhaustive list of options.

Options A-D would result in the aggregation of services based on the geographies of each option. Options E-G involve the disaggregation of services.

#### Option A: County, Cities, and IoW



This option creates one new Council covering all services for the whole county, two cities, and the IoW as illustrated in the following map.

This option would require aggregation of both District and county services as well as aggregation of the services currently provided by the three UAs. We are not aware of any precedent for merging UAs and the main legislation concerning the merger of authorities to create a single tier (the Local Government and Public Health Engagement Act 2007) only covers County and District mergers and mergers between Districts. It would create a single council larger than any existing single council in England but smaller than the West Midlands and Greater Manchester CAs.



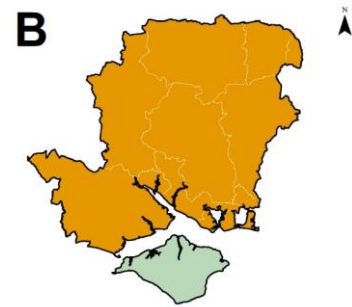
The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	20,604	3,397,449	1,271,246	1,939,616

### Option B: County and Cities



This is similar to option A except that IOW remains a separate UA, all other authorities are merged to form a unitary council covering the Hampshire area. This option is illustrated in the following map.



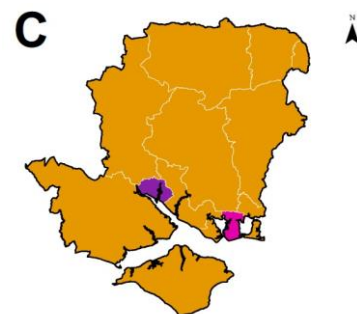
The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	19,032	3,119,692	1,151,987	1,800,511

### Option C: County and IoW



This option is a merger of the County Council with the District Councils and the IOW. This option is illustrated in the following map.



The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	15,807	2,483,184	965,261	1,485,241

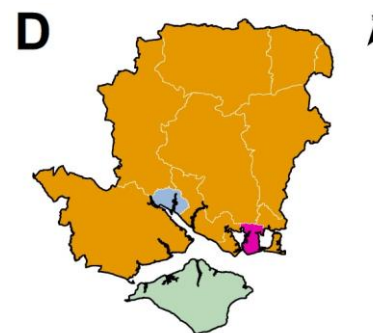
### Option D: County Unitary

D

**County Unitary**

Hampshire County Council and the existing District Councils forming a Unitary Authority (with the existing Unitary Authorities in Southampton, Portsmouth and the Isle of Wight (IoW) remaining in place).

This option follows the main unitarisation route which has been followed by authorities to date which is a merger of a County Council with a number of District Councils. There are a number of precedents for this type of re-organisation. In this option there is no change to the existing UAs in Southampton, Portsmouth and IoW. There is no disaggregation of services but there is aggregation of District services currently provided by 11 District Councils. This option is illustrated in the following map.



The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	14,235	2,205,427	846,002	1,346,136

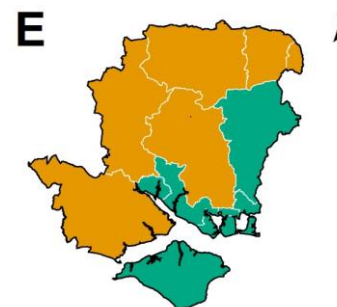
### Option E: 2 Unitary Councils

E

**2 Unitary Councils**

Part Hampshire County Council, Portsmouth, Southampton, Gosport, Fareham, IoW, Eastleigh, Havant and East Hampshire Councils forming a 'Solent' Unitary Authority,  
Part Hampshire County Council, Basingstoke and Deane, Hart, New Forest, Rushmoor, Test Valley and Winchester forming a 'non-Solent' Unitary Authority

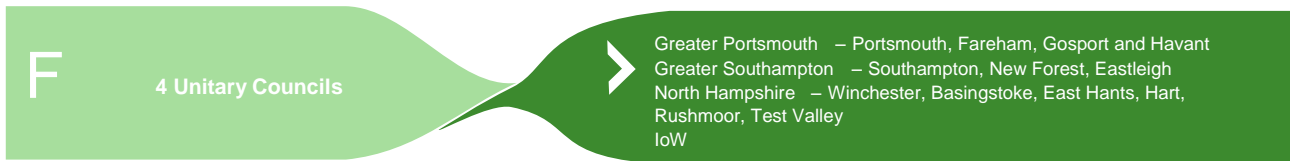
This would require full disaggregation of all County services and aggregation of unitary services, together with two separate aggregations of District services across two new unitaries. This option is illustrated in the following map.



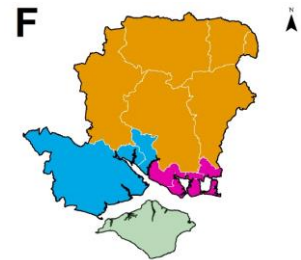
The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council - Solent	12,262	2,108,952	782,005	1,160,668
New unitary council – "Non Solent"	8,343	1,288,497	489,241	778,948

## Option F: 4 Unitary Councils



This option creates three new UAs with the only area unaffected being the IoW. There will be full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across three new authorities. This option is illustrated in the following map.



The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council – Greater Portsmouth	5,558	911,686	345,354	529,913
New unitary council – Greater Southampton	6,140	1,017,839	359,692	553,074
New unitary council – North Hampshire	7,335	1,190,167	446,941	717,524

## Option G: 5 Unitary Councils



This option creates four new UAs with the only area unaffected being the IoW. There will be full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across four new authorities. This option is illustrated in the following map.



The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council - Greater Portsmouth	5,558	911,686	345,354	529,913
New unitary council – Greater Southampton	6,140	1,017,839	359,692	553,074
New unitary council – Central Hampshire	3,753	576,359	222,887	356,033
New unitary council – North Hampshire	3,581	613,808	224,054	361,491

## Approach to assessing the options

This section describes the information and approach used to undertake the financial and non-financial analysis.

### Approach to the financial analysis

The financial analysis underpinning this report has considered the costs, savings and income forgone (Council Tax) which are estimated to arise under each of the 7 options.

#### Analysis of costs

The analysis includes reorganisation costs which cover:

- Income foregone from harmonising Council Tax;
- Reductions in staffing headcount; and
- Change management and re-branding.

The approach to the analysis of each of the above follows.

- **Income foregone from harmonising Council Tax<sup>2</sup>**

Where UAs are formed by combining existing authorities there will need to be a process to harmonise Council Tax levels. By 2018/19 it is estimated that there will be a difference of £171 per annum between the lowest average band D Council Tax in Eastleigh (£1,278) and highest in Southampton (£1,449). The seven options create different Council Tax differentials to harmonise.

There are three options to harmonise Council Tax which have been considered. Firstly, it is possible to freeze Council Tax for some payers at the higher end and increase the Council Tax of others until everyone is on the same level then a universal Council Tax increase can be applied. Secondly, Council Tax can be harmonised to the lowest current level on day one of the new council and then all Council Tax payers have the same percentage increase applied thereafter. Thirdly, Council Tax can be harmonised to the weighted average level. Whichever way this is modelled for the HIOW area there is less Council Tax collected than if there was no change to the current structures. We have described the difference between status quo and the new structures as, "income foregone" Income foregone has been calculated by multiplying the tax base by the estimated band D Council Tax rate under the status quo to arrive at an estimated total Council Tax revenue collected figure. This figure has then been compared to the same calculation for each Council Tax harmonisation option i.e. multiplying the tax base by the estimated band D Council Tax rate for all three Council Tax harmonisation options. In all of the options modelled the income forgone is least when harmonisation occurs to the lowest level on day one of the new Council which is assumed to be 1 April 2018. This is because all Council Tax rates can be increased together whereas when you harmonise to the highest level a proportion of council tax income is frozen for a period of time whilst the lower council tax rates harmonize to the highest level.

- **Reductions in headcount**

Senior staff restructuring costs relate to redundancy payments and pension costs for those posts in tiers one (Chief Executive), two (Deputy Chief Executive and Directors), and three (senior management) no longer needed to run a reduced number of authorities.

- **Change and re-branding**

The change costs considered include rebranding and one-off costs to support the change process.

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<sup>2</sup> The Council Tax levels quoted exclude parish, police and fire precepts

## Analysis of savings

The savings from re-organisation cover:

- Reduction in senior officer posts
- Reduction in the number of Members
- Savings in corporate services
- Service optimisation savings
- Property rationalisation savings

The approach to the analysis of each of the above follows.

- **Reduction in senior officer posts**  
The savings in respect of the senior staff structure are the salaries saved for the reduced numbers of senior staff posts required to manage the new authorities.
- **Reduction in the number of Members**  
Member savings come from having fewer authorities and hence a requirement for fewer Members.
- **Savings in corporate services**  
Corporate services savings are achieved through the consolidation of these functions and the economies of scale typically achievable.
- **Service optimisation savings**  
The service optimisation savings are achieved through service consolidation and procurement savings e.g. a single waste collection contract.
- **Property rationalisation savings**  
The savings from property rationalisation, consolidated purchasing of utilities and FM contracts.

## Approach to the non-financial analysis

The non-financial criteria used to assess the various UA options are contained in the following table. There are three top level criteria used:

- Sustainability of public services;
- Impact on residents; and
- Degree of disruption.

Top-level criteria	Sub-criteria	Sub-criteria definition
<b>Sustainability of public services</b>	Sustainability and coterminosity with key agencies	<ul style="list-style-type: none"> <li>• The ability to facilitate strategic planning (planning and delivering services across organisations);</li> <li>• The degree of “coterminosity” with other parts of the public sector;</li> <li>• The number of organisations that need to work together to deliver services;</li> <li>• The impacts on public sector skills and capacity; and</li> <li>• Ability to absorb financial shocks.</li> </ul>
	Creating the conditions for economic growth	<ul style="list-style-type: none"> <li>• Improving Gross Value Added (GVA);</li> <li>• Ability to improve economic planning with partners; and</li> <li>• Ability to influence key policy areas such as housing, transport, planning, rate reliefs etc.</li> </ul>
<b>Impact on residents</b>	Potential impact on service continuity and performance	<ul style="list-style-type: none"> <li>• The level of aggregation, disaggregation, and integration required, including the proportion of population affected; and</li> <li>• The potential for change in volume, range, frequency and characteristics of services delivered.</li> </ul>
	Delivery of services that are responsive to local needs	<ul style="list-style-type: none"> <li>• Flexibility to move resources to where they are needed most; and</li> <li>• Maintaining and / or creating natural communities.</li> </ul>
	Democratic participation and accountability	<ul style="list-style-type: none"> <li>• Whether individuals, families and communities have clarity about who is representing them and where to go for support and advice.</li> </ul>
<b>Degree of disruption</b>		<ul style="list-style-type: none"> <li>• The number of organisations affected;</li> <li>• The number of residents impacted; and</li> <li>• The degree of aggregation and disaggregation of services.</li> </ul>

The non-financial assessment has not assessed the degree of involvement and engagement of residents in local democracy across each of the options. This is because there is little evidence to suggest that there should be a variation of the degree to which each option could fulfil this criterion. Other Councils that have changed to unitary status (merging a County Council with a number of Districts such as Wiltshire) have reduced the number of Members in their respective geographies and implemented a variety of mechanisms to support ongoing local involvement and engagement. Examples include:

- Area committees;
- Town councils;
- Partnership boards;
- Community forums; and
- Universal parishment across the unitary council area (building on current parishes).

Furthermore the size of the UAs created under each option has also not been assessed. There has been a great deal of longstanding debate on this issue and many arguments and counter arguments regarding how large a UA can be before it

becomes 'too large'. A report for the Department of Communities and Local Government (DCLG) in 2006 entitled 'Population Size and Local Authority Performance' illustrated this complexity, finding that:

- The balance of evidence suggests that performance tends to be better in large than small authorities; and
- The biggest spending services areas in local government show the weakest relationship between population size and impact on performance when compared to the lowest spending areas e.g. the relationship between population size and performance is weaker in areas such as social services and education.

The report also deemed that 'the relationship between population and performance is a complex mosaic', and that reorganisations in different local areas needed to be considered separately.

There is no definitive answer, and the arguments distract from the more pertinent point that a UA, large or small, can perform well and be effective or perform badly and be ineffective, depending on whether it has strong political and corporate leadership capacity and capabilities.

## Outcomes from the assessment of options

This section provides a summary of the analysis that has been undertaken on the seven options for unitary authorities in HIOW. This project has not applied weightings to the financial and non-financial analysis and as a result the outcomes of each respective part of the analysis are articulated separately.

### Financial analysis

The financial analysis resulted in the seven options being awarded a rank of 1 to 7 with 1 representing the option with the highest net saving over ten years and 7 the option with the lowest net savings over ten years.

The following table shows the results of this analysis. The options have been re-ordered in line with their financial ranking, therefore the option that is ranked 1 is at the top of the table and the option ranked 7 is at the bottom of the table.

Overall all options are estimated to deliver a net saving over 10 years which will help the restructured authorities meet the challenges of ongoing reductions to central government funding. However, in the options where there are no changes to the existing UAs there is no financial gain to them.

The least amount of Council Tax revenue is foregone when harmonising to the lowest current level of Council Tax for all options. This means that the majority of residents will benefit from a reduction in Council Tax if their Council is part of the restructuring. The costs and Council Tax revenue forgone (while harmonising to the lowest level of Council Tax) are potentially met from the savings within one year in all options with the exception of option E when it is in year two.

The three options which are estimated to deliver the greatest savings over 10 years are options B, A and D. The biggest saving is estimated to come from the merger of the County Council, the Districts and the existing UAs excluding the Isle of Wight (B), closely followed by the integration of all authorities (A). This is because these options merge more services and cover both 'tiers' of services and therefore present the largest opportunities for service efficiencies.

Option (D) comes next because the Council Tax revenue forgone is much lower than when the UAs are involved. Whilst there are significant savings to be made in aggregating the District services these savings are not as big as when all services are being aggregated. This option presents the largest saving per head of population opportunity at an estimated £289 per head.

The three options which are estimated to deliver the least savings are E, F and G. These three options involve disaggregating the County Council and creating more than one UA. Disaggregation is costly due to duplicate structures and lower potential for economies of scale. The least saving is estimated to be achieved from the two unitary model (E), mainly due to the impact of Council Tax harmonisation.

Options	Costs (£m)				Savings (£m)						Net saving (£m)	Rank	Net 10 year saving per head of population (£)
	CT harmonisation	Senior staff restructure	Change	Total costs	Senior staff restructure	Members	Corporate Services	Service optimisation	Property	Total savings			
B - County and Cities	-309.0	-15.9	-14.0	<b>-338.9</b>	144.6	49.7	324.7	219.5	53.0	<b>791.5</b>	<b>452.6</b>	<b>1</b>	<b>251</b>
A - County, Cities and IOW	-408.0	-16.5	-15.0	<b>-439.5</b>	151.6	52.2	358.6	242.4	58.5	<b>863.3</b>	<b>423.8</b>	<b>2</b>	<b>218</b>
D - County Unitary	-160.0	-12.4	-12.0	<b>-184.4</b>	103.8	40.1	233.8	158.1	38.2	<b>574.0</b>	<b>389.6</b>	<b>3</b>	<b>289</b>
C - County and IoW	-356.0	-13.0	-13.0	<b>-382.0</b>	110.9	43.7	267.7	180.9	43.7	<b>646.9</b>	<b>264.9</b>	<b>4</b>	<b>178</b>
F - 3 Unitary Councils	-228.0	-10.5	-16.0	<b>-254.5</b>	87.1	34.2	211.6	143.1	34.5	<b>510.5</b>	<b>256.0</b>	<b>5</b>	<b>142</b>
G - 4 Unitary Councils	-184.0	-6.9	-17.0	<b>-207.9</b>	35.3	33.9	211.6	143.1	34.5	<b>458.4</b>	<b>250.5</b>	<b>6</b>	<b>139</b>
E - 2 Unitary Councils	-402.0	-12.4	-16.0	<b>-430.4</b>	92.7	43.2	234.7	158.6	38.3	<b>567.5</b>	<b>137.1</b>	<b>7</b>	<b>71</b>

Net 10 year saving per head of population figures are based on the net saving divided by the aggregate ONS mid-2014 population statistics for each option.

### Non-financial analysis

The following table provides a rating of each option against the non-financial criteria. The ratings have been applied as follows. The option which should:

- Facilitate sustainability and create coterminosity with key agencies is ranked 1;
- Create the best conditions for economic growth is ranked 1;
- Allow the greatest degree of service continuity and performance is ranked 1;
- Allow services with the greatest responsiveness to local needs is ranked 1;
- Permit the most opportunity for democratic participation and accountability is ranked 1;
- Result in the least disruption is ranked 1; and
- Result in the least complex change is ranked 1.

The options have been re-ordered in line with their non-financial ranking, therefore the option that is ranked 1 is at the top of the table and the option ranked 7 is at the bottom of the table.

It should be noted that, as with any ranking exercise, if there is minimal difference between any options against a criterion they are awarded the same rank and the next rank is removed. For example, if two options are ranked 2 then the next best option is ranked 4.

Following the table further explanation is provided regarding the rationale for any option being awarded a 1 against a specific criterion. This is followed by further explanation relating to the options themselves and their overall non-financial ranking.

	Non-Financial Criteria					Degree of disruption Rank	Total non-financial	Non-financial rank
	Sustainability of Public Services		Impact on Residents					
	Sustainability and coterminosity with key agencies Rank	Creating conditions for economic growth Rank	Potential impact on service continuity and performance Rank	Delivery of services that are responsive to local needs Rank	Democratic participation and accountability Rank			
Option D – County Unitary	5	3	2	2	2	1	15	1
Option C – County and IoW	4	3	1	4	4	2	18	2
Option A – County, Cities and IOW	1	1	3	7	7	4	23	3
Option B – County and Cities	2	2	4	6	6	3	23	3
Option E – 2 Unitary Councils	2	5	5	5	5	5	27	5
Option F – 4 Unitary Councils	6	6	6	2	2	6	28	6
Option G – 5 Unitary Councils	7	7	7	1	1	7	30	7

### Explanation of ranking against each non-financial criterion

This sub-section explains the rationale for rankings against each of the individual criterion. Therefore the table is considered by column as opposed to row.

#### Sustainability and coterminosity with key agencies

In terms of the ‘Sustainability and coterminosity with key agencies’ Option A was awarded the highest rank of 1. This is because this option creates one authority for the entire HIOW area and therefore has greater coterminosity with other public bodies. Under this option the UA would have coterminous boundaries with Police and Fire (acknowledging that there is a separate Fire Service in the IOW). This option would also be coterminous with the Health and Care System Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years across the HIOW footprint, significantly reducing the complexity associated with the number of organisations that need to work together. For example, with one adult social care department across the whole geography, a consistent policy framework could be implemented for hospital discharge and other critical areas of integration. It also reduces the number of public organisations because there is only one local government authority, and improves the potential for public services to strategically plan together. Also, given that this option creates one authority it will not require duplication of roles, which other options create, and therefore has been assessed strongly against the impact on skills and capacity. This option brings all local government financial resources together enabling these to be strategically managed in the event of any financial shocks (options with more authorities created were deemed to reduce the ability to absorb financial shocks relative to the number of authorities created).

Against this criterion, there was minimal difference between Option B and Option E. This is largely based on the number of organisations created by the options (each creates two authorities). Option B maintains a relatively strong coterminosity (compared to Option A) with other parts of the public sector. Whilst Option E creates similar simplicity by creating two organisations, these are on new boundaries that other agencies will need to adapt to working across. Option C results in three authorities and has the next highest ranking and this is followed by Option D, which results in four authorities. Although Option F would also create four organisations there is recognition, in its relative ranking to Option D, that it creates new boundaries for other agencies to work with whereas Option D includes three unchanged authorities.

Option G, has the lowest rating against this criterion due to number of authorities created, the potential difficulty this would pose for strategic planning in the HIOW area and the ability to resource options with appropriate skills and capacity given the significant duplication in roles that result.

### **Creating conditions for economic growth**

Option A is ranked 1 on this criterion where the main consideration was the creation of a single planning policy framework and decision making process across the HIOW area. The aim of this is to have a co-ordinated approach to planning and development which takes account of current infrastructure and industrial groupings (e.g. Aerospace) and is able to encourage development that strengthens existing areas of economic strength and targets new growth to areas where GVA needs to be improved. Further consideration has also been given to how a single social housing framework can help with developments being built in areas that support key workers in affordable housing, which in turn supports key economic activity. Finally, there is the broader harmonisation of policy such as NNDR reliefs which can be used to help development and growth in areas which fit with the overall strategy for the HIOW area.

Consideration has also been given to how well the new authorities would align with the current LEPs. Whilst this is complex, as the LEP boundaries cut across a number of the districts which are split between the two LEPs, the assessment considers fewer authorities inputting to the LEPs as advantageous.

As Option B is a small variation on A, it gets a similar rank. Thereafter, it is largely down to the number of authorities as this moves away from the single planning framework and creates the opportunity for local decisions contrary to the wider benefits of the whole HIOW area. Option D ranks well because all districts are being brought together, which is a more advantageous position than at present.

Options E, F and G are ranked lower due the risk of a lack of consistent planning and poor alignment with the LEPs.

### **Degree of service continuity and performance**

Option C received the highest ranking against this criterion. This is because it is the option that causes the least amount of changes to services. This option requires the aggregation of lower tier services across the 11 Districts into the new organisation, affecting 1.3m of the population. It also requires aggregation of IOW's services, affecting a further 0.2m. However, Children's Services on the IOW are already being delivered in partnership with Hampshire County Council, with Hampshire providing the statutory DCS role and providing senior leadership capacity, reducing any risk associated for those service users. This should improve the likelihood of service continuity and improvement given that existing services are largely unaffected by the reorganisation and will be delivered over a similar footprint. This is advantageous given the complexity that resulted from other unitaries' experiences where disaggregation was required. It is anticipated that this option will result in changes to District services as they are harmonised. This could result in, for example, changes to bin collection frequency for some residents, recycling policies, and bin collection ("black bag" replaced by a "wheelie bin"). From a performance perspective, this option presents the opportunity to assess the variation in performance and cost of delivery of District and IOW services, and under a single management structure, to deliver greater performance consistency coupled with economies of scale. Improvements to Children's Services' performance have already been realised over this geography and this provides confidence that similar performance enhancements could be achieved for other upper tier services. This option has been assessed above Option D (the next highest rating for this criterion) because it should maintain better continuity for IOW.

The remaining options received lower relative ratings based on the number of people affected by service change and the degree to which services need to be disaggregated, due to the additional risks presented by this. Therefore, Options D, A and B follow in the relative ratings against this criterion because they do not disaggregate services.

Options E, F, and G pose greater risk due to disaggregation of upper tier services, which will affect all or the majority of people in HIOW. The greater the degree of disaggregation (i.e. splitting services of a greater number of authorities), the lower the ranking that has been awarded. This has also taken into account the increased risk that service performance could suffer through disaggregation.

### **Delivery of services that are responsive to local needs**

Assessment against this criterion is broadly based on the principle that there is increased risk that larger authorities covering a greater geographic basis run the risk that services become more homogeneous and don't reflect the significant differences between urban and rural areas and don't resonate with natural communities.

Therefore Option G scores most highly because it creates authorities covering smaller areas and containing fewer residents. By contrast Option A is awarded the lowest rank because it creates one authority to cover the entire HIOW geography. The other options sit between the highest and the lowest on a relative basis (the greater the number of authorities across the HIOW area created the higher the ranking).

### **Democratic participation and accountability**

The result against this criterion mirrors the results of the previous 'delivery of services that are responsive to local needs' criterion. This is largely because integration will result in fewer Members serving the population. All options benefit from residents having a single elected representative for all of the services they receive from the Council.

### **Degree of disruption**

Under this criterion the options that affected fewer organisations in terms of the change, affected fewer residents, and resulted in the least amount of disaggregation of services were given a higher relative ranking than others.

As a result, Option D has the highest assessment because it requires aggregation of lower tier services only and does not involve any disaggregation of services. Under this option upper tier services are largely unaffected as they continue to be delivered over the same footprint and aggregation of them is not required. The services to be aggregated are largely universal services such as refuse and revenue collection services and the person centred services like social care are unaffected, reducing risk by not changing services for the most vulnerable groups of residents. This option directly impacts on 12 of the 15 authorities affecting a population of 1.3m out of the total population of 1.9m. 14,235 staff out of the total of 20,604 would be affected by the change.

All of the other options affect more of the population and change to a greater range of services. Therefore, Options C, B, and A are the next options to receive higher relative rankings. None of these options require disaggregation of services, which poses greater complexity and also greater risk of impacting performance.

Options E to G receive lower rankings (with Option G being given the lowest) due to the increased complexity of service disruption and disaggregation involved, with more of the population being affected by the changes to a broader range of services.

### **Overarching outcomes from non-financial analysis for options**

This sub-section provides a summary of the non-financial assessment for the different options. Therefore this assessment considers the rows in the non-financial assessment table.

Option D achieved the highest ranking overall compared to all other options. It was assessed very highly against the majority of the criteria. This option improves the conditions for creating economic growth by improving the potential for strategic planning and it does not pose any risks in terms of skills and capacity due to the aggregation of only lower tier services, with upper tier services largely unaffected and continuing to be delivered on a similar footprint as they are currently providing greater continuity and less disruption. This option did not rank as strongly against sustainability and coterminosity with key agencies largely because it would result in four authorities across the HIOW area, which could increase complexity of public sector working compared to other options that resulted in fewer authorities being created, although this would still be less complex than at present.

Option C was the second highest ranked option. This is to be expected as it is the option that is most similar to Option D with the only difference being the addition of IOW, for which the upper tier service of Children's Social Care is already delivered in partnership with Hampshire County Council, with Hampshire providing the Statutory DCS role and senior leadership capacity.

Overall there was very little difference between Options A and B and they received an equal overall ranking. All of these options were assessed less strongly on 'impact on residents', particularly in relation to the ability to deliver services that are responsive to local needs and the degree of democratic participation and accountability.

Options E, F, and G had lower rankings with Option G achieving the lowest ranking overall. Option E ranked well against ability to support sustainability and coterminosity with key agencies because it results in two authorities and removes significant duplication of resources compared to the current position. However it did not receive high rankings against any of the other criteria. Options F and G were assessed highly in terms of their ability to deliver services that are responsive to local needs and the degree of democratic participation and accountability. However, they were not assessed strongly over all other criteria. They do not lend themselves to the longer term sustainability and coterminosity with key agencies, and they will result in duplication of skills and resources, which the sector could find hard to fulfil. They disaggregate upper tier services, introducing increased risk of service continuity and performance, and all residents and staff will be affected due to the complexity and broad nature of the change.

## Conclusion

Our conclusion summarises the outcome of this report and indicates which option is most advantageous in terms of financial savings, service quality and avoidance of disruption.

Across all options, those that aggregate services up to a larger scale achieve **significantly higher savings** than those that disaggregate services down to a smaller scale. The options that score highest overall on both financial and non-financial assessments are Option B (County and Cities) and Option D (County Unitary).

The options that score lowest on both financial and non-financial assessments are the options that dis-aggregate services and create sub-county unitaries. Options E, F and G generate lower levels of savings and create significant risks and costs in disaggregating upper-tier services. The option that generates the least savings is Option E, mainly due to the impact of Council Tax harmonisation.

In all options Council Tax revenue is best protected by harmonising to the lowest current level of Council Tax<sup>3</sup>, meaning that the majority of households will benefit from an **immediate reduction in Council Tax** if their council is part of the restructuring.

Key conclusions in respect of the two highest scoring options are detailed below:

### Option B:

- Generates estimated net savings over 10 years of up to £450m (£251 per head across the wider area covered by this option);
- Creates a large authority that has very good coterminosity with other public service agencies and strong potential for strategic economic planning;
- Requires the merger of existing unitary authorities, which may require primary legislation;
- Is potentially the least locally responsive of all options;
- Creates significant disruption as all services in the area are affected; and
- Requires aggregation of all services including person-centred services such as social care, which could pose additional risks.

### Option D:

- Generates an estimate of just under £400m in net savings (to the County only), which at £289 per head of population makes it the most financially advantageous option for the population it covers (the County of Hampshire);
- Is also the least disruptive as it poses few risks in terms of skills and capacity due to the aggregation of only lower-tier services, with upper-tier services continuing to be delivered on the same footprint and scale as they are currently, providing greater continuity and potential for improvement;
- Is ranked second-highest for local responsiveness;
- Improves coterminosity and the potential for strategic economic planning;

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<sup>3</sup> Excluding parish, police and fire precepts

- Retains more councils across the wider area than option B and therefore an element of greater complexity for some public service agencies; and
- Protects the sovereignty of existing unitary authorities, but does not directly address their financial challenges.

Comparing the two options, Option D has a higher saving per head of population and scores higher on the non-financial criteria. Therefore, the analysis presented in this report shows that the option that best serves the **residents of the county of Hampshire** is a new authority based on **Option D: a unitary county**.

# 1 Introduction

## 1.1 Purpose of the report

In view of the ongoing discussions around options for establishing Combined Authorities (CAs), across HIOW, the County Council commissioned Deloitte to complete an independent analysis of options for alternative governance arrangements in the form of unitary local government. A wide range of options across the HIOW geography are set out in this report, not least in order to satisfy the need for a robust and comprehensive, if not exhaustive, comparative analysis. This is intended to help the County Council to form a view on which option(s) best serves the interests of Hampshire residents as well as to assist the Government in any decisions it may need to take.

It should be noted that there are essentially two 'communities of interest' served by this report. The wider community is the whole population of the HIOW area: Hampshire County; Portsmouth City, Southampton City: and the Isle of Wight. This wider community are potentially affected by some of the options. The slightly smaller community is that of Hampshire County alone. It is recognised that the primary responsibility of Hampshire County Council, as commissioners of this study, is to the residents of the county. At various stages this report makes reference to those respective communities.

This section of the report provides:

- An overview of the national context for devolution and unitary authorities (UAs);
- Local context in HIOW;
- Further background information regarding the HIOW locality and current authorities within this geography;
- Outlines the financial pressures facing local authorities; and
- Considers the performance of services in the HIOW area.

## 1.2 Background - national context

This section provides contextual information regarding devolution and UAs.

### 1.2.1 Devolution

Following the last general election the Chancellor George Osborne promised a "devolution revolution" with a shift in power from central government to local government.

This devolution is primarily expected to come through CAs. They are seen as a mechanism for greater delegation over local decision making, enhanced spending powers, and a step towards local authorities becoming self-sufficient. This is all part of the Government's ambition to 'rebalance the economy for the next generation'. Where CAs are seeking the devolution of major powers the requirement for an elected mayor is a central part of the government's policy.

In the last few years a number of CAs have been established across England, with the first devolution agreement made in 2014 with greater Manchester. Subsequently a number of deals have been agreed with Government including Sheffield City region, West Yorkshire, Cornwall, Tees Valley, North East, Liverpool and West Midlands.

In January 2015 the Communities and Local Government Select Committee commissioned an investigation 'Devolution: the next five years and beyond' which focused in particular on whether the Manchester model of devolution is suitable for other areas. The report highlighted caution regarding the applicability of the Manchester model to other areas, that it could "not be easily lifted and dropped on to other city regions, where the physical and economic geography may differ" and that the Government could not "simply roll out the same model everywhere". It also highlighted the attitudes of authorities towards the idea of an elected mayor with many feeling that it was a trade off in return for more powers. However, the report suggests that there is a strong belief amongst local authorities that they should be free to determine whether an elected mayor was an applicable model for their area, and those areas that have opposed mayoralty authorities have been invited to propose alternative governance arrangements.

In the March 2016 budget George Osborne announced further devolution deals where agreements had been made to create CAs. In addition, the Chancellor confirmed that new powers over the criminal justice system would be transferred to Greater Manchester and that the Greater London Authority will move towards full retention of its business rates from next April, three years earlier than planned. East Anglia was announced as an agreed single East Anglia CA, headed up by an elected Mayor and attracting new investment. A new West of England mayoral authority was also announced. Since the budget, a number of the deals have been called into question by politicians and some of the organisations involved.

### 1.2.2 Unitary authorities

Authorities that do not want to create a mayoralty can propose alternative governance arrangements including the creation of UAs.

UAs remove the two tier system of local government that exists in England and have only one tier of government responsible for all services, and in some cases have additional responsibility for issues that would otherwise fall under the remit of national government. In addition to reducing costs, the removal of the two tier system can reduce duplication of services, make it easier to strategically plan services for an area removing, for example, any confusion over split responsibilities between the tiers for economic development, provide a stronger voice for communities, and provide clearer representation between local government and other public bodies.

Over the years numerous UAs have been created, most recently in 2009 when ten new UAs were created:

- Bedfordshire County Council was abolished and two UA's were created and a similar reorganisation was implemented in Cheshire; and
- Five counties (Northumberland, Shropshire, Wiltshire, Cornwall and Durham) were abolished and five UAs were created in the five respective geographies.

There has been some debate regarding whether UAs can reduce costs and maintain effective service delivery. This was analysed by Deloitte in May 2011, in our report, "Sizing-Up: Local Government Mergers and Service Integration". The report compared the reduction in service costs for the 2009 UAs (looking at pre-and post-merger points) with those remaining as two-tier areas. The analysis used published CLG data and asserted that the incremental value for money benefits of UAs can be clearly demonstrated. Using published data from DCLG and covering a 24 month period, there was an overall savings total of 13.4% on services (within the scope of the analysis) for the new UAs compared to an increase of 2.1% for those remaining as two-tier:

- Housing benefit administration costs reduced by £8.2m (27.4%) for the new UAs, but increased by £33.6m (6.2%) for the non-unitary;
- Corporate and Democratic costs reduced by £51m (30%) in UAs, while non-unitary authorities saw an increase of £92m (5.5%); and
- Waste Collection and Disposal costs reduced by £6.0m (2.4%) in UAs, but increased by £14.4m (0.5%) on average for the others.

Other reports, such as Lord Heseltine's 2012 'No Stone Unturned – In pursuit of Growth', have also made the case for UAs. In this report Lord Heseltine commented on the 353 principal authorities in England stating that 'The number of different councils doing similar things remains costly and confusing'.

## 1.3 Background – local context

The case for a HIOW CA, with the County Council working alongside 18 local partners, has been in development since July 2015. This case focused on the benefits to be gained from devolved powers and funding being transferred from Central Government, and the direct translation of this into public service transformation in areas like skills, health and social care, and infrastructure planning, rather than the financial efficiencies of working together as a CA, which are considered to be a longer-term gain.

There is a longstanding understanding in principle that business rates would be pooled and redistributed at the HIOW level to provide a more sustainable funding model for local services across the whole geography, reflecting the variations in local financial resilience.

HIOW partners including the County Council, collectively have always been against local government reorganisation and this was a founding principle of the partnership. Until very recently there has also been a clear consensus against having a directly-elected mayor. Up until January 2016 the Government's position was that it would not force HIOW down either route, but was prepared to discuss locally agreed alternatives.

Recently the Government has changed tack and made it clear that an elected mayor is essential for a devolution deal – and if that cannot be delivered, then reorganisation is an alternative. On 12th February the HIOW partners (including the County Council) voted against both these options and in support of maintaining local proposals.

Subsequent to this, local authorities in South Hampshire, including District Councils in the administrative county of Hampshire, have opened negotiations with HM Treasury for an alternative 'Solent' Combined Authority with an elected Mayor. Simultaneously, Districts not included in these discussions have joined together to explore options for an alternative Combined Authority covering the remainder of the county.

The County Council advises that the negotiation that developed the proposed Solent Combined Authority included consideration of unitary reorganisation, including a 'Greater Portsmouth' UA.

#### 1.4 Background information about Hampshire

The HIOW area has a total population 1.94 million<sup>4</sup>. The area covered by the County Council has a population of 1.35m making it the third largest shire county in England. The existing UAs in Southampton, Portsmouth and the Isle of Wight serve a combined population of 0.59m. HIOW has three UAs, 11 District Councils and 261 Parish and Town Councils. Residents are represented by 19 Members of Parliament, 78 County Councillors and 696 (before imminent reduction in Winchester) Unitary, District and Borough Councillors.

The following map shows the area covered by the County Council.



Some information about the authorities in the HIOW area is shown in the following table. This shows staff full time equivalents (FTEs) at each Council. Teachers have been excluded on the assumption they will be largely unaffected by any restructuring. The Revenue Outturn Service Expenditure figures have been taken from the 2014-15 Revenue Outturn (RO) statistics for the authorities. The Budget Requirement figures are for 2016-17 and have been taken from data provided to the County Council by the authorities. The population figures are taken from the Office for National Statistics as at mid-2014. These data sources are the latest publicly available.

<sup>4</sup> Office for National Statistics as at mid-2014

	Staff FTEs excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population	Members
Hampshire County Council	9,865	1,839,745	733,799	<sup>1</sup>	78
Isle of Wight Council	1,572	277,757	119,259	139,105	40
Portsmouth City Council	2,205	385,606	139,448	209,085	42
Southampton City Council	2,592	528,659	166,537	245,290	48
Basingstoke and Deane Borough Council	536	72,169	9,794	172,870	60
East Hampshire District Council	265	23,311	8,374	117,483	44
Eastleigh Borough Council	469	30,842	8,186	128,877	44
Fareham Borough Council	396	25,232	8,829	114,331	31
Hart District Council	137	23,550	7,899	93,325	33
New Forest District Council	823	37,694	17,191	178,907	60
Rushmoor Borough Council	259	24,044	9,307	95,296	39
Test Valley Borough Council	451	32,636	11,763	119,332	48
Winchester City Council	428	33,827	8,671	119,218	57
Gosport Borough Council	247	26,331	9,346	84,287	34
Havant Borough Council	359	36,046	12,843	122,210	38
<b>Total for HIOW</b>	<b>20,604</b>	<b>3,397,449</b>	<b>1,271,246</b>	<b>1,939,616</b>	<b>696</b>

<sup>1</sup> – The County Council covers the population of all of the Districts in the county a total of 1.35m

To give context to these authority sizes and the options that follow it is useful to consider the following authorities and CAs.

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Population
Cornwall UA	8,465	852,637	547,600
Birmingham UA	13,000	2,271,104	1,100,000
West Midlands Combined Authority		-	2,808,400
Greater Manchester Combined Authority		-	2,733,000

## 1.5 Financial pressure on authorities

The Local Government Association (LGA) publishes a future funding outlook report. The latest version of that report published in 2015 predicts that in 2016/17 there will be a £6bn gap between the funding available and the spending required to deliver local council services at 2014/15 levels. They project this gap to grow to £10.3bn by 2018/19. They predict that the rising spend on social care and waste management will result in a 35% reduction for funding of other services by the end of this decade.

In 2015 Grant Thornton published a report called 'Reforging Local Government' that looked at financial health and governance in local authorities. The report concluded based on a sample of councils 'there was a broad consistency across the English regions, particularly around the increase in strategic financial planning risk... District Councils as a whole, across all regions, were consistently showing a higher degree of risk around long term sustainability'.

In the local area:

- Southampton City Council in November 2015 announced a 2016/2017 funding gap of £39.1m, following a cut of £12.2m in government grant funding and significant in-year pressures, including adults and children's social care of £9m;
- In November 2015 Portsmouth City Council announced a funding gap for 2016/17 of £11m and a need to make a further £20m in cuts over the following 2 years with significant cost pressures in essential care services;
- The Isle of Wight Council also identified a funding gap of £17.3m for 2016/17 and cited adult social care and children's services as cost pressures; and
- The County Council had a funding gap of £44m for 2016/17 with adult social care being listed as a key pressure.

It is clear that all authorities in the area are facing significant financial pressures and the opportunities for saving presented by the unitary options considered in this report represent an opportunity to ease some of those pressures.

## **1.6 Performance of the authorities**

It is clear that all authorities in the area are facing significant financial pressures and the opportunities for saving presented by the unitary options considered in this report represent an opportunity to ease some of those pressures.

The relative performance of the authorities in the HIOW area is illustrated at Appendix C. The data presented shows significant variation across the authorities particularly in the person centred services such as social care and children's services where the County Council is shown to be a consistently higher performer.

# 2 Unitary authority options and approach

## 2.1 Introduction

This chapter describes the:

- Unitary authority options under assessment; and
- The approach followed to assess the options.

## 2.2 Unitary authority options

Seven options (A-G) were developed to give a broad range of potential council combinations to be representative of the main types of aggregation (merging organisations and governance and merging services across a larger geography) and disaggregation (splitting up organisations and services). This is not an exhaustive list of options.

Options A-D would result in the aggregation of services based on the geographies of each option. Options E-G involve the disaggregation of services.

### 2.2.1 Option A: County, Cities, and IoW



This option creates one new Council covering all services for the whole county, two cities, and the IoW as illustrated in the following map.



This option would require aggregation of both District and county services as well as aggregation of the services currently provided by the three UAs. We are not aware of any precedent for merging UAs and the main legislation concerning the merger of authorities to create a single tier (the Local Government and Public Health Engagement Act 2007) only covers County and District mergers and mergers between Districts. It would create a single council larger than any existing single council in England but smaller than the West Midlands and Greater Manchester CAs.

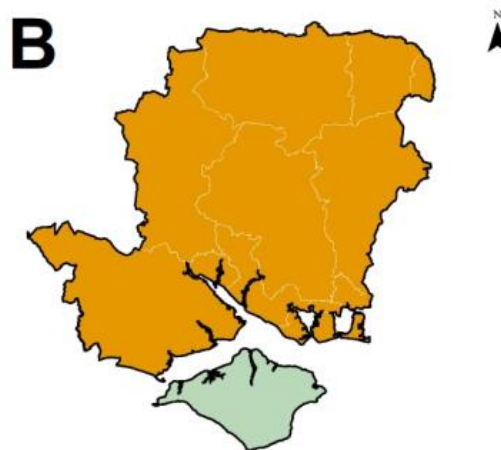
The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	20,604	3,397,449	1,271,246	1,939,616

## 2.2.2 Option B: County and Cities



This is similar to option A except that IOW remains a separate UA, all other authorities are merged to form a unitary council covering the Hampshire area. This option is illustrated in the following map.



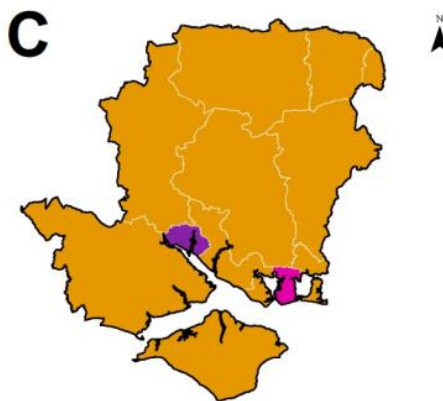
The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	19,032	3,119,692	1,151,987	1,800, 511

### 2.2.3 Option C: County and IoW



This option is a merger of the County Council with the District Councils and the IOW. This option is illustrated in the following map.



The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	15,807	2,483,184	965,261	1,485,241

## 2.2.4 Option D: County Unitary

**D**

**County Unitary**

Hampshire County Council and the existing District Councils forming a Unitary Authority (with the existing Unitary Authorities in Southampton, Portsmouth and the Isle of Wight (IoW) remaining in place).

This option follows the main unitarisation route which has been followed by authorities to date which is a merger of a County Council with a number of District Councils. There are a number of precedents for this type of re-organisation. In this option there is no change to the existing UAs in Southampton, Portsmouth and IOW. There is no disaggregation of services but there is aggregation of District services currently provided by 11 District Councils. This option is illustrated in the following map.



The new Council created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council	14,235	2,205,427	846,002	1,346,136

## 2.2.5 Option E: 2 Unitary Councils



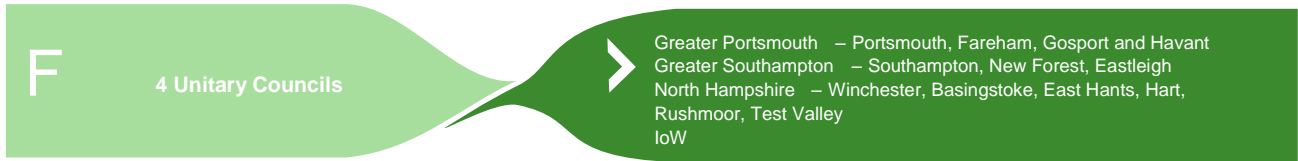
This would require full disaggregation of all County services and aggregation of unitary services, together with two separate aggregations of District services across two new unitaries. This option is illustrated in the following map.



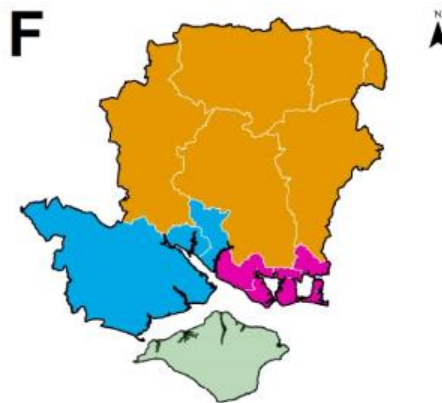
The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council - Solent	12,262	2,108,952	782,005	1,160,668
New unitary council – “Non Solent”	8,343	1,288,497	489,241	778,948

## 2.2.6 Option F: 4 Unitary Councils



This option creates three new UAs with the only area unaffected being the IoW. There will be full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across three new authorities. This option is illustrated in the following map.



The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council – Greater Portsmouth	5,558	911,686	345,354	529,913
New unitary council – Greater Southampton	6,140	1,017,839	359,692	553,074
New unitary council – North Hampshire	7,335	1,190,167	446,941	717,524

## 2.2.7 Option G: 5 Unitary Councils



This option creates four new UAs with the only area unaffected being the IoW. There will be full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across four new authorities. This option is illustrated in the following map.



The new authorities created under this option would have the following characteristics:

	Staff numbers excluding teachers	Revenue Outturn service expenditure (£k)	Budget requirement (£k)	Population
New unitary council - Greater Portsmouth	5,558	911,686	345,354	529,913
New unitary council – Greater Southampton	6,140	1,017,839	359,692	553,074
New unitary council – Central Hampshire	3,753	576,359	222,887	356,033
New unitary council – North Hampshire	3,581	613,808	224,054	361,491

## 2.3 Approach

At the request of the County Council, Deloitte was asked to complete an analysis of the aforementioned seven options for council combinations to establish UAs in the HIOW area. Specifically Deloitte was asked to identify the estimated financial benefits and costs of each option and the estimated non-financial benefits and risks of each option. This report is based on publicly available data analysed to inform the Council in its development of options for the structure of potential UAs.

The analysis was undertaken within an eight week period and was approached by:

- **Utilising publically available data**

Data was collected on:

- Average band D Council Tax<sup>5</sup> rates for each Council;
- Staff full time equivalent (FTE) numbers from ONS Quarterly Public Sector Employment Data Q4 2015;
- Member expenses and allowances from published annual accounts;
- Member numbers from the Local Government Boundary Commission website (last updated September 2015);
- Population statistics from the Office for National Statistics (ONS) mid-2014;
- Service Expenditure from the Revenue Account Budget (RA) 2013/14 and 2015/16
- Service Expenditure from the Revenue Outturn (RO) submission 2014/15 (being the latest data available); and
- Net Budget Requirement 2016/17 (as submitted by all Authorities in Hampshire to the County Council)

Data collected was compared to the data required to complete the analysis and further data collection undertaken to fill the gaps.

- **Establishing benefit assumptions, savings and cost drivers**

The assumptions to be used in the financial analysis were tested for reasonableness with the County Council. These included examples such as how many members would be needed in the new UAs, on what date the new authorities would be formed, and the assumptions that would be made for Council Tax increases after the new authorities are formed.

Saving drivers were also identified, including:

- Members;
- Senior officers;
- Corporate services; and
- Property.

Key cost drivers were identified including but not limited to:

- Income foregone from harmonising Council Tax;
- Reductions in staffing headcount; and
- Change management and re-branding.

The benefit assumptions, savings, and cost drivers are described in more detail in Chapter 3.

- **Establishing non-financial assessment criteria**

Criteria against which options would be assessed from a non-financial perspective were agreed with the County Council.

These criteria focused on:

- Sustainability of public services;
- Impact on residents; and
- Degree of disruption.

The non-financial criteria are described in more detail in Chapter 3.

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<sup>5</sup> The Council Tax levels exclude parish, police and fire precepts

# 3 Options analysis

## 3.1 Introduction

This chapter focuses on the analysis of the Unitary Council options covering financial and non-financial considerations. More specifically this chapter:

- Describes the information used to develop the financial analysis, provides an overview regarding how the financial analysis was undertaken, and comments on funding the transition;
- Defines the criteria used to undertake the non-financial assessment; and
- Details the financial and non-financial analysis for each option.

It has been noted that there are essentially two 'communities of interest' served by this report:

- The wider community is the whole population of the HIOW area: Hampshire County; Portsmouth City, Southampton City; and the Isle of Wight; and
- The slightly smaller community is that of Hampshire County alone.

The options analysis was completed taking the wider community into account; however, where relevant the analysis includes comments specific to the Hampshire County community.

## 3.2 Background to the financial analysis

This section describes the information used to develop the financial analysis and provides an overview regarding how the financial analysis was undertaken.

### 3.2.1 Information used to develop the financial analysis

The following sources of information have been used to develop assumptions under each option:

Assumption	Source
Council Tax harmonisation	Publicly available data on the Council Tax Base and Average Band D Council Tax Rates for 2016/17 and based on the principal Council element only i.e. excluding parish, fire and police precepts. In 2017/18 the Council Tax rates have been uplifted by 4% (including the 2% for additional Council Tax on top of the authorities existing referendum threshold on the understanding that the additional Council Tax revenue collected is used for adult social care) for the County Council and UAs and 2% for the Districts. From 2018/19 onwards, which is when the new UAs are assumed to be formed, the Council Tax rates are assumed to increase by 4% annually. Details of the Council Tax revenue foregone calculations for each option are included in Appendix B along with an example (Option D) of harmonising Band D.
Senior staff restructuring	Publicly available data from each Council on the pay policies and senior staff pay. The assumed exit cost per head is £95,000 for senior staff. This is the proposed cap being set by HM Treasury for the total cost of all forms of exit payments (including pension payments) available to individuals leaving local government. This has been assumed as most senior staff are likely to reach this due to their pay and years of service.
Change programme	A report produced by CIPFA in 2014 considered the Transitional Costs, Benefits and Risks and Local Government Reorganisation which included an assumption that an additional 20 staff will be required for a 2 council merger and 30 for a 3 council merger.
Senior staff restructuring	Publicly available data from authorities on their pay policies and senior staff pay levels. To inform the senior staff structure assumption for the proposed new structures, Manchester City Council and Birmingham City Council structures have been used as a reference point.
Democratic	Publicly available data from the Tax Payers Alliance on member allowances and Local Government Boundary Commission for England on member to electorate ratios.
Corporate service	Strategic Financial Case reports for four local government reorganisations in England (for two tier to a single county unitary) which suggest Corporate Services, including ICT, savings are possible when combining authorities. As a percentage of total service expenditure (excluding schools expenditure) from the RA statistics for 2013/14, the estimated average saving across the proposed four Council reorganisations is 2.47%.
Service optimisation	Strategic Financial Case reports for four local government reorganisations in England (for two tier to a single county unitary) which suggest service optimisation efficiency savings are possible when combining authorities. As a percentage of total net service expenditure (excluding schools expenditure) from the RA statistics for 2013/14, the estimated average saving across the proposed four authority reorganisations is 1.67%.
Property rationalisation	Strategic Financial Case reports for four local government reorganisations in England (for two tier to a single county unitary) which suggest property rationalisation savings are possible when combining authorities. As a percentage of total net service expenditure (excluding schools expenditure) from the RA statistics for 2013/14, the estimated average saving across the proposed four authority reorganisations is 0.40%.

## 3.2.2 Approach undertaken for the financial analysis

The financial analysis underpinning this report has considered the costs, savings and income forgone (Council Tax) which are estimated to arise under each of the seven options.

### 3.2.2.1 Analysis of costs

The analysis includes reorganisation costs which cover:

- Income foregone from harmonising Council Tax;
- Reductions in staffing headcount; and
- Change management and re-branding.

The approach to the analysis of each of the above follows.

- **Income foregone from harmonising Council Tax<sup>6</sup>**

Where UAs are formed by combining existing authorities there will need to be a process to harmonise Council Tax levels. By 2018/19 it is estimated that there will be a difference of £171 per annum between the lowest average band D Council Tax in Eastleigh (£1,278) and highest in Southampton (£1,449). The seven options create different Council Tax differentials to harmonise.

There are three options to harmonise Council Tax which have been considered. Firstly, it is possible to freeze Council Tax for some payers at the higher end and increase the Council Tax of others until everyone is on the same level then a universal Council Tax increase can be applied. Secondly, Council Tax can be harmonised to the lowest current level on day one of the new council and then all Council Tax payers have the same percentage increase applied thereafter. Thirdly, Council Tax can be harmonised to the weighted average level. Whichever way this is modelled for the HIOW area there is less Council Tax collected than if there was no change to the current structures. We have described the difference between status quo and the new structures as, "income foregone" Income foregone has been calculated by multiplying the tax base by the estimated band D Council Tax rate under the status quo to arrive at an estimated total Council Tax revenue collected figure. This figure has then been compared to the same calculation for each Council Tax harmonisation option i.e. multiplying the tax base by the estimated band D Council Tax rate for all three Council Tax harmonisation options. In all of the options modelled the income forgone is least when harmonisation occurs to the lowest level on day one of the new Council which is assumed to be 1 April 2018. This is because all Council Tax rates can be increased together whereas when you harmonise to the highest level a proportion of council tax income is frozen for a period of time whilst the lower council tax rates harmonize to the highest level.

- **Reductions in staffing headcount**

Senior staff restructuring costs relate to redundancy payments and pension costs for those posts in tiers one (Chief Executive), two (Deputy Chief Executive and Directors), and three (senior management) no longer needed to run a reduced number of authorities.

- **Change management and re-branding**

The change costs considered include rebranding and one-off costs to support the change process.

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<sup>6</sup> The Council Tax levels quoted exclude parish, police and fire precepts

### 3.2.2.2 Analysis of savings

The savings from re-organisation cover:

- Reduction in senior officer posts
- Reduction in the number of Members
- Savings in corporate services
- Service optimisation savings
- Property rationalisation savings

The approach to the analysis of each of the above follows.

- **Reduction in senior officer posts**  
The savings in respect of the senior staff structure are the salaries saved for the reduced numbers of senior staff posts required to manage the new authorities.
- **Reduction in the number of Members**  
Member savings come from having fewer authorities and hence a requirement for fewer Members.
- **Savings in corporate services**  
Corporate services savings are achieved through the consolidation of these functions and the economies of scale typically achievable.
- **Service optimisation savings**  
The service optimisation savings are achieved through service consolidation and procurement savings e.g. a single waste collection contract.
- **Property rationalisation savings**  
The savings from property rationalisation, consolidated purchasing of utilities and FM contracts.

### 3.2.3 Funding the transition

In the early years following the creation of any new Council structure there would be a requirement for the authorities to fund income foregone as a result of Council Tax harmonisation and the cost of implementing the new structures e.g. one off change costs and staff exit costs (prior to year one of the new Council structures being in place). The source of funding the forgone revenue/costs in the early years could be borrowing or Council reserves. The table below shows the combined earmarked and unallocated reserves for each option according to each authorities Revenue Account Budget for 2015/16. There is also the possibility of using capital receipts to fund transformational activity in line with recent guidance from Treasury.

Option	Earmarked reserves (£m)	Unallocated reserves (£m)
Option A (County, Cities and IOW)	550.4	78.4
Option B (County, Cities)	523.8	73.2
Option C (County and IOW)	471.8	54.5
Option D (County Unitary)	445.2	49.3
Option E (Solent UA)	280.9	49.5
Option E (non-Solent UA)	269.4	28.9
Option F (Greater Portsmouth UA)	149.9	30.6
Option F (Greater Southampton UA)	121.3	13.8
Option F (North Hampshire UA)	252.6	28.8
Option G (Greater Portsmouth UA)	149.9	30.6
Option G (Greater Southampton UA)	121.3	13.8
Option G (Central Hampshire UA)	119.3	16.2
Option G (North Hampshire UA)	133.3	12.7

It is estimated that each option will generate a net saving over ten years and the estimated savings are expected to equal and exceed the cost of creating the new structures in year one with the exception of Option E where it is in year two. Option F (Greater Southampton UA), option G (Greater Southampton), option G (Central Hampshire) and option G (North Hampshire) have low levels of unallocated reserves when compared to other options and are more likely to use borrowing or capital receipts to fund the transition particularly if some of the savings assumptions discussed further on in this section of the report were not achieved e.g. corporate services, service optimisation and property rationalisation or were achieved but took longer to do so. In the options which create authorities with low levels of unallocated usable reserves, financial resilience could be an issue in terms of the ability to cope with increased financial pressures, demographic pressure and new risks which may arise.

### 3.3 Non-financial criteria

The non-financial criteria used to assess the various UA options are contained in the following table. There are three top level criteria used:

- Sustainability of public services;
- Impact on residents; and
- Degree of disruption.

Top-level criteria	Sub-criteria	Sub-criteria definition
<b>Sustainability of public services</b>	Sustainability and coterminosity with key agencies	<ul style="list-style-type: none"> <li>• The ability to facilitate strategic planning (planning and delivering services across organisations);</li> <li>• The degree of “coterminosity” with other parts of the public sector;</li> <li>• The number of organisations that need to work together to deliver services;</li> <li>• The impacts on public sector skills and capacity; and</li> <li>• Ability to absorb financial shocks.</li> </ul>
	Creating the conditions for economic growth	<ul style="list-style-type: none"> <li>• Improving Gross Value Added (GVA);</li> <li>• Ability to improve economic planning with partners; and</li> <li>• Ability to influence key policy areas such as housing, transport, planning, rate reliefs etc.</li> </ul>
<b>Impact on residents</b>	Potential impact on service continuity and performance	<ul style="list-style-type: none"> <li>• The level of aggregation, disaggregation, and integration required, including the proportion of population affected; and</li> <li>• The potential for change in volume, range, frequency and characteristics of services delivered.</li> </ul>
	Delivery of services that are responsive to local needs	<ul style="list-style-type: none"> <li>• Flexibility to move resources to where they are needed most; and</li> <li>• Maintaining and / or creating natural communities.</li> </ul>
	Democratic participation and accountability	<ul style="list-style-type: none"> <li>• Whether individuals, families and communities have clarity about who is representing them and where to go for support and advice.</li> </ul>
<b>Degree of disruption</b>		<ul style="list-style-type: none"> <li>• The number of organisations affected;</li> <li>• The number of residents impacted; and</li> <li>• The degree of aggregation and disaggregation of services.</li> </ul>

The non-financial assessment has not assessed the degree of involvement and engagement of residents in local democracy across each of the options. This is because there is little evidence to suggest that there should be a variation of the degree to which each option could fulfil this criterion. Other Councils that have changed to unitary status (merging a County Council with a number of Districts such as Wiltshire) have reduced the number of Members in their respective

geographies and implemented a variety of mechanisms to support ongoing local involvement and engagement. Examples include:

- Area committees;
- Town councils;
- Partnership boards;
- Community forums; and
- Universal parishment across the unitary council area (building on current parishes).

Furthermore the size of the UAs created under each option has also not been assessed. There has been a great deal of longstanding debate on this issue and many arguments and counter arguments regarding how large a UA can be before it becomes 'too large'. A report for the Department of Communities and Local Government (DCLG) in 2006 entitled 'Population Size and Local Authority Performance' illustrated this complexity, finding that:

- The balance of evidence suggests that performance tends to be better in large than small authorities; and
- The biggest spending services areas in local government show the weakest relationship between population size and impact on performance when compared to the lowest spending areas e.g. the relationship between population size and performance is weaker in areas such as social services and education.

The report also deemed that 'the relationship between population and performance is a complex mosaic', and that reorganisations in different local areas needed to be considered separately.

There is no definitive answer, and the arguments distract from the more pertinent point that a UA, large or small, can perform well and be effective or perform badly and be ineffective, depending on whether it has strong political and corporate leadership capacity and capabilities.

### 3.4 Option A: County, Cities, and IoW

A

County, Cities, & IoW

→ Hampshire County Council, IoW, Southampton, Portsmouth and the existing District Councils forming a Unitary Authority.

This option creates one new Council covering all services for the whole county, two cities, and the IoW.

#### 3.4.1 Financial assessment

A financial summary of Option A is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	408.0
	<b>Total estimated income foregone</b>	<b>408.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	16.5
	Change programme	15.0
	<b>Total estimated costs</b>	<b>31.5</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	151.6
	Democratic	52.2
	Corporate services	358.6
	Service optimisation	242.4
	Property rationalisation	58.5
<b>Total estimated savings</b>		<b>863.3</b>
<b>Net saving</b>		<b>423.8</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option A are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £408.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £619.0m and £496.0m when harmonising to the higher level of Council Tax
- 174 staff reductions are assumed with exist costs of £95,000 per reduction costing £16.5m as a one-off cost.
- 150 Council programme/project managers costing £13.5m over the first two years (at a cost of £45,000 per programme/project manager) and £1.5m of external professional support will be required over the first two years.
- Current annual senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA, Portsmouth UA and Isle of Wight UA is £22.0m. The annual cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.8m. The estimated annual saving is £15.2m.
- The County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA currently have 696 members and their costs (allowances) combined amount to £7.1m. Under a single Council the assumed number of members is 106 and the estimated member costs under a single Council are £1.9m. The estimated annual saving is £5.2m.
- It is assumed that annual Corporate Service (£35.9m), Service Optimisation (£24.2m) and Property Rationalisation (£5.9m) savings can be achieved as the County Council, the Districts and three UAs will be combining.

As shown in the table in section 3.2.3 the new Council created by this option would have the highest level of unallocated usable reserves to fund reorganisation, transformation, and to support resilience to future financial pressures.

### **3.4.2 Non-financial assessment**

The remainder of this section contains further detail on the non-financial assessment of Option A. From the Hampshire County community perspective, this option would result in the County's existing services being aggregated with the three other unitaries, which in many areas do not perform as well as the County's existing services.

#### **3.4.2.1 Sustainability of public service**

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

##### **Sustainability and coterminosity with key agencies**

This option presents the greatest opportunity to strategically plan service delivery across the entire HIOW geography and for all 1.9m residents. Clearly this involves all of the existing Council's services whether they are County, City, or District. The key difference with Option D is that this enables integration of social services, education and other services currently provided by the County Council and the UAs.

This option results in one organisation being created where there are currently 15. Services would be directed by one governance and leadership structure and single policy framework. This streamlined governance should simplify decision making.

It should also enable local government in HIOW to integrate more effectively with other parts of the public sector in terms of service delivery planning focused on outcomes. Under this option the UA would have coterminous boundaries with Police and Fire (acknowledging that there is a separate Fire Service in the IOW). This option would also be coterminous with the Health and Care System Strategic Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years across the HIOW footprint, significantly reducing the complexity associated with the number of organisations that need to work together. For example, with one adult social care department across the whole geography, a consistent policy framework could be implemented for hospital discharge and other critical areas of integration.

The ability to work more effectively with other parts of the public sector should be further simplified because the UA provides one voice for the entire geography. Similarly, this option results in the UA being able to provide one voice to central government.

There would be an opportunity to significantly reduce the senior management team posts needed to manage the services by 174 which is highest number of all the options. It is anticipated that there will be able skills and capability to staff this option given that it should remove role duplication that currently exists across the authorities. For example it would require one post to lead the services currently delivered by 13 post holders for District services (allowing for joint posts at two of the authorities and one at each of the UAs), such as one Head of Housing, and there is also a reduction in the County and Unitary roles, for example in the area of Children's Services where there is a reduction from four Directors of Children's Services to one.

Through the scale of this option, it is anticipated that sustainability should be more secure as a result of the economies resulting from the integration of all services.

## Creating the conditions for economic growth

There is significant variation in the Gross Value Add (GVA) per head across the County of Hampshire. The Office for National Statistics (ONS) does not publish information on GVA by District but by NUTS3 areas which for Hampshire means Districts are grouped into North (Hart, Rushmoor, Basingstoke and Deane), Central (East Hampshire, New Forest, Test Valley, Winchester) and South Hampshire (Eastleigh, Fareham, Gosport and Havant). The following table shows the latest available GVA per head figures.

Area	Regional GVA per head £	Percentage of UK average %	Population 000s
North Hampshire	28,118	114.2	361
Central Hampshire	26,479	107.6	535
South Hampshire	24,568	99.8	450
Portsmouth	25,735	104.5	209
Southampton	23,572	95.8	245
IoW	22,074	89.7	139

There are two Local Enterprise Partnerships covering Hampshire:

- Solent (South Hampshire NUTS3 area plus parts of Central and North Hampshire) - covering Fareham, Gosport, Havant, Eastleigh, Portsmouth, Southampton, the IOW and parts of Winchester, Test Valley, New Forest and East Hampshire. (see map below);



- Enterprise M3 (Central and North Hampshire NUTS3 areas) – covering Basingstoke and Deane, Rushmoor, part of East Hampshire, Hart, part of the New Forest, part of Test Valley and part of Winchester along with seven districts in Surrey.



There is an existing enterprise zone in the Solent LEP area and a new split site enterprise zone (part in East Hampshire and part in Basingstoke and Deane) due online in 2017 for Enterprise M3.

As shown above there is significant variation in GVA across the County. This option creates one unitary council to work with the two LEPs.

This option also allows for one view on many of the issues necessary to support economic growth such as transport, housing, planning and rates. This option provides the greatest opportunity for consistency and strategic planning priorities and reducing duplication. From a partner perspective, public or private, this should significantly simplify interaction with local government in the area. However, there is a risk that the single authority would not as easily accommodate the differing economic challenges in the Cities and IOW, and the rest of Hampshire. In particular, these relate to differences in skills challenges, the role of SMEs, and differing welfare to work challenges.

### 3.4.2.2 Impact on residents and service delivery

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

#### Potential degree of service continuity and performance

This option requires the integration and aggregation of the full scope of services provided by the Districts, and the County, Cities and IOW. There would be a significant level of work required to integrate the services in the cities and on the IOW with those services across the current two tier area. This could result in changes in education policy (although as the number of academies increases this area may reduce in impact). Similarly social care services will need to be integrated and this could cause change for individuals as policy is integrated. As with Options A to D there will be harmonisation of services provided by the 11 Districts with potential changes to the services for some residents. All 1.9m residents will be affected by the change to some degree.

This option does not involve any disaggregation of services.

Given the significant difference in performance on these services illustrated in Appendix C, there is an opportunity to improve if the best of the services can be replicated across the wider area. Under a single management structure there should be more control over changes made to services and scale that enables different areas of the same service to support 'turnaround' / improvements to other areas of the service. Clearly, this would need to be well managed to prevent improvement activities from negatively impacting wider service performance.

### **Delivery of services that are responsive to local needs**

This option creates the single largest authority of any of the options and therefore represents the biggest risk that services become less responsive to local need. It will need to cover a wide range of issues for a mix of rural communities with two major cities and an island each of which bring different service needs and challenges.

However, it should increase the flexibility of the new council to target all local authority services more effectively across the population because it will have a consolidated view of the entire area and greater control of the management and delivery of services. With this option there is a risk that the aggregation of services results in them becoming more homogenous (even if a higher standard overall) and less responsive to local need or expectation.

This option has the mandate to influence service delivery and hence responsiveness across the entire HIOW geography.

There are other authorities which cover large areas with a mix of rural and urban communities e.g. Northumberland and Durham Councils. Therefore, natural community issues can be overcome but have the potential to be more complex than in many other options.

### **Democratic participation and accountability**

As with other options this results in the benefit of residents having a single elected representative for all of the services they receive from the Council.

It also results in fewer members. However, as we have assumed the same number of electors per member in options A-D there is little difference between these options and the same proven solutions to locality issues can be employed.

#### **3.4.2.3 Deliverability – Degree of disruption**

This option impacts on all 15 of the existing authorities as all are abolished and a new single council is created. Therefore, the whole population of 1.9m is potentially affected as are all 20,604 staff. There is a high degree of disruption both scale, range of services, and numbers of the population impacted.

The option is more complex than some of the other options as services from both of the current tiers require integration. We are not aware of any precedent for the merger of UAs or two County Councils so there is no blueprint to follow. It is however less complex than some of the other options which would split up services over multiple authorities.

### 3.5 Option B: County and Cities



This is similar to Option A except that the IOW remains a separate unitary council, all other authorities are merged to form a UA covering the Hampshire area.

#### 3.5.1 Financial assessment

A financial summary of Option B is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	309.0
	<b>Total estimated income foregone</b>	<b>309.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	15.9
	Change programme	14.0
	<b>Total estimated costs</b>	<b>29.9</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	144.6
	Democratic	49.7
	Corporate services	324.7
	Service optimisation	219.5
	Property rationalisation	53.0
	<b>Total estimated savings</b>	<b>791.5</b>
<b>Net saving</b>		<b>452.6</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option B are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £309.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £557.0m and £399.0m when harmonising to the higher level of Council Tax.
- 167 staff reductions are assumed with exist costs of £95,000 per reduction costing £15.9m as a one-off cost.
- 140 Council programme/project managers costing £12.6m over the first two years (at a cost of £45,000 per programme/project manager) and £1.4m of external professional support will be required over the first two years.
- Current annual senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The annual cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.8m. The estimated annual saving is £14.5m.
- The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m. Under a single Council the assumed number of members is 95 and the estimated member costs under a single Council are £1.7m. The estimated annual saving is £5.0m.
- It is assumed that annual Corporate Service (£32.5m), Service Optimisation (£22.0m) and Property Rationalisation (£5.3m) savings can be achieved as one County, the Districts and two UAs will be combining.

As shown in the table in section 3.2.3 the new Council created by this option would have the 2<sup>nd</sup> highest level of unallocated usable reserves to fund reorganisation, transformation, and to support resilience to future financial pressures. However, this option leaves the Isle of Wight with no change to its challenging financial position.

### 3.5.2 Non-financial assessment

This option is essentially Option A without the IOW. From the Hampshire County community perspective, this option would result in the County's existing services being aggregated with the two other unitaries, which in many areas do not perform as well as the County's existing services.

The assessment is broadly the same as that for Option A with the following differences:

- **Sustainability of public services:** Slightly less coterminosity which could impact strategic planning. However, the County Council already supports Children's Social Care services on the IOW. The IOW will maintain its autonomy on economic development issues, however there is potential that the new Unitary Council may have significant influence on such matters given its size and scale.
- **Impact on residents and service delivery:** Given the performance of services on the IOW as shown in Appendix C questions could be raised regarding the risk of having an option that does not include it. Ultimately, any new UA arrangement formed may continue supporting the IOW (particularly in the area of Children's Services for which support is provided by the County Council).
- **Deliverability - degree of disruption:** Marginally less complex as it does not include the IOW and the number of residents impacted is 1.8m.

As with other mergers involving the UAs in this report, there is a lack of precedent for merger of UAs and this option may require new legislation.

### 3.6 Option C: County & IoW

C

County & IoW

➤

Hampshire County Council, IoW and the existing District Councils forming a Unitary Authority (with the existing Unitary Authorities in Southampton and Portsmouth remaining in place).

This option is a merger of a County Council with the District Councils and the IoW.

#### 3.6.1 Financial assessment

A financial summary of Option C is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	356.0
	<b>Total estimated income foregone</b>	<b>356.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	13.0
	Change programme	13.0
	<b>Total estimated costs</b>	<b>26.0</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	110.9
	Democratic	43.7
	Corporate services	267.7
	Service optimisation	180.9
	Property rationalisation	43.7
	<b>Total estimated savings</b>	<b>646.9</b>
<b>Net saving</b>		<b>264.9</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option C are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £356.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £585.0m and £471.0m when harmonising to the higher level of Council Tax.
- 137 staff reductions are assumed with exist costs of £95,000 per reduction costing £13.0m as a one-off cost.
- 130 Council programme/project managers costing £11.7m over the first two years (at a cost of £45,000 per programme/project manager) and £1.3m of external professional support will be required over the first two years.
- Current annual senior staff costs (including on-costs) for the County Council, the eleven Districts and the IoW UA is £17.2m. The annual cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.1m. The estimated annual saving is £11.1m.
- The County Council, the Districts and the IoW UA currently have 606 members and their costs (allowances) combined amount to £5.9m. Under a single Council the assumed number of members is 84 and the estimated member costs under a single Council are £1.5m. The estimated annual saving is £4.4m.
- It is assumed that annual Corporate Service (£26.8m), Service Optimisation (£18.1m) and Property Rationalisation (£4.4m) savings can be achieved as the County Council, the Districts and one UA will be combining.

As shown in the table in section 3.2.3 the new Council created by this option would have the 3<sup>rd</sup> highest level of unallocated usable reserves to fund reorganisation, transformation, and to support resilience to future financial pressures. There is no change to the financial positions of City Unitary Councils with Southampton having the lowest current level of unallocated useable reserves at £5.5m.

## 3.6.2 Non-financial assessment

The remainder of this section contains further detail on the non-financial assessment of Option C. From the Hampshire County community perspective, this option provides more continuity and less disruption than Options A and B because it aggregates its services with only one other unitary.

### 3.6.2.1 Sustainability of public services

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

#### Sustainability and coterminosity with key agencies

In terms of facilitating strategic planning this option enables the continuation of service planning for upper tier services over a similar geography and also allows District services to be planned at the same level. This presents the opportunity to consider services currently provided by the Districts on an integrated basis e.g. housing, benefits, waste collection, leisure, planning, food safety etc. This option also requires the aggregation of IOW services.

The new unitary brings 13 existing authorities together in one new organisation. At present affecting change at a county wide level across 11 District Councils can require complex and time consuming negotiation whereas with a single council governance structure decision making is simplified and can be accelerated. There is also more potential to consolidate the infrastructure supporting District services under one governance structure, for example, having a single Council Tax and housing benefit software solution, and to achieve economies of scale by delivering various District services as a single service e.g. waste collection.

This option improves coterminosity between the authority and other public services. With the exception of the city areas this option is coterminous with Fire, and with the exception of the city areas there is greater coterminosity with Police, and the Health and Care System STP footprint, which has the same footprint as the HIOW geography. However, the coterminosity improvement is largely down to the county, IOW and Districts operating as one and hence should provide a consistent voice on the services currently provided by the Districts when interfacing with health and police on issues such as housing and community safety.

This option does, however, improve the new council's ability to act as a unified voice for the 1.5m population it serves to government through the removal of two tiers.

Through the scale of this option for District services, it is anticipated that sustainability should be more secure by being part of a larger organisation. The IOW should benefit similarly and the County Council already has a track record in supporting the delivery of Children's Services for the IOW and in improving their performance. Although the County Council will no longer exist under this option, its services will not be significantly impacted and therefore it is anticipated that integration of all upper tier services should be manageable.

## **Creating the conditions for economic growth**

In this option there would be three authorities (the County Unitary, Portsmouth and Southampton) contributing to the LEP agenda in the Solent (whereas there are currently 11 authorities as part of this LEP) and one to the Enterprise M3 LEP (currently seven Hampshire authorities) and as such this should significantly simplify the local authority input.

Therefore, whilst the unitary council formed by this option would not directly align with either of the LEP boundaries it will be able to make more strategic planning decisions (based on a consistent planning policy and decision making) across the 11 District council areas as well as decisions around social housing to provide housing for key workers to support economic growth, targeting NNDR relief to key growth areas.

In this option Southampton, Portsmouth and the new Unitary remain separate and major partners in the Solent LEP and the new unitary will be able to provide a consistent view on behalf of the areas from which many of the workers in the Solent LEP reside. This also has the advantage that the IOW is represented by a much larger Council within the LEP.

### **3.6.2.2 Impact on residents and service delivery**

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

#### **Potential degree of service continuity and performance**

This option requires the aggregation of lower tier services across the 11 Districts into the new organisation, affecting 1.3m of the population. It also requires aggregation of IOW's services, affecting a further 0.2m. However, Children's Services on the IOW are already being delivered in partnership with Hampshire County Council, with Hampshire providing the statutory DCS role and providing senior leadership capacity for this key upper tier service reducing any risk associated for those service users. This should improve the likelihood of service continuity and improvement given that existing services are largely unaffected by the reorganisation and will be delivered over a similar footprint. This is advantageous given the complexity that resulted from other unitaries' experiences where disaggregation was required.

It is anticipated that this option will result in changes to District services as they are harmonised. This could result in, for example, changes to bin collection frequency for some residents, recycling policies, and bin collection ("black bag" replaced by a "wheelie bin"). From a performance perspective, this option presents the opportunity to assess the variation in performance and cost of delivery of District and IOW services, and under a single management structure, to deliver greater performance consistency coupled with economies of scale. Improvements to Children's Services' performance have already been realised over this geography.

#### **Delivery of services that are responsive to local needs**

This option should increase the flexibility of the new council to target the aggregated District services more effectively across the population because there will be a consolidated view of a more significant area and greater control of the management and delivery of services. With aggregation there is a risk that services are made more homogenous (even if a higher standard overall) and less responsive local need or expectation. However, the County Council has a track record of supporting the delivery and improvement of Children's Services for the IOW, and with the continuity provided to this key upper tier service, there remains an opportunity to continue to improve services delivered locally.

This option would not have a mandate to influence responsiveness in the cities.

## **Democratic participation and accountability**

By creating a single tier system across the whole area this option creates a simplification of elected representation for the 1.5m residents impacted. A resident only has one councillor to approach regarding their local authority services whereas under the current system they would have to approach different councillors for lower tier and IOW services than for upper tier services.

### **3.6.2.3 Deliverability - degree of disruption**

This option directly impacts on 13 of the 15 authorities affecting a population of 1.5m out of the total population of 1.9m. 15,807 staff out of the total of 20,604 would be affected by the change. County level services should not be disrupted, which will significantly reduce the number of staff impacted, however senior management changes will have an effect.

Although there will be some degree of complexity whether services are aggregated or disaggregated, experience shows that disaggregation is more complex. There is no disaggregation of services associated with this option. There will be aggregation of both upper and lower tier services which for lower tier will be aggregation over a significant geography. However, this is a tried and tested process in other areas such as Cornwall and Wiltshire etc. Whilst significant integration will be required for universal services such as refuse collection and revenue services, the key service of Children's Social Care already benefits from close partnership working, with the County currently supporting the delivery of this service, and this reduces the risk of integration for a vulnerable group of residents.

### 3.7 Option D: County Unitary

D

County Unitary

Hampshire County Council and the existing District Councils forming a Unitary Authority (with the existing Unitary Authorities in Southampton, Portsmouth and the Isle of Wight (IoW) remaining in place).

This option follows the main unitarisation route which has been followed by authorities to date which is a merger of a County Council with a number of District Councils. There are a number of precedents for this type of re-organisation. In this option there is no change to the existing UAs in Southampton, Portsmouth and on the IOW. There is no disaggregation of services but there is aggregation of District services currently provided by 11 District Councils.

#### 3.7.1 Financial assessment

A financial summary of Option D is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	160.0
	<b>Total estimated income foregone</b>	<b>160.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	12.4
	Change programme	12.0
	<b>Total estimated costs</b>	<b>24.4</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	103.8
	Democratic	40.1
	Corporate services	233.8
	Service optimisation	158.1
	Property rationalisation	38.2
	<b>Total estimated savings</b>	<b>574.0</b>
<b>Net saving</b>		<b>389.6</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option D are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £160.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £186.0m and £314.0m when harmonising to the higher level of Council Tax.
- 130 staff reductions are assumed with exist costs of £95,000 per reduction costing £12.4m as a one-off cost.
- 120 Council programme/project managers costing £10.8m over the first two years (at a cost of £45,000 per programme/project manager) and £1.2m of external professional support will be required over the first two years.
- Current annual senior staff costs (including on-costs) for the County Council and the eleven Districts is £16.5m. The annual cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.1m. The estimated annual saving is £10.4m.
- The County Council and the Districts currently have 566 members and their costs (allowances) combined amount to £5.4m. Under a single Council the assumed number of members is 78 and the estimated member costs under a single Council are £1.4m. The estimated annual saving is £4.0m.
- It is assumed that annual Corporate Service (£23.4m), Service Optimisation (£15.8m) and Property Rationalisation (£3.8m) savings can be achieved as the County Council and eleven Districts will be combining.

As shown in the table in section 3.2.3 the new Council created by this option would have nearly £50m of unallocated usable reserves to fund reorganisation, transformation, and to support resilience to future financial pressures. As with option B this doesn't help the financial resilience of the Isle of Wight and as with Option C it doesn't help with the financial resilience of Southampton City Council.

### **3.7.2 Non-financial assessment**

The remainder of this section contains further detail on the non-financial assessment of Option D. From the Hampshire County community perspective, this option provides the greatest level of continuity and least disruption than all other options.

#### **3.7.2.1 Sustainability of public services**

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

##### **Sustainability and coterminosity with key agencies**

In terms of facilitating strategic planning this option enables the continuation of service planning for the county's services over the same geography and also allows District services to be planned at the same level. This presents the opportunity to consider services currently provided by the Districts on an integrated basis e.g. housing, benefits, waste collection, leisure, planning, food safety etc.

The new unitary brings 12 existing authorities together in one new organisation. Affecting change at a county wide level across 11 District Councils can require complex and time consuming negotiation whereas with a single council governance structure decision making is simplified and can be accelerated. There is also more potential to consolidate the infrastructure supporting District services under one governance structure, for example, having a single Council Tax and housing benefit software solution, and to achieve economies of scale by delivering various District services as a single service e.g. waste collection.

This option improves coterminosity between the authority and other public services. With the exception of the city areas this option is coterminous with Fire, and with the exception of the IOW and city areas there is greater coterminosity with Police, and the Health and Care System STP footprint, which has the same footprint as the HIOW geography. The coterminosity improvement is largely down to the county and Districts operating as one and hence should provide a consistent voice on the services currently provided by the Districts when interfacing with health and police on issues such as housing and community safety.

The removal of the second tier also enables the new authority to act as a unified voice for the 1.3m population it serves to government through the removal of two tiers.

Through the scale of this option for District services, it is anticipated that sustainability should be more secure by being part of a larger organisation.

## **Creating the conditions for economic growth**

In this option there would be four authorities (the County Unitary, the IOW, Portsmouth and Southampton) contributing to the LEP agenda in the Solent (whereas there are currently 11 authorities as part of this LEP) and one to the Enterprise M3 LEP (currently seven Hampshire authorities) and as such this should significantly simplify the local authority input.

Therefore, whilst the unitary council formed by this option would not directly align with either of the LEP boundaries it will be able to make more strategic planning decisions (based on a consistent planning policy and decision making) across the 11 District council areas as well as decisions around social housing to provide housing for key workers to support economic growth, targeting NNDR relief to key growth areas.

In this option Southampton, Portsmouth and the IOW and the new Unitary remain separate and major partners in the Solent LEP and the new unitary will be able to provide a consistent view on behalf of the areas from which many of the workers in the Solent LEP reside.

### **3.7.2.2 Impact on residents and service delivery**

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

#### **Potential degree of service continuity and performance**

This option requires the aggregation of lower tier services across the 11 Districts into the new organisation, affecting 1.3m of the population. No disaggregation of services is needed and there should be minimal change for upper tier services from a reorganisation perspective (with the exception of rebranding). This should improve the likelihood of service continuity and improvement given that existing services are largely unaffected by the reorganisation and will be delivered over a similar footprint. This is advantageous given the complexity that resulted from other unitaries' experiences where disaggregation was required.

It is anticipated that this option will result in changes to District services as they are harmonised. This could result in, for example, changes to bin collection frequency for some residents, recycling policies, and bin collection ("black bag" bin collection replaced by a "wheelie bin"). County services should not be affected.

From a performance perspective, this option presents the opportunity to assess the variation in performance and cost of delivery of District services, and under a single management structure, to deliver greater performance consistency coupled with economies of scale, for example through greater buying power in procurement.

It should be noted that as the IOW's Children's Services are supported by the County Council, which will not exist, the future support to IOW would need to be examined. However, it is anticipated that this option has the potential to provide more continuity for IOW as the creation of the new unitary should have minimal impact on the support for Children's Services currently provided in partnership with the County Council.

#### **Delivery of services that are responsive to local needs**

This option should increase the flexibility of the new council to target the aggregated District services more effectively across the population because there will be consolidated view of a more significant area and greater control of the management and delivery of services. With aggregation there is a risk that services are made more homogenous (even if a higher standard overall) and less responsive local need or expectation.

This option would not have a mandate to influence responsiveness in the cities and IOW.

## **Democratic participation and accountability**

By creating a single tier system across the whole area this option creates a simplification of elected representation for the 1.3m residents impacted. A resident only has one councillor to approach regarding their local authority services whereas under the current system they would have to approach different councillors for lower tier services than for upper tier services.

### **3.7.2.3 Deliverability - degree of disruption**

This option directly impacts on 12 of the 15 authorities affecting a population of 1.3m out of the total population of 1.9m. 14,245 staff out of the total of 20,604 would be affected by the change. County level services should not be disrupted, which will significantly reduce the number of staff impacted, however senior management changes will have an effect.

Although there will be some degree of complexity whether services are aggregated or disaggregated, experience shows that disaggregation is more complex. There is no disaggregation of services associated with this option. The aggregation relates only to District services, which will need to be integrated over a significant geography, however this is a tried and tested process in other areas such as Cornwall and Wiltshire etc. The services to be integrated are largely universal services such refuse and collection services and the person centred services like social care are unaffected, reducing risk by not changing services for the most vulnerable groups of residents.

### 3.8 Option E: 2 Unitary Councils



This option results in the creation of two new UAs. This would require full disaggregation of all County services and aggregation of unitary services, together with two separate aggregations of District services across two new Unitaries.

#### 3.8.1 Financial assessment

A financial summary of Option E is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	402.0
	<b>Total estimated income foregone</b>	<b>402.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	12.4
	Change programme	16.0
	<b>Total estimated costs</b>	<b>28.4</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	92.7
	Democratic	43.2
	Corporate services	234.7
	Service optimisation	158.6
	Property rationalisation	38.3
	<b>Total estimated savings</b>	<b>567.5</b>
<b>Net saving</b>		<b>137.1</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option E are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £402.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £476.0m and £467.0m when harmonising to the higher level of Council Tax.
- 130 staff reductions are assumed with exist costs of £95,000 per reduction costing £12.4m as a one-off cost.
- 160 Council programme/project managers costing £14.4m over the first two years (at a cost of £45,000 per programme/project manager) and £1.6m of external professional support will be required over the first two years.
- Current annual senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA, Portsmouth UA and Isle of Wight UA is £22.0m. The cost (including on-costs) of the senior staff structure under the Solent and Non-Solent options is estimated to be £12.7m. The estimated annual saving is £9.3m.
- The County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA currently have 696 members and their costs (allowances) combined amount to £7.1m. Under two UA structures the assumed total number of members is 177 (106 for the Solent option and 71 for the non-Solent option) and the estimated member costs under two UA structures is £2.8m. The estimated annual saving is £4.3m.
- It is assumed that annual Corporate Service (£23.5m), Service Optimisation (£15.9m) and Property Rationalisation (£3.8m) savings can be achieved under the Solent and Non-Solent options. However, the scale of the opportunity is likely to be less because the County Council will be disaggregated.

As shown in the table in section 3.2.3 the two new Councils created by this option would each have unallocated usable reserves of greater than £28m to fund reorganisation, transformation, and to support resilience to future financial pressures.

### **3.8.2 Non-financial assessment**

The remainder of this section contains further detail on the non-financial assessment of Option E. From the Hampshire County community perspective, this option does not provide continuity of services and will result in considerable disruption to all of the County's services. It will result in full disaggregation of all County services and aggregation of unitary services, together with two separate aggregations of District services across two new unitary authorities.

#### **3.8.2.1 Sustainability of public service**

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

##### **Sustainability and coterminosity with key agencies**

This option is complex in that it requires aggregation and disaggregation of services and strategic planning of services would be separate across the two areas.

Whilst this option would reduce the number of authorities in the area (to two) facing off to the other public services bodies neither would be conterminous with any of the areas covered by the other key public service bodies.

There would be an opportunity to significantly reduce the senior management team posts needed to manage the services provided to the 1.9m population. In this option there is a potential to reduce senior management posts by 130 and since there are already county services in both areas there should be sufficient skills available to staff the new structures.

There would be a significant streamlining of the number of authorities facing off to central government (from 15 to two) and hence a more consistent view of the key issues for the two areas.

##### **Creating the conditions for economic growth**

As noted under Option A there is significant variation in GVA across the County. This option creates two UAs with close alignment to the boundaries of the two LEPs (excepting the Surrey element of Enterprise M3). Therefore, this option should have advantages for economic growth activity with the aligned authorities covering all services which can contribute to the conditions to stimulate economic growth.

This option does, however, have the disadvantage that there is no single view across the entire geography that could identify decisions made on a LEP area basis that may be working against those made in the other LEP area. There is also the issue that the Solent unitary would have large dependencies on transport infrastructure outside its area and also that the two areas would bear little relationship to functional economic areas measured on where people live and work, employment markets, housing market areas and travel to work areas.

#### **3.8.2.2 Impact on residents and service delivery**

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

##### **Potential degree of service continuity and performance**

As already noted this option has both aggregation and disaggregation of services. Aggregation is an established process in local government having been achieved on numerous occasions. The blueprint for disaggregation is less well established and more complex. Under this option all services are impacted as are all residents.

The new Solent Authority will require, for its geographical boundary, services to be disaggregated from the County Council and integrated with aggregated services from Southampton, Portsmouth and the IOW. District services will need to be aggregated.

The non-Solent option requires disaggregation of the County Council's services and the aggregation and integration of District services.

Social care services are more significantly impacted than in options A to D, and the risks of someone not being properly looked after when the organisation providing their care changes are much greater than when the service being changed is for example bin collection.

Looking at the relative performance of services such as Children's Services shown in Appendix C (and assuming no transformation of performance initially) those residents in Gosport, Fareham, Eastleigh, Havant and East Hampshire and the IoW (700,000 residents) will have their services delivered by a Council which may not achieve the current performance levels of the County.

It should be noted that as the IOW's Children's Services are supported by the County Council, which will not exist, the future support to IOW would need to be examined.

As can be seen in the financial analysis the benefits of service aggregation will be less as this only affects District services, which are aggregated into two. There is also a possibility that service improvement potential is diminished under this option because there is less scale and capacity with which to drive improvement.

### **Delivery of services that are responsive to local needs**

This option creates two large authorities i.e. both are more than double of the size of the largest existing unitary in the area in terms of service expenditure. The respective populations for which the Solent and non-Solent UAs can deploy resources across are 1.1m and 0.8m respectively.

There may be the same aggregation risk of homogenous service provision being perceived as less responsive to local need. The Solent authority will have the challenge of the mix of two major cities, and Island and some more rural communities to which it will provide services, whereas the Non-Solent authority will have less diversity in the communities it will serve. However, there are other authorities which cover large areas with a mix of rural and urban communities e.g. Durham, therefore these issues can be overcome but have the potential to be more complex than options that do not require such diversity to fall within one UA.

### **Democratic participation and accountability**

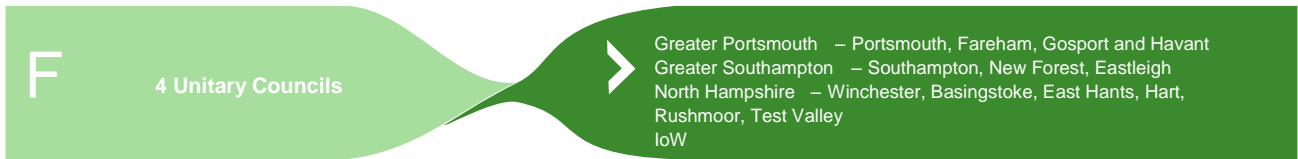
As with the other options, this option results in the benefit of residents having a single elected representative for all of the services they receive from the Council.

#### **3.8.2.3 Deliverability – degree of disruption**

This option impacts on all 15 of the existing authorities as all are abolished and two new authorities are created. Therefore, the whole population of 1.9m is potentially affected as are all 20,604 staff. This is a higher degree of disruption than for Option D in both scale and range of services impacted. It requires both disaggregation and aggregation and integration of services and has risks, previously highlighted in relation to the disaggregation in particular, and more so for services delivered to vulnerable groups.

This option, along with those that follow, are more complex than the previous options due to the aggregation, disaggregation, and integration required, the lack of a blueprint for the merger of UAs and County Councils, and the 700,000 users who will potentially have a detrimental change to the performance of services they receive.

### 3.9 Option F: 4 Unitary Councils



This option creates three new UAs with the only area unaffected being the IoW. There will be full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across three new authorities.

#### 3.9.1 Financial assessment

A financial summary of option F is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	228.0
	<b>Total estimated income foregone</b>	<b>228.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	10.5
	Change programme	16.0
	<b>Total estimated costs</b>	<b>26.5</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	87.1
	Democratic	34.2
	Corporate services	211.6
	Service optimisation	143.1
	Property rationalisation	34.5
	<b>Total estimated savings</b>	<b>510.5</b>
<b>Net saving</b>		<b>256.0</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option F are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £228.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £345.0m and £327.0m when harmonising to the higher level of Council Tax.
- 111 staff reductions are assumed with exist costs of £95,000 per reduction costing £10.5m as a one-off cost.
- 160 Council programme/project managers costing £14.4m over the first two years (at a cost of £45,000 per programme/project manager) and £1.6m of external professional support will be required over the first two years.
- Current annual senior staff (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The combined cost (including on-costs) of the senior staff structure for the three proposed structures is estimated to be £12.6m. The estimated annual saving is £8.7m.
- The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m. Under three UA structures the assumed total number of members is 213 (71 each for Greater Portsmouth, Greater Southampton and North Hampshire) and the estimated member costs under three UA structures is £3.3m. The estimated annual saving is £3.4m.
- It is assumed that annual Corporate Service (£21.2m), Service Optimisation (£14.3m) and Property Rationalisation (£3.5m) savings can be achieved under the Greater Portsmouth, Greater Southampton and North Hampshire options. However, the scale of the opportunity is likely to be less because the County Council will be disaggregated.

As shown in the table in section 3.2.3 the new Greater Southampton Council created by this option would only have unallocated usable reserves of £13.8m to fund reorganisation, transformation, and to support resilience to future financial pressures. Whilst this better than the current position for Southampton City Council it is much smaller than for other options.

### **3.9.2 Non-financial assessment**

The remainder of this section contains further detail on the non-financial assessment of Option F. From the Hampshire County community perspective, this option does not provide continuity of services and will result in considerable disruption to all of the County's services. It will result in full disaggregation of all County services together with integration with upper tier services from the existing UAs in Southampton and Portsmouth, and aggregation of lower tier services from the District and Unitaries across 3 new authorities.

#### **3.9.2.1 Sustainability of public service**

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

##### **Sustainability and coterminosity with key agencies**

This option is complex in that it requires aggregation, disaggregation, and integration of services even more so than Option E which only had two new authorities. In this option three new authorities are created and the IOW remains as it is.

There are no coterminosity advantages with other public service providers and less benefit than Option E as there will be four authorities for the other service providers to liaise with. There will be fewer liaison points than at present and these new liaison points are at least single tier, which is more simplistic for other service providers than the current two tier structure.

There would be an opportunity to significantly reduce the senior management team posts needed to manage the services provided to the 1.9m population. In this option there is a potential to reduce senior management posts by 119. The number of separate organisations created to manage services such as social services and education may create pressures in finding sufficient senior staff with the skills to manage such complex services.

There would be some streamlining of the number of organisations facing off to central government and hence a more consistent view of the key issues for the four areas.

##### **Creating the conditions for economic growth**

As noted under Option A there is significant variation in GVA across Hampshire and the IOW.

This option creates four UAs with three authorities covering the Solent LEP area resulting in more views for the LEP to consider than in Option E. However, the North Hampshire Council does partly align with the Hampshire part of the Enterprise M3 LEP, with some parts of the Council covered by the Solent LEP.

Therefore this option could have greatest advantage for the North of the County as more of the tools to support economic development, housing, highways, NNDR reliefs and planning would be in the control of the Council which would be matched geographically to the LEP for the area. However, there will remain differing planning policies across the whole HIOW area limiting the advantages from the aggregation of planning services. This option presents a number of scenarios where competing policies could be employed by the authorities.

### **3.9.2.2 Impact on residents and service delivery**

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

#### **Potential degree of service continuity and performance**

As already noted this option has both aggregation, disaggregation, and integration of services. Aggregation is an established process in local government having been achieved on numerous occasions. The challenges associated with disaggregation that have been noted previously apply to this option but in greater measure as services are disaggregated over four authorities. Although IOW remains unchanged, its Children's Services are supported by the County Council and future support to IOW would need to be examined given that under this option the County Council would cease to exist.

In this option some residents will move from having their upper tier services provided by the County Council to new authorities which will inevitably mean bringing together services of varying performance.

Looking at the relative performance of services such as Children's Services shown in Appendix C (and assuming no transformation of performance initially) those residents in Gosport, Fareham, Havant and Eastleigh and New Forest (329,000) will have their services delivered by a new Council which may not achieve the current performance levels of the County.

As can be seen in the financial analysis, the benefits of service aggregation will be less as District services are not being fully aggregated but instead split across several unitaries. This has the potential to impact service improvement as it creates less scale and capacity with which to drive improvement.

#### **Delivery of services that are responsive to local needs**

The IOW is unchanged and the three new authorities do not appear to have the perceived responsiveness challenges which may be created by some of the options which create much larger authorities. However, they may lack the scale to really deliver on responsive services particularly as some of the most challenged financially are not significantly improved by the mergers proposed.

#### **Democratic participation and accountability**

This option results in the benefit of residents having a single elected representative for all of the services they receive from the Council.

### **3.9.2.3 Deliverability – degree of disruption**

This option impacts on 14 of the 15 existing authorities as all except the IOW are abolished and three new authorities are created. Therefore, a population of 1.8m is potentially affected as are 19,032 of the 20,604 staff. There is a higher degree of disruption than for Option D in both scale and range of services impacted. It requires disaggregation, aggregation, and integration of services to a greater degree than Option E. This option has risks, highlighted previously, relating to disaggregation, particularly as it disaggregates services for vulnerable people more than Options A to E.

Furthermore, 329,000 users will potentially have a detrimental change to the services they receive. Although this is lower than the number impacted by these risks than in Option E (as the IOW is unchanged), the IOW currently relies on support from the County Council for Children's Services and this option raises questions and potential risks for the future support for the IOW.

### 3.10 Option G: 5 Unitary Councils

G

5 Unitary Councils

Greater Portsmouth - Portsmouth, Fareham, Gosport and Havant  
 Greater Southampton, New Forest and Eastleigh  
 Central Hampshire - Test Valley, Winchester and East Hants  
 North Hampshire - Basingstoke, Hart and Rushmoor  
 IoW

This option creates four new UAs and leaves the IOW unaffected. This would require full disaggregation of County services across four new unitary councils, together with integration of County services with the existing Unitary Councils upper tier service, plus four aggregations of District services.

#### 3.10.1 Financial assessment

A financial summary of Option G is provided in the following table.

		Estimate over 10 years (£m)
Income foregone	Council Tax harmonisation (lowest level)	184.0
	<b>Total estimated income foregone</b>	<b>184.0</b>
Costs	<b>One-off<sup>2</sup>:</b>	
	Senior staff restructuring	6.9
	Change programme	17.0
	<b>Total estimated costs</b>	<b>23.9</b>
Savings	<b>Ongoing<sup>3</sup>:</b>	
	Senior staff restructuring	35.3
	Democratic	33.9
	Corporate services	211.6
	Service optimisation	143.1
	Property rationalisation	34.5
	<b>Total estimated savings</b>	<b>458.4</b>
<b>Net saving</b>		<b>250.5</b>

<sup>1</sup> The differential being in terms of which of the current levels of Council Tax to which you harmonise.

<sup>2</sup> These will be incurred once at the beginning.

<sup>3</sup> These will be incurred annually from the beginning.

The income forgone, cost and saving assumptions, and analysis for Option G are set out in detail in Appendix A. Headlines from the analysis are:

- Over ten years when harmonising to the lowest level of Council Tax the estimated forgone revenue is £184.0m. When harmonising to the weighted average level of Council Tax foregone revenue is estimated to be £339.0m and £345.0m when harmonising to the higher level of Council Tax.
- 75 Staff reductions are assumed with exist costs of £95,000 per reduction costing £7.1m as a one-off cost.
- 170 Council programme/project managers costing £15.3m over the first two years (at a cost of £45,000 per programme/project manager) and £1.7m of external professional support will be required over the first two years.
- Current annual senior staff (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The combined cost (including on-costs) of the senior staff structure for the four proposed structures is estimated to be £17.8m. The estimated annual saving is £3.4m.
- The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m. Under four UA structures the assumed total number of members is 284 (71 each for Greater Portsmouth, Greater Southampton, Central Hampshire and North Hampshire) and the estimated member costs under four UA structures is £3.3m. The estimated annual saving is £3.5m.
- It is assumed that annual Corporate Service (£21.2m), Service Optimisation (£14.3m) and Property Rationalisation (£3.5m) savings can be achieved under the Greater Portsmouth, Greater Southampton, Central Hampshire and North Hampshire options. However, the scale of the opportunity is likely to be less because the County Council will be disaggregated.

As shown in the table in section 3.2.3 both North Hampshire and Greater Southampton have limited unallocated usable reserves to fund reorganisation, transformation, and to support resilience to future financial pressures.

### **3.10.2 Non-financial assessment**

The remainder of this section contains further detail on the non-financial assessment of option F. From the Hampshire County community perspective, this option does not provide continuity of services and will result in considerable disruption to all of the County's services. It will result in the creation of four new UAs and leaves the IOW unaffected. This would require full disaggregation of County services across four new unitary councils, together with integration of County services with the existing Unitary Councils upper tier service, plus four aggregations of District services.

#### **3.10.2.1 Sustainability of public service**

The sustainability of public services assessment considers the ability to facilitate sustainability and coterminosity with key agencies and ability to create the conditions for economic growth. Each of these is considered in turn.

##### **Sustainability and coterminosity with key agencies**

This option is complex in that it requires aggregation, disaggregation, and integration of services even more so than Option E which only had two new authorities and Option F which created three new authorities. In this option four new authorities are created and the IOW remains as it is.

There are no coterminosity advantages with other public services providers and less benefit than Options E and F as there will be five authorities for the other service providers to liaise with. This is fewer liaison points than at present, however those liaison points are at least single tier which is simpler for other service providers than the current two tier structure.

There would be an opportunity to reduce the senior management team posts needed to manage the services provided to the 1.9m population. Whilst the reduction is significant at 75, this is a lower number than any other option. The number of separate organisations created to manage services such as social services and education may create even more pressures in finding sufficient senior staff in the workforce with the skills to manage such complex services than Option F. There will potentially need to be 5 Directors of Children's Services and Adult Social Care, and the same number for other upper tier services.

There would be some streamlining of the number of organisations facing off to central government and hence a more consistent view of the key issues for the five areas than under the current system.

##### **Creating the conditions for economic growth**

As noted under Option A there is significant variation in GVA across the County.

This option creates five UAs with three authorities covering the Solent LEP area so less alignment with the LEPs than in Option E and a similar level to Option F. Also, unlike Option F there would be two authorities aligned to the Enterprise M3 LEP. Therefore, whilst there are potentially advantages in this single tier system in terms of the number of organisations working with the LEPs this option would have the least advantages of those considered in this report.

#### **3.10.2.2 Impact on residents and service delivery**

The impact on residents and service delivery is assessed through consideration of the potential degree of service continuity resulting from each option, the ability to deliver services that are responsive to local needs, and the impact on democratic participation and accountability.

##### **Potential degree of service continuity and performance**

This option results in a similar assessment as Option F but with a greater degree of disaggregation of services. In this option some residents (the same number as in Option F) will move from having their county services provided by the County Council to a new Council which may not achieve the current performance levels of the County.

Performance challenges are, again, similar to Option F and the same attention is required for the IOW's Children's Services support which is currently provided by the County Council, which will not exist in this option.

As can be seen in the financial analysis, the benefits of service aggregation are reduced as the potential for aggregation is less with fewer districts being aggregated within each new Unitary. This also has a similar impact on service improvement as within this option the scale and capacity to drive the service improvement is less within each Unitary.

#### **Delivery of services that are responsive to local needs**

This options assessment is similar to Option F regarding services that are responsive to local needs. The IOW is unchanged and the four new authorities do not appear to have the perceived responsiveness challenges which may be created by some of the options which create much bigger authorities. However, they may lack the scale to really deliver on responsive services particularly as some of the most challenged financially are not significantly improved by the mergers proposed.

#### **Democratic participation and accountability**

This option results in the benefit of residents having a single elected representative for all of the services they receive from the Council.

#### **3.10.2.3 Deliverability – degree of disruption**

This option impacts on 14 of the 15 existing authorities as all except the IOW are abolished and three new authorities are created. Therefore, a population of 1.8m is potentially affected as are 19,032 of the 20,604 staff. There is a higher degree of disruption than the other options in both scale and range of services impacted, there is both disaggregation, aggregation, and integration of services and the risks highlighted above relevant to disaggregation in particular relating to services to vulnerable groups.

As with Option F there continues to be 329,000 residents who will potentially have a detrimental change to the services they receive. Therefore, there are lower number impacted by these risks than in Option E (as the IOW is unchanged), but this is more complex than Option E and Option F as there is even greater disaggregation of county services.

# 4 Options analysis summary

## 4.1 Introduction

This section provides a summary of the analysis that has been undertaken on the seven options for unitary authorities in HIOW. This project has not applied weightings to the financial and non-financial analysis and as a result the outcomes of each respective part of the analysis are articulated separately.

A conclusion to this report is also provided.

## 4.2 Analysis summary

This section describes how the financial and non-financial analysis has been undertaken and sets out the results of the analysis (the detailed analysis for the financial and non-financial assessment is contained in Chapter 3).

### 4.2.1 Financial analysis

The financial analysis resulted in the seven options being awarded a rank of 1 to 7 with 1 representing the option with the highest net saving over ten years and 7 the option with the lowest net savings over ten years.

The following table shows the results of this analysis. The options have been re-ordered in line with their financial ranking, therefore the option that is ranked 1 is at the top of the table and the option ranked 7 is at the bottom of the table.

Overall all options are estimated to deliver a net saving over 10 years which will help the restructured authorities meet the challenges of ongoing reductions to central government funding. However, in the options where there are no changes to the existing UAs there is no financial gain to them.

The least amount of Council Tax revenue is foregone when harmonising to the lowest current level of Council Tax for all options. This means that the majority of residents will benefit from a reduction in Council Tax if their Council is part of the restructuring. The costs and Council Tax revenue forgone (while harmonising to the lowest level of Council Tax) are potentially met from the savings within one year in all options with the exception of option E when it is in year two.

The three options which are estimated to deliver the greatest savings over 10 years are options B, A and D. The biggest saving is estimated to come from the merger of the County Council, the Districts and the existing UAs excluding the Isle of Wight (B), closely followed by the integration of all authorities (A). This is because these options merge more services and cover both 'tiers' of services and therefore present the largest opportunities for service efficiencies.

Option (D) comes next because the Council Tax revenue forgone is much lower than when the UAs are involved. Whilst there are significant savings to be made in aggregating the District services these savings are not as big as when all services are being aggregated. This option presents the largest saving per head of population opportunity at an estimated £289 per head.

The three options which are estimated to deliver the least savings are E, F and G. These three options involve disaggregating the County Council and creating more than one UA. Disaggregation is costly due to duplicate structures and lower potential for economies of scale. The least saving is estimated to be achieved from the two unitary model (E), mainly due to the impact of Council Tax harmonisation.

Options	Costs (£m)				Savings (£m)						Net saving (£m)	Rank	Net 10 year saving per head of population (£)
	CT harmonisation	Senior staff restructure	Change	Total costs	Senior staff restructure	Members	Corporate Services	Service optimisation	Property	Total savings			
B - County and Cities	-309.0	-15.9	-14.0	<b>-338.9</b>	144.6	49.7	324.7	219.5	53.0	<b>791.5</b>	<b>452.6</b>	<b>1</b>	<b>251</b>
A - County, Cities and IOW	-408.0	-16.5	-15.0	<b>-439.5</b>	151.6	52.2	358.6	242.4	58.5	<b>863.3</b>	<b>423.8</b>	<b>2</b>	<b>218</b>
D - County Unitary	-160.0	-12.4	-12.0	<b>-184.4</b>	103.8	40.1	233.8	158.1	38.2	<b>574.0</b>	<b>389.6</b>	<b>3</b>	<b>289</b>
C - County and IoW	-356.0	-13.0	-13.0	<b>-382.0</b>	110.9	43.7	267.7	180.9	43.7	<b>646.9</b>	<b>264.9</b>	<b>4</b>	<b>178</b>
F - 3 Unitary Councils	-228.0	-10.5	-16.0	<b>-254.5</b>	87.1	34.2	211.6	143.1	34.5	<b>510.5</b>	<b>256.0</b>	<b>5</b>	<b>142</b>
G - 4 Unitary Councils	-184.0	-6.9	-17.0	<b>-207.9</b>	35.3	33.9	211.6	143.1	34.5	<b>458.4</b>	<b>250.5</b>	<b>6</b>	<b>139</b>
E - 2 Unitary Councils	-402.0	-12.4	-16.0	<b>-430.4</b>	92.7	43.2	234.7	158.6	38.3	<b>567.5</b>	<b>137.1</b>	<b>7</b>	<b>71</b>

Net 10 year saving per head of population figures are based on the net saving divided by the aggregate ONS mid-2014 population statistics for each option.

#### 4.2.2 Non-financial analysis

The following table provides a rating of each option against the non-financial criteria. The ratings have been applied as follows. The option which should:

- Facilitate sustainability and create coterminosity with key agencies is ranked 1;
- Create the best conditions for economic growth is ranked 1;
- Allow the greatest degree of service continuity and performance is ranked 1;
- Allow services with the greatest responsiveness to local needs is ranked 1;
- Permit the most opportunity for democratic participation and accountability is ranked 1;
- Result in the least disruption is ranked 1; and
- Result in the least complex change is ranked 1.

The options have been re-ordered in line with their non-financial ranking, therefore the option that is ranked 1 is at the top of the table and the option ranked 7 is at the bottom of the table.

It should be noted that, as with any ranking exercise, if there is minimal difference between any options against a criterion they are awarded the same rank and the next rank is removed. For example, if two options are ranked 2 then the next best option is ranked 4.

Following the table further explanation is provided regarding the rationale for any option being awarded a 1 against a specific criterion. This is followed by further explanation relating to the options themselves and their overall non-financial ranking.

	Non-Financial Criteria					Degree of disruption Rank	Total non-financial	Non-financial rank
	Sustainability of Public Services		Impact on Residents					
	Sustainability and coterminosity with key agencies Rank	Creating conditions for economic growth Rank	Potential impact on service continuity and performance Rank	Delivery of services that are responsive to local needs Rank	Democratic participation and accountability Rank			
Option D – County Unitary	5	3	2	2	2	1	15	1
Option C – County and IoW	4	3	1	4	4	2	18	2
Option A – County, Cities and IOW	1	1	3	7	7	4	23	3
Option B – County and Cities	2	2	4	6	6	3	23	3
Option E – 2 Unitary Councils	2	5	5	5	5	5	27	5
Option F – 4 Unitary Councils	6	6	6	2	2	6	28	6
Option G – 5 Unitary Councils	7	7	7	1	1	7	30	7

#### 4.2.2.1 Explanation of ranking against each non-financial criterion

This sub-section explains the rationale for rankings against each of the individual criterion. Therefore the table is considered by column as opposed to row.

##### Sustainability and coterminosity with key agencies

In terms of the ‘Sustainability and coterminosity with key agencies’ Option A was awarded the highest rank of 1. This is because this option creates one authority for the entire HIOW area and therefore has greater coterminosity with other public bodies. Under this option the UA would have coterminous boundaries with Police and Fire (acknowledging that there is a separate Fire Service in the IOW). This option would also be coterminous with the Health and Care System Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years across the HIOW footprint, significantly reducing the complexity associated with the number of organisations that need to work together. For example, with one adult social care department across the whole geography, a consistent policy framework could be implemented for hospital discharge and other critical areas of integration. It also reduces the number of public organisations because there is only one local government authority, and improves the potential for public services to strategically plan together. Also, given that this option creates one authority it will not require duplication of roles, which other options create, and therefore has been assessed strongly against the impact on skills and capacity. This option brings all local government financial resources together enabling these to be strategically managed in the event of any financial shocks (options with more authorities created were deemed to reduce the ability to absorb financial shocks relative to the number of authorities created).

Against this criterion, there was minimal difference between Option B and Option E. This is largely based on the number of organisations created by the options (each creates two authorities). Option B maintains a relatively strong coterminosity (compared to Option A) with other parts of the public sector. Whilst Option E creates similar simplicity by creating two organisations, these are on new boundaries that other agencies will need to adapt to working across. Option C results in three authorities and has the next highest ranking and this is followed by Option D, which results in four authorities. Although Option F would also create four organisations there is recognition, in its relative ranking to Option D, that it creates new boundaries for other agencies to work with whereas Option D includes three unchanged authorities.

Option G, has the lowest rating against this criterion due to number of authorities created, the potential difficulty this would pose for strategic planning in the HIOW area and the ability to resource options with appropriate skills and capacity given the significant duplication in roles that result.

### **Creating conditions for economic growth**

Option A is ranked 1 on this criterion where the main consideration was the creation of a single planning policy framework and decision making process across the HIOW area. The aim of this is to have a co-ordinated approach to planning and development which takes account of current infrastructure and industrial groupings (e.g. Aerospace) and is able to encourage development that strengthens existing areas of economic strength and targets new growth to areas where GVA needs to be improved. Further consideration has also been given to how a single social housing framework can help with developments being built in areas that support key workers in affordable housing, which in turn supports key economic activity. Finally, there is the broader harmonisation of policy such as NNDR reliefs which can be used to help development and growth in areas which fit with the overall strategy for the HIOW area.

Consideration has also been given to how well the new authorities would align with the current LEPs. Whilst this is complex, as the LEP boundaries cut across a number of the districts which are split between the two LEPs, the assessment considers fewer authorities inputting to the LEPs as advantageous.

As Option B is a small variation on A, it gets a similar rank. Thereafter, it is largely down to the number of authorities as this moves away from the single planning framework and creates the opportunity for local decisions contrary to the wider benefits of the whole HIOW area. Option D ranks well because all districts are being brought together, which is a more advantageous position than at present.

Options E, F and G are ranked lower due the risk of a lack of consistent planning and poor alignment with the LEPs.

### **Degree of service continuity and performance**

Option C received the highest ranking against this criterion. This is because it is the option that causes the least amount of changes to services. This option requires the aggregation of lower tier services across the 11 Districts into the new organisation, affecting 1.3m of the population. It also requires aggregation of IOW's services, affecting a further 0.2m. However, Children's Services on the IOW are already being delivered in partnership with Hampshire County Council, with Hampshire providing the statutory DCS role and providing senior leadership capacity, reducing any risk associated for those service users. This should improve the likelihood of service continuity and improvement given that existing services are largely unaffected by the reorganisation and will be delivered over a similar footprint. This is advantageous given the complexity that resulted from other unitaries' experiences where disaggregation was required. It is anticipated that this option will result in changes to District services as they are harmonised. This could result in, for example, changes to bin collection frequency for some residents, recycling policies, and bin collection ("black bag" replaced by a "wheelie bin"). From a performance perspective, this option presents the opportunity to assess the variation in performance and cost of delivery of District and IOW services, and under a single management structure, to deliver greater performance consistency coupled with economies of scale. Improvements to Children's Services' performance have already been realised over this geography and this provides confidence that similar performance enhancements could be achieved for other upper tier services. This option has been assessed above Option D (the next highest rating for this criterion) because it should maintain better continuity for IOW.

The remaining options received lower relative ratings based on the number of people affected by service change and the degree to which services need to be disaggregated, due to the additional risks presented by this. Therefore, Options D, A and B follow in the relative ratings against this criterion because they do not disaggregate services.

Options E, F, and G pose greater risk due to disaggregation of upper tier services, which will affect all or the majority of people in HIOW. The greater the degree of disaggregation (i.e. splitting services of a greater number of authorities), the lower the ranking that has been awarded. This has also taken into account the increased risk that service performance could suffer through disaggregation.

### **Delivery of services that are responsive to local needs**

Assessment against this criterion is broadly based on the principle that there is increased risk that larger authorities covering a greater geographic basis run the risk that services become more homogeneous and don't reflect the significant differences between urban and rural areas and don't resonate with natural communities.

Therefore Option G scores most highly because it creates authorities covering smaller areas and containing fewer residents. By contrast Option A is awarded the lowest rank because it creates one authority to cover the entire HIOW geography. The other options sit between the highest and the lowest on a relative basis (the greater the number of authorities across the HIOW area created the higher the ranking).

### **Democratic participation and accountability**

The result against this criterion mirrors the results of the previous 'delivery of services that are responsive to local needs' criterion. This is largely because integration will result in fewer Members serving the population. All options benefit from residents having a single elected representative for all of the services they receive from the Council.

### **Degree of disruption**

Under this criterion the options that affected fewer organisations in terms of the change, affected fewer residents, and resulted in the least amount of disaggregation of services were given a higher relative ranking than others.

As a result, Option D has the highest assessment because it requires aggregation of lower tier services only and does not involve any disaggregation of services. Under this option upper tier services are largely unaffected as they continue to be delivered over the same footprint and aggregation of them is not required. The services to be aggregated are largely universal services such as refuse and revenue collection services and the person centred services like social care are unaffected, reducing risk by not changing services for the most vulnerable groups of residents. This option directly impacts on 12 of the 15 authorities affecting a population of 1.3m out of the total population of 1.9m. 14,235 staff out of the total of 20,604 would be affected by the change.

All of the other options affect more of the population and change to a greater range of services. Therefore, Options C, B, and A are the next options to receive higher relative rankings. None of these options require disaggregation of services, which poses greater complexity and also greater risk of impacting performance.

Options E to G receive lower rankings (with Option G being given the lowest) due to the increased complexity of service disruption and disaggregation involved, with more of the population being affected by the changes to a broader range of services.

#### **4.2.2.2 Overarching outcomes from non-financial analysis for options**

This sub-section provides a summary of the non-financial assessment for the different options. Therefore this assessment considers the rows in the non-financial assessment table.

Option D achieved the highest ranking overall compared to all other options. It was assessed very highly against the majority of the criteria. This option improves the conditions for creating economic growth by improving the potential for strategic planning and it does not pose any risks in terms of skills and capacity due to the aggregation of only lower tier services, with upper tier services largely unaffected and continuing to be delivered on a similar footprint as they are currently providing greater continuity and less disruption. This option did not rank as strongly against sustainability and coterminosity with key agencies largely because it would result in four authorities across the HIOW area, which could increase complexity of public sector working compared to other options that resulted in fewer authorities being created, although this would still be less complex than at present.

Option C was the second highest ranked option. This is to be expected as it is the option that is most similar to Option D with the only difference being the addition of IOW, for which the upper tier service of Children's Social Care is already delivered in partnership with Hampshire County Council, with Hampshire providing the Statutory DCS role and senior leadership capacity.

Overall there was very little difference between Options A and B and they received an equal overall ranking. All of these options were assessed less strongly on 'impact on residents', particularly in relation to the ability to deliver services that are responsive to local needs and the degree of democratic participation and accountability.

Options E, F, and G had lower rankings with Option G achieving the lowest ranking overall. Option E ranked well against ability to support sustainability and coterminosity with key agencies because it results in two authorities and removes significant duplication of resources compared to the current position. However it did not receive high rankings against any of the other criteria. Options F and G were assessed highly in terms of their ability to deliver services that are responsive to local needs and the degree of democratic participation and accountability. However, they were not assessed strongly over all other criteria. They do not lend themselves to the longer term sustainability and coterminosity with key agencies, and they will result in duplication of skills and resources, which the sector could find hard to fulfil. They disaggregate upper tier services, introducing increased risk of service continuity and performance, and all residents and staff will be affected due to the complexity and broad nature of the change.

### 4.3 Conclusion

Our conclusion summarises the outcome of this report and indicates which option is most advantageous in terms of financial savings, service quality and avoidance of disruption.

Across all options, those that aggregate services up to a larger scale achieve **significantly higher savings** than those that disaggregate services down to a smaller scale. The options that score highest overall on both financial and non-financial assessments are Option B (County and Cities) and Option D (County Unitary).

The options that score lowest on both financial and non-financial assessments are the options that dis-aggregate services and create sub-county unitaries. Options E, F and G generate lower levels of savings and create significant risks and costs in disaggregating upper-tier services. The option that generates the least savings is Option E, mainly due to the impact of Council Tax harmonisation.

In all options Council Tax revenue is best protected by harmonising to the lowest current level of Council Tax<sup>7</sup>, meaning that the majority of households will benefit from an **immediate reduction in Council Tax** if their council is part of the restructuring.

Key conclusions in respect of the two highest scoring options are detailed below:

#### Option B:

- Generates estimated net savings over 10 years of up to £450m (£251 per head across the wider area covered by this option);
- Creates a large authority that has very good coterminosity with other public service agencies and strong potential for strategic economic planning;
- Requires the merger of existing unitary authorities, which may require primary legislation;
- Is potentially the least locally responsive of all options;
- Creates significant disruption as all services in the area are affected; and
- Requires aggregation of all services including person-centred services such as social care, which could pose additional risks.

#### Option D:

- Generates an estimate of just under £400m in net savings (to the County only), which at £289 per head of population makes it the most financially advantageous option for the population it covers (the County of Hampshire);
- Is also the least disruptive as it poses few risks in terms of skills and capacity due to the aggregation of only lower-tier services, with upper-tier services continuing to be delivered on the same footprint and scale as they are currently, providing greater continuity and potential for improvement;
- Is ranked second-highest for local responsiveness;
- Improves coterminosity and the potential for strategic economic planning;

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<sup>7</sup> Excluding parish, police and fire precepts

- Retains more councils across the wider area than option B and therefore an element of greater complexity for some public service agencies; and
- Protects the sovereignty of existing unitary authorities, but does not directly address their financial challenges.

Comparing the two options, Option D has a higher saving per head of population and scores higher on the non-financial criteria. Therefore, the analysis presented in this report shows that the option that best serves the **residents of the county of Hampshire** is a new authority based on **Option D: a unitary county**.

# Appendix A: Financial assessment

## Option A Financial Assessment

### Costs

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax. Combining the County Council and the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA to form one Council will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the joining of the County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA:</p> <p>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.            Harmonising to the highest level of Band D Council Tax in 2018/19. This is Southampton City Council which is estimated to be £1,449.            Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,342.</p> <p>The following Council Tax increases have been assumed:</p> <p>The County Council, Southampton UA, Portsmouth UA and Isle of Wight UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.            Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.            The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</p> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p>Lower estimate is <b>£408.0m</b> over ten years when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£619.0m</b> over ten years when harmonising to the weighted average level of Council Tax</p> <p>When harmonising to the higher level of Council Tax the estimated foregone revenue is <b>£496.0m</b> over ten years</p>

Senior staff restructuring costs	Estimated cost															
<p>The number of senior staff (T0, T1 and T2) reductions under the new structure (a single UA) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>13</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>38</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>123</td> </tr> <tr> <td colspan="2">Total</td> <td>174</td> </tr> </tbody> </table> <p>The assumed exit cost per head is £95,000.</p>	Level	Role	Reductions	T0	Chief Executive	13	T1	Corporate Director	38	T2	Heads of Service	123	Total		174	<p>One-off estimated cost of <b>£16.5m</b></p>
Level	Role	Reductions														
T0	Chief Executive	13														
T1	Corporate Director	38														
T2	Heads of Service	123														
Total		174														

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed Council for two years starting in the year prior to the year in which the new Council is assumed to be formed i.e. 2017/18. The following change costs have been assumed:</p> <p>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.            The average cost per member of staff is based on a local government Project Manager salary including on-costs.            £50,000 of external consultancy support for each Council            15 authorities feature in this option.</p>	<p>Estimated total cost of <b>£15.0m</b> over two years</p>

## Savings

Senior staff restructuring			Estimated saving
Under a single Council the senior staff structure is assumed to consist of:			Estimated annual saving of <b>£15.2m</b>
<b>Level</b>	<b>Role</b>	<b>New Structure</b>	
T0	Chief Executive	1	
T1	Corporate Director	11	
T2	Heads of Service	39	
	Total	51	
The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA, Portsmouth UA and Isle of Wight UA is £22.0m. The cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.8m.			

Democratic	Estimated saving
<p>The County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA currently have 696 members and their costs (allowances) combined amount to £7.1m.</p> <p>Under a single Council the assumed number of members is 106. This is based on the Local Government Boundary Commission guidance for 1 member to 13,846 registered voters and is based on the recent boundary review for the County Council and applies to the population as it is forecast to be in 2021.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs under a single Council are £1.9m.</p>	Estimated annual saving of <b>£5.2m</b>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under this option as one County, the Districts and three UAs will be combining.</p> <p>For the single Council an annual saving of 2.47% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA.</p>	Estimated annual saving of <b>£35.9m</b>

Service optimisation	Estimated saving
<p>It is assumed that service optimisation efficiencies can be achieved under this option as one County, the Districts and three UAs will be combining.</p> <p>For the single Council an annual saving of 1.67% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA.</p>	Estimated annual saving of <b>£24.2m</b>

Property rationalisation	Estimated saving
<p>It is assumed that there will be property rationalisation savings under this option as one County, the Districts and three UAs will be combining.</p> <p>For the single Council an annual saving of 0.4% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA.</p>	Estimated annual saving of <b>£5.9m</b>

## Option B Financial Assessment

### Costs

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax. Combining the County Council and the Districts, Southampton UA and Portsmouth UA to form one Council will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the joining of the County Council, the Districts, Southampton UA and Portsmouth UA:</p> <p>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.                      Harmonising to the highest level of Band D Council Tax in 2018/19. This is Southampton City Council which is estimated to be £1,449.                      Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,334.</p> <p>The following Council Tax increases have been assumed:</p> <p>The County Council, Southampton UA and Portsmouth UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.                      Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.                      The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</p> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p>Lower estimate is <b>£309.0m</b> over ten years when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£557.0m</b> over ten years when harmonising to the weighted average level of Council Tax</p> <p>When harmonising to the higher level of Council Tax the estimated foregone revenue is <b>£399.0m</b> over ten years</p>

Senior staff restructuring costs	Estimated cost															
<p>The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council) structure is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>12</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>38</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>117</td> </tr> <tr> <td colspan="2">Total</td> <td>167</td> </tr> </tbody> </table> <p>The assumed exit cost per head is £95,000.</p>	Level	Role	Reductions	T0	Chief Executive	12	T1	Corporate Director	38	T2	Heads of Service	117	Total		167	<p>One-off estimated cost of <b>£15.9m</b></p>
Level	Role	Reductions														
T0	Chief Executive	12														
T1	Corporate Director	38														
T2	Heads of Service	117														
Total		167														

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed Council for two years starting in the year prior to the year in which the new Council is assumed to be formed i.e. 2017/18.</p> <p>The following change costs have been assumed:</p> <p>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.                      The average cost per member of staff is based on a local government Project Manager salary including on-costs.                      £50,000 of external consultancy support for each Council                      14 authorities feature in this option.</p>	<p>Estimated total cost of <b>£14.0m</b> over two years</p>

## Savings

Senior staff restructuring		Estimated saving															
<p>Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>11</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>39</td> </tr> <tr> <td colspan="2">Total</td> <td>51</td> </tr> </tbody> </table> <p>The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.8m.</p>		Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	11	T2	Heads of Service	39	Total		51	<p>Estimated annual saving of <b>£14.5m</b></p>
Level	Role	New Structure															
T0	Chief Executive	1															
T1	Corporate Director	11															
T2	Heads of Service	39															
Total		51															
Democratic		Estimated saving															
<p>The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m.</p> <p>Under a single Council the assumed number of members is 95. This is based on the Local Government Boundary Commission guidance for 1 member to 13,846 registered voters and is based on the recent boundary review for the County Council and applies to the population as it is forecast to be in 2021.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs under a single Council are £1.7m.</p>		<p>Estimated annual saving of <b>£5.0m</b></p>															
Corporate Services		Estimated saving															
<p>It is assumed that Corporate Service economies of scale can be achieved under this option as one County, the Districts and two UAs will be combining.</p> <p>For the single Council an annual saving of 2.47% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA and Portsmouth UA.</p>		<p>Estimated annual saving of <b>£32.5m</b></p>															
Service optimisation		Estimated saving															
<p>It is assumed that service optimisation efficiencies can be achieved under this option as one County, the Districts and two UAs will be combining.</p> <p>For the single Council an annual saving of 1.67% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA and Portsmouth UA.</p>		<p>Estimated annual saving of <b>£22.0m</b></p>															
Property rationalisation		Estimated saving															
<p>It is assumed that there will be property rationalisation savings under this option as one County, the Districts and two UAs will be combining.</p> <p>For the single Council an annual saving of 0.4% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts, Southampton UA and Portsmouth UA.</p>		<p>Estimated annual saving of <b>£5.3m</b></p>															

## Option C Financial Assessment

### Cost

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax. Combining the County Council, the Districts and Isle of Wight UA to form one Council will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the joining of the County Council, the Districts and Isle of Wight UA:</p> <p>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.            Harmonising to the highest level of Band D Council Tax in 2018/19. This is Isle of Wight Council which is estimated to be £1,441.            Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,333.</p> <p>The following Council Tax increases have been assumed:</p> <p>The County Council and Isle of Wight UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.            Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.            The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</p> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p>Lower estimate is <b>£356.0m</b> when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£585.0m</b> when harmonising to the weighted average level of Council Tax</p> <p>When harmonising to the highest level of Council Tax the estimated cost is <b>£471.0m</b></p>

Senior staff restructuring costs	Estimated cost															
<p>The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>11</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>25</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>101</td> </tr> <tr> <td colspan="2">Total</td> <td>137</td> </tr> </tbody> </table> <p>The assumed exit cost per head is £95,000.</p>	Level	Role	Reductions	T0	Chief Executive	11	T1	Corporate Director	25	T2	Heads of Service	101	Total		137	<p>One-off estimated cost of <b>£13.0m</b></p>
Level	Role	Reductions														
T0	Chief Executive	11														
T1	Corporate Director	25														
T2	Heads of Service	101														
Total		137														

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed Council for two years starting in the year prior to the year in which the new Council is assumed to be formed i.e. 2017/18.</p> <p>The following change costs have been assumed:</p> <p>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.            The average cost per member of staff is based on a local government Project Manager salary including on-costs.            £50,000 of external consultancy support for each Council            13 authorities feature in this option.</p>	<p>Estimated total cost of <b>£13.0m</b> over two years.</p>

## Savings

Senior staff restructuring			Estimated saving
Under a single Council the senior staff structure is assumed to consist of:			Estimated annual saving of <b>£11.1m</b>
<b>Level</b>	<b>Role</b>	<b>New Structure</b>	
T0	Chief Executive	1	
T1	Corporate Director	11	
T2	Heads of Service	33	
	Total	45	
The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts and the IoW UA is £17.2m. The cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.1m.			

Democratic	Estimated saving
<p>The County Council, the Districts and the Isle of Wight currently have 606 members and their costs (allowances) combined amount to £5.9m.</p> <p>Under a single Council the assumed number of members is 84. This is based on the Local Government Boundary Commission guidance for 1 member to 13,846 registered voters and is based on the recent boundary review for the County Council and applies to the population as it is forecast to be in 2021.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs under a single Council are £1.5m.</p>	Estimated annual saving of <b>£4.4m</b>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under this option as one County, the Districts and one UA will be combining.</p> <p>For the single Council an annual saving of 2.47% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts and Isle of Wight UA.</p>	Estimated annual saving of <b>£26.8m</b>

Service optimisation	Estimated saving
<p>It is assumed that Service optimisation savings can be achieved under this option as one County, the Districts and one UA will be combining.</p> <p>For the single Council an annual saving of 1.67% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts and Isle of Wight UA.</p>	Estimated annual saving of <b>£18.1m</b>

Property rationalisation	Estimated saving
<p>It is assumed that there will be property rationalisation savings under this option as one County, the Districts and one UA will be combining.</p> <p>For the single Council an annual saving of 0.4% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council, the Districts and Isle of Wight UA.</p>	Estimated annual saving of <b>£4.4m</b>

## Option D Financial Assessment

### Costs

Council Tax harmonisation	Estimated Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each District Council sets its own level of Council Tax. Combining the County Council and the Districts to form one Council will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the joining of the County Council and the Districts:</p> <p>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.            Harmonising to the highest level of Band D Council Tax in 2018/19. This is Gosport Borough Council which is estimated to be £1,388.            Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,322.</p> <p>The following Council Tax increases have been assumed:</p> <p>The County Council will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.            Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.            The new Unitary Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</p> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p>Lower estimate is <b>£160.0m</b> over ten years when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£314.0m</b> over ten years when harmonising to the highest level of Council Tax</p> <p>When harmonising to the weighted average level of Council Tax the estimated foregone revenue is <b>£186.0m</b> over ten years</p>

Senior staff restructuring	Estimated cost															
<p>The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>10</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>25</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>95</td> </tr> <tr> <td colspan="2">Total</td> <td>130</td> </tr> </tbody> </table> <p>The assumed exit cost per head is £95,000.</p>	Level	Role	Reductions	T0	Chief Executive	10	T1	Corporate Director	25	T2	Heads of Service	95	Total		130	<p>One-off estimated cost of <b>£12.4m</b></p>
Level	Role	Reductions														
T0	Chief Executive	10														
T1	Corporate Director	25														
T2	Heads of Service	95														
Total		130														

Change Costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed Council for two years starting in the year prior to the year in which the new Council is assumed to be formed i.e. 2017/18. The following change costs have been assumed:</p> <p>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.            The average cost per member of staff is based on a local government Project Manager salary including on-costs.            £50,000 of external consultancy support for each Council            12 authorities feature in this option.</p>	<p>Estimated total cost of <b>£12.0m</b> over two years</p>

## Savings

Senior staff restructuring		Estimated saving														
Under a single Council the senior staff structure is assumed to consist of:		Estimated annual saving of <b>£10.4m</b>														
<table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>11</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>33</td> </tr> <tr> <td colspan="2">Total</td> <td>45</td> </tr> </tbody> </table>			Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	11	T2	Heads of Service	33	Total	
Level	Role	New Structure														
T0	Chief Executive	1														
T1	Corporate Director	11														
T2	Heads of Service	33														
Total		45														
The current amount of senior staff costs (including on-costs) for the County Council and the eleven Districts is £16.5m. The cost (including on-costs) of the senior staff structure under the single Council is estimated to be £6.1m.																

Democratic	Estimated saving
<p>The County Council and the Districts currently have 566 members and their costs (allowances) combined amount to £5.4m.</p> <p>Under a single Council the assumed number of members is 78. This is based on the Local Government Boundary Commission guidance for 1 member to 13,846 registered voters and is based on the recent boundary review for the County Council and applies to the population as it is forecast to be in 2021.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase in expenses to cover a wider spread of members, the estimated member costs under a single Council are £1.4m.</p>	Estimated annual saving of <b>£4.0m</b>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under this option as one County and eleven Districts will be combining.</p> <p>For the single Council an annual saving of 2.47% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and eleven Districts.</p>	Estimated annual saving of <b>£23.4m</b>

Service optimisation	Estimated saving
<p>It is assumed that there will be service optimisation efficiency savings under this option as one County and eleven Districts will be combining.</p> <p>For the single Council an annual saving of 1.67% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and eleven Districts.</p>	Estimated annual saving of <b>£15.8m</b>
Property rationalisation	Estimated saving
<p>It is assumed that there will be property rationalisation savings under this option as one County and eleven Districts will be combining.</p> <p>For the single Council an annual saving of 0.4% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and eleven Districts.</p>	Estimated annual saving of <b>£3.8m</b>

## Option E Financial Assessment

### Costs

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax</p> <p><b>Solent Unitary Authority:</b>            Splitting the County Council before combining it with five of the eleven Districts, Southampton UA, Portsmouth UA and Isle of Wight UA to form the Solent UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Solent UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Southampton City Council which is estimated to be £1,449.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,362.</li> </ul> <p><b>Non-Solent Unitary Authority:</b>            Splitting the County Council before combining it with six of the Districts to form the non-Solent UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the non-Solent UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Basingstoke and Dean Borough Council which is estimated to be £1,280.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Rushmoor Borough Council which is estimated to be £1,366.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,317.</li> </ul> <p>The following Council Tax increases have been assumed for the Solent and non-Solent options:</p> <ul style="list-style-type: none"> <li>The County Council, Southampton UA, Portsmouth UA and Isle of Wight UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.</li> <li>Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.</li> <li>The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</li> </ul> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p><i>The following estimates are the combined amounts for the Solent and non-Solent options:</i></p> <p>Lower estimate is <b>£402.0m</b> when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£476.0m</b> when harmonising to the weighted average level of Council Tax</p> <p>When harmonising to the highest level of Council Tax the estimated cost is <b>£467.0m</b></p>

Senior staff restructuring costs		Estimated cost																														
<p><b>Solent:</b> The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Solent option) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>7</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>24</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>79</td> </tr> <tr> <td colspan="2">Total</td> <td>110</td> </tr> </tbody> </table> <p><b>Non-Solent:</b> The number of senior staff reductions under the new structure (a single Unitary Council for the Non-Solent option) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>5</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>5</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>10</td> </tr> <tr> <td colspan="2">Total</td> <td>20</td> </tr> </tbody> </table> <p>The assumed exit cost per head for the two options is £95,000.</p>		Level	Role	Reductions	T0	Chief Executive	7	T1	Corporate Director	24	T2	Heads of Service	79	Total		110	Level	Role	Reductions	T0	Chief Executive	5	T1	Corporate Director	5	T2	Heads of Service	10	Total		20	<p>One-off estimated cost of <b>£12.4m</b></p>
Level	Role	Reductions																														
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T1	Corporate Director	5																														
T2	Heads of Service	10																														
Total		20																														

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed authorities for two years starting in the year prior to the year in which the new authorities are assumed to be formed i.e. 2017/18.</p> <p>The following change costs have been assumed:</p> <ul style="list-style-type: none"> <li>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.</li> <li>The average cost per member of staff is based on a local government Project Manager salary including on-costs.</li> <li>£50,000 of external consultancy support for each Council</li> <li>16 authorities feature in this option.</li> </ul>	<p>Estimated total cost of <b>£16.0m</b> over two years</p>

## Savings

Senior staff restructuring		Estimated saving																														
<p><b>Solent:</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>11</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>39</td> </tr> <tr> <td colspan="2">Total</td> <td>51</td> </tr> </tbody> </table> <p><b>Non-Solent:</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>9</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>34</td> </tr> <tr> <td colspan="2">Total</td> <td>44</td> </tr> </tbody> </table> <p>The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA, Portsmouth UA and Isle of Wight UA is £22.0m. The cost (including on-costs) of the senior staff structure under the Solent and Non-Solent options is estimated to be £12.7m.</p>		Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	11	T2	Heads of Service	39	Total		51	Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	9	T2	Heads of Service	34	Total		44	<p>Estimated annual saving of <b>£9.3m</b></p>
Level	Role	New Structure																														
T0	Chief Executive	1																														
T1	Corporate Director	11																														
T2	Heads of Service	39																														
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Level	Role	New Structure																														
T0	Chief Executive	1																														
T1	Corporate Director	9																														
T2	Heads of Service	34																														
Total		44																														

Democratic	Estimated saving
<p>The County Council, the Districts, Southampton UA, Portsmouth UA and Isle of Wight UA currently have 696 members and their costs (allowances) combined amount to £7.1m.</p> <p>Under the Solent UA structure the assumed number of members is 106. This is based on the Local Government Boundary Commission guidance for 1 member to 13,846 registered voters and is based on the recent boundary review for the County Council and applies to the population as it is forecast to be in 2021.</p> <p>Under the non-Solent UA structure the assumed number of members is 71. The assumption is that a minimum number of members would be required when the electorate size falls below a certain level and is based on a range of similar size County UAs in England and the number of members they have.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs for two UA structures is £2.8m.</p>	<p>Estimated annual saving of <b>£4.3m</b></p>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under the Solent option as one part of one County, five Districts and three UAs will be combining for the Solent Option and therefore, there is likely to be more role duplication in Corporate Services in the coming together of organisations with similar Corporate Service structures. However, there economies of scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for economies of scale under the Non-Solent option as one part of one County will be combining with six Districts and therefore there is less likely to be role duplication within Corporate Services when compared to the Solent option.</p> <p>For the Solent option an annual saving of 2.47% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and the total net service expenditure for five Districts, Southampton UA, Portsmouth UA and IoW UA</p>	<p>Estimated annual saving of <b>£23.5m</b></p>

adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation. For the single Council an annual saving of 2.47% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.	
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Service optimisation	Estimated saving
<p>It is assumed that service optimisation efficiency savings can be achieved under the Solent option as one part of one County, five Districts and three UAs will be combining for the Solent Option. However, the scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for service optimisation efficiency savings under the Non-Solent option when compared to the Solent option as one part of one County will be combining with six Districts.</p> <p>For the Solent option an annual saving of 1.67% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and the total net service expenditure for five Districts, Southampton UA, Portsmouth UA and IoW UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the single Council an annual saving of 1.67% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£15.9m</b></p>

Property rationalisation	Estimated saving
<p>It is assumed that property rationalisation savings can be achieved under the Solent option as one part of one County, five Districts and three UAs will be combining for the Solent option. However, the scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for service optimisation efficiency savings under the Non-Solent option when compared to the Solent option as one part of one County will be combining with six Districts.</p> <p>For the Solent option an annual saving of 0.4% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and the total net service expenditure for five Districts, Southampton UA, Portsmouth UA and IoW UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the single Council an annual saving of 0.4% has been assumed based on the total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£3.8m</b></p>

## Option F Financial Assessment

### Costs

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax.</p> <p><b>Greater Portsmouth:</b> Splitting the County Council before combining it with three of the eleven Districts and Portsmouth UA to form the Greater Portsmouth UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Greater Portsmouth UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Portsmouth City Council which is estimated to be £1,318.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Gosport Borough Council which is estimated to be £1,388.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,343.</li> </ul> <p><b>Greater Southampton:</b> Splitting the County Council before combining it with two of the Districts and Southampton UA to form the Greater Southampton UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Greater Southampton UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Southampton City Council which is estimated to be £1,449.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,361.</li> </ul> <p><b>North Hampshire:</b> Splitting the County Council before combining it with six of the Districts to form the North Hampshire UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the North Hampshire UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Basingstoke and Dean Borough Council which is estimated to be £1,280.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Rushmoor Borough Council which is estimated to be £1,366.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,312.</li> </ul> <p>The following Council Tax increases have been assumed for the Greater Portsmouth, Greater Southampton and North Hampshire option:</p> <ul style="list-style-type: none"> <li>The County Council, Southampton UA and Portsmouth UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19.</li> <li>Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19.</li> <li>The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</li> </ul> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p><i>The following estimates are the combined amounts for the Greater Portsmouth, Greater Southampton and North Hampshire options:</i></p> <p>Lower estimate is <b>£228.0m</b> when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£345.0m</b> when harmonising to the weighted average level of Council Tax</p> <p>When harmonising to the highest level of Council Tax the estimated cost is <b>£327.0m</b></p>

Senior staff restructuring costs		Estimated cost																																													
<p><b>Greater Portsmouth:</b> The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Greater Portsmouth option) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>3.5</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>14.5</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>56.5</td> </tr> <tr> <td colspan="2">Total</td> <td>74.5</td> </tr> </tbody> </table> <p><b>Greater Southampton:</b> The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Greater Southampton option) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>2</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>2</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>7</td> </tr> <tr> <td colspan="2">Total</td> <td>11</td> </tr> </tbody> </table> <p><b>North Hampshire</b> The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the North Hampshire option) is:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>Reductions</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>4.5</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>6.5</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>14.5</td> </tr> <tr> <td colspan="2">Total</td> <td>25.5</td> </tr> </tbody> </table> <p>The assumed exit cost per head for the three options is £95,000.</p>		Level	Role	Reductions	T0	Chief Executive	3.5	T1	Corporate Director	14.5	T2	Heads of Service	56.5	Total		74.5	Level	Role	Reductions	T0	Chief Executive	2	T1	Corporate Director	2	T2	Heads of Service	7	Total		11	Level	Role	Reductions	T0	Chief Executive	4.5	T1	Corporate Director	6.5	T2	Heads of Service	14.5	Total		25.5	<p>One-off estimated cost of <b>£10.5m</b></p>
Level	Role	Reductions																																													
T0	Chief Executive	3.5																																													
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T1	Corporate Director	6.5																																													
T2	Heads of Service	14.5																																													
Total		25.5																																													

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed authorities for two years starting in the year prior to the year in which the new Council is assumed to be formed i.e. 2017/18.</p> <p>The following change costs have been assumed:</p> <ul style="list-style-type: none"> <li>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.</li> <li>The average cost per member of staff is based on a local government Project Manager salary including on-costs.</li> <li>£50,000 of external consultancy support for each Council</li> <li>16 authorities feature in this option.</li> </ul>	<p>Estimated total cost of <b>£16.0m</b> over two years</p>

## Savings

Senior staff restructuring	Estimated saving
<b>Greater Portsmouth:</b>	Estimated

Under a single Council the senior staff structure is assumed to consist of:		annual saving of <b>£8.7m</b>	
<b>Level</b>	<b>Role</b>		<b>New Structure</b>
T0	Chief Executive		1
T1	Corporate Director		9
T2	Heads of Service	25	
Total		35	
<b>Greater Southampton</b>			
Under a single Council the senior staff structure is assumed to consist of:			
<b>Level</b>	<b>Role</b>	<b>New Structure</b>	
T0	Chief Executive	1	
T1	Corporate Director	8	
T2	Heads of Service	25	
Total		34	
<b>North Hampshire</b>			
Under a single Council the senior staff structure is assumed to consist of:			
<b>Level</b>	<b>Role</b>	<b>New Structure</b>	
T0	Chief Executive	1	
T1	Corporate Director	9	
T2	Heads of Service	28	
Total		38	
The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The combined cost (including on-costs) of the senior staff structure for the three proposed structures is estimated to be £12.6m.			

Democratic	Estimated saving
<p>The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m.</p> <p>Under the Greater Portsmouth, Greater Southampton and North Hampshire structures the assumed number of members is 71 under each structure. The assumption is that a minimum number of members would be required when the electorate size falls below a certain level and is based on a range of similar size County UAs in England and the number of members they have.</p> <p>Based on the current County Council average member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs for three UA structures is £3.3m.</p>	<p>Estimated annual saving of <b>£3.4m</b></p>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under the Greater Portsmouth and Greater Southampton options as parts of one County, Districts and UAs will be combining and therefore, there is likely to be more role duplication in Corporate Services in the coming together of organisations with similar Corporate Service structures. However, there economies of scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for economies of scale under the North Hampshire option as one part of one County will be combining with Districts and therefore there is less likely to be role duplication within Corporate Services.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 2.47% has been assumed on a proportion (based on population) of total net service expenditure for the County Council and the total net service expenditure (excluding schools expenditure) for the Districts in each area, Southampton UA and Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation of the County Council.</p> <p>For the North Hampshire option an annual saving of 2.47% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£21.2m</b></p>

Service optimisation	Estimated saving
<p>It is assumed that service optimisation efficiency savings can be achieved under the Greater Portsmouth and Greater Southampton options as parts of one County, Districts and UAs will be combining. However, the scale of the savings opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for service optimisation efficiency savings under the North Hampshire option when compared to the Portsmouth and Greater Southampton options as one part of one County will be combining with six Districts.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 1.67% has been assumed on a proportion (based on population) of total net service expenditure for the County Council and the total net service expenditure (excluding schools expenditure) for Districts in each area, Southampton UA and Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the North Hampshire option an annual saving of 1.67% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£14.3m</b></p>

Property rationalisation	Estimated saving
<p>It is assumed that property rationalisation savings can be achieved under the Greater Portsmouth and Greater Southampton options as one part of one County, Districts and UAs will be combining. However, the scale of the savings opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for property rationalisation savings under the North Hampshire option when compared to the Portsmouth and Greater Southampton options as one part of one County will be combining with six Districts.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 0.4% has been assumed on a proportion (based on population) of total net service expenditure for the County Council and the total net service expenditure (excluding schools expenditure) for Districts in each area, Southampton UA and Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the North Hampshire option an annual saving of 0.4% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and six Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£3.5m</b></p>

## Option G Financial Assessment

### Costs

Council Tax harmonisation	Foregone revenue
<p>Under the current structure there are variations in the amount of Council Tax paid as each Council sets its own level of Council Tax.</p> <p><b>Greater Portsmouth:</b> Splitting the County Council before combining it with three of the eleven Districts and Portsmouth UA to form the Greater Portsmouth UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Greater Portsmouth UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Portsmouth City Council which is estimated to be £1,318.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Gosport Borough Council which is estimated to be £1,388.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,343.</li> </ul> <p><b>Greater Southampton:</b> Splitting the County Council before combining it with two of the Districts and Southampton UA to form the Greater Southampton UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Greater Southampton UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Eastleigh Borough Council which is estimated to be £1,278.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Southampton City Council which is estimated to be £1,449.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,361.</li> </ul> <p><b>Central Hampshire:</b> Splitting the County Council before combining it with three of the Districts to form the Central Hampshire UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the Central Hampshire UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Winchester City Council which is estimated to be £1,306.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is East Hampshire District Council which is estimated to be £1,310.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,308.</li> </ul> <p><b>North Hampshire:</b> Splitting the County Council before combining it with three of the Districts to form the North Hampshire UA will enable harmonisation of the annual rate of Council Tax. The following three Council Tax Harmonisation options have been considered for the North Hampshire UA:</p> <ul style="list-style-type: none"> <li>Harmonising to the lowest level of Band D Council Tax in 2018/19. This is Basingstoke and Dean Borough Council which is estimated to be £1,280.</li> <li>Harmonising to the highest level of Band D Council Tax in 2018/19. This is Rushmoor Borough Council which is estimated to be £1,366.</li> <li>Harmonising to the weighted average Band D level of Council Tax in 2018/19. This is estimated to be £1,316.</li> </ul> <p>The following Council Tax increases have been assumed for the Solent and non-Solent options: Hampshire County Council, Southampton UA and Portsmouth UA will increase Council Tax by 4% in 2017/18 prior to the new Council being formed in 2018/19. Districts will increase Council Tax by 2% in 2017/18 prior to the new Council being formed in 2018/19. The new formed Council will increase Council Tax by 4% in 2018/19 and for each year thereafter up to and including 2027/28 i.e. for ten years.</p> <p>More detail on the Council Tax estimates are included in Appendix B.</p>	<p><i>The following estimates are the combined amounts for the Greater Portsmouth, Greater Southampton, Central Hampshire and North Hampshire options:</i></p> <p>Lower estimate is <b>£184.0m</b> when harmonising to the lowest level of Council Tax</p> <p>Higher estimate is <b>£345.0m</b> when harmonising to the higher level of Council Tax</p> <p>When harmonising to the weighted average level of Council Tax the estimated cost is <b>£339.0m</b></p>

**Senior staff restructuring costs**

**Estimated cost**

**Greater Portsmouth:**

The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Greater Portsmouth option) is:

Level	Role	Reductions
T0	Chief Executive	3.5
T1	Corporate Director	14.5
T2	Heads of Service	56.5
Total		74.5

**Greater Southampton**

The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Greater Southampton option) is:

Level	Role	Reductions
T0	Chief Executive	2.0
T1	Corporate Director	2.0
T2	Heads of Service	7.0
Total		11.0

**Central Hampshire**

The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the Central Hampshire option) is:

Level	Role	Reductions
T0	Chief Executive	1.5
T1	Corporate Director	-0.5
T2	Heads of Service	-4.5
Total		-3.5

*The negative figures represent an increase in the number of staff required to fulfil the roles under the new structure. It is assumed these roles will be filled from reductions in other UAs under this option.*

**North Hampshire**

The number of senior staff (T0, T1 and T2) reductions under the new structure (a single Unitary Council for the North Hampshire option) is:

Level	Role	Reductions
T0	Chief Executive	2.0
T1	Corporate Director	-2.0
T2	Heads of Service	-9.0
Total		-9.0

*The negative figures represent an increase in the number of staff required to fulfil the roles under the new structure. It is assumed these roles will be filled from reductions in other UAs under this option.*

The assumed exit cost per head is £95,000.

One-off estimated cost of **£6.9m**

Change costs	Estimated cost
<p>It is assumed there will be programme management costs to support the transition to the newly formed authorities for two years starting in the year prior to the year in which the new authorities are assumed to be formed i.e. 2017/18.</p> <p>The following change costs have been assumed:</p> <ul style="list-style-type: none"> <li>10 additional members of staff required to support the transition for each Council at a cost of £45,000 per member of staff.</li> <li>The average cost per member of staff is based on a local government Project Manager salary including on-costs.</li> <li>£50,000 of external consultancy support for each Council.</li> <li>17 authorities feature in this option.</li> </ul>	<p>Estimated total cost of <b>£17.0m</b> over two years</p>

## Savings

Senior staff restructuring	Estimated saving																																																												
<p><b>Greater Portsmouth:</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>9</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>25</td> </tr> <tr> <td colspan="2">Total</td> <td>35</td> </tr> </tbody> </table> <p><b>Greater Southampton:</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>8</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>25</td> </tr> <tr> <td colspan="2">Total</td> <td>34</td> </tr> </tbody> </table> <p><b>Central Hampshire</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>9</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>28</td> </tr> <tr> <td colspan="2">Total</td> <td>38</td> </tr> </tbody> </table> <p><b>North Hampshire</b> Under a single Council the senior staff structure is assumed to consist of:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Role</th> <th>New Structure</th> </tr> </thead> <tbody> <tr> <td>T0</td> <td>Chief Executive</td> <td>1</td> </tr> <tr> <td>T1</td> <td>Corporate Director</td> <td>9</td> </tr> <tr> <td>T2</td> <td>Heads of Service</td> <td>28</td> </tr> <tr> <td colspan="2">Total</td> <td>38</td> </tr> </tbody> </table> <p>The current amount of senior staff costs (including on-costs) for the County Council, the eleven Districts, Southampton UA and Portsmouth UA is £21.3m. The combined cost (including on-costs) of the senior staff structure for the four proposed structures is estimated to be £17.8m.</p>	Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	9	T2	Heads of Service	25	Total		35	Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	8	T2	Heads of Service	25	Total		34	Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	9	T2	Heads of Service	28	Total		38	Level	Role	New Structure	T0	Chief Executive	1	T1	Corporate Director	9	T2	Heads of Service	28	Total		38	<p>Estimated annual saving of <b>£3.5m</b></p>
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Democratic	Estimated saving
<p>The County Council, the Districts, Southampton UA and Portsmouth UA currently have 656 members and their costs (allowances) combined amount to £6.7m.</p> <p>Under the Greater Portsmouth, Greater Southampton, Central Hampshire and North Hampshire structures the assumed number of members is 71 under each structure. The assumption is that a minimum number of members would be required when the electorate size falls below a certain level and is based on a range of similar size County UAs in England and the number of members they have.</p> <p>Based on the current average County Council member cost of £17,987 plus a 25% increase to cover a wider spread of members, the estimated member costs for four UA structures is £3.3m.</p>	<p>Estimated annual saving of <b>£3.4m</b></p>

Corporate Services	Estimated saving
<p>It is assumed that Corporate Service economies of scale can be achieved under the Greater Portsmouth and Greater Southampton options as parts of one County, Districts and UAs will be combining and therefore, there is likely to be more role duplication in Corporate Services in the coming together of organisations with similar Corporate Service structures. However, there economies of scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for economies of scale under the Central Hampshire and North Hampshire option as parts of one County will be combining with Districts and therefore there is less likely to be role duplication within Corporate Services.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 2.47% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and the total net service expenditure for the Districts, Southampton UA, Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation of the County Council.</p> <p>For the Central Hampshire and North Hampshire option an annual saving of 2.47% has been assumed has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£21.2m</b></p>

Service optimisation	Estimated saving
<p>It is assumed that service optimisation efficiency savings can be achieved under the Greater Portsmouth and Greater Southampton options as parts of one County, Districts and UAs will be combining. However, the scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for service optimisation efficiency savings under the Central Hampshire and North Hampshire option as parts of one County will be combining with Districts.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 1.67% has been assumed on a proportion (based on population) of total net service expenditure for the County Council and the total net service expenditure (excluding schools expenditure) for Districts, Southampton UA and Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the Central Hampshire and North Hampshire option an annual saving of 1.67% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£14.3m</b></p>

Property rationalisation	Estimated saving
<p>It is assumed that property rationalisation savings can be achieved under the Greater Portsmouth and Greater Southampton options as parts of one County, Districts and UAs will be combining. However, the scale opportunity is likely to be less because the County Council will be disaggregated.</p> <p>It is assumed that there is less potential for property rationalisation savings under the Central Hampshire and North Hampshire option as parts of one County will be combining with Districts.</p> <p>For the Greater Portsmouth and Greater Southampton options an annual saving of 0.4% has been assumed on a proportion (based on population) of total net service expenditure for the County Council and the total net service expenditure (excluding schools expenditure) for Districts, Southampton UA and Portsmouth UA adjusted by 25% to reflect the lower potential for economies of scale due to disaggregation.</p> <p>For the Central Hampshire and North Hampshire option an annual saving of 0.4% has been assumed on a proportion (based on population) of total net service expenditure (excluding schools expenditure) for the County Council and Districts adjusted by 50% to reflect the lower potential for economies of scale due to disaggregation.</p>	<p>Estimated annual saving of <b>£3.5m</b></p>

# Appendix B: Council Tax Harmonisation

## Council Tax<sup>8</sup> harmonisation forgone revenue summary calculations over ten years

Options	Harmonisation options	£m										Total 10 years
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Option A	<b>No harmonisation - CT revenue</b>	882	916	951	988	1,026	1,065	1,106	1,149	1,193	1,239	10,515
	Lowest level CT revenue	-	-	-	-	-	-	-	-	-	-	-
	Weighted Average CT revenue	842	875	911	947	985	1,024	1,065	1,108	1,152	1,198	10,107
	Highest level CT revenue	869	883	884	919	956	994	1,034	1,075	1,118	1,163	9,896
	<b>CT revenue foregone:</b>	884	913	940	953	954	992	1,032	1,073	1,116	1,161	10,019
	Lowest level CT revenue foregone	41	41	41	41	41	41	41	41	41	41	408
	Weighted Average CT revenue foregone	13	34	67	69	70	71	72	73	75	76	619
Highest level CT revenue foregone	1	3	12	35	72	73	74	75	77	78	496	
Option B	<b>No harmonisation - CT revenue</b>	809	840	872	905	940	976	1,013	1,052	1,092	1,134	9,634
	Lowest level CT revenue	-	-	-	-	-	-	-	-	-	-	-
	Weighted Average CT revenue	777	808	840	874	909	945	983	1,022	1,063	1,105	9,325
	Highest level CT revenue	800	810	810	843	877	912	948	986	1,025	1,066	9,077
	<b>CT revenue foregone:</b>	810	839	866	879	880	916	952	990	1,030	1,071	9,235
	Lowest level CT revenue foregone	32	32	32	32	31	31	30	30	29	29	309
	Weighted Average CT revenue foregone	9	30	61	62	63	64	65	66	67	68	557
Highest level CT revenue foregone	1	0	6	26	59	60	61	62	62	63	399	
Option C	<b>No harmonisation - CT revenue</b>	726	755	785	816	849	883	918	955	993	1,033	8,713
	Lowest level CT revenue	-	-	-	-	-	-	-	-	-	-	-
	Weighted Average CT revenue	696	724	753	783	814	847	881	916	953	991	8,357
	Highest level CT revenue	716	725	726	755	785	816	849	883	918	955	8,128
	<b>CT revenue foregone:</b>	726	752	774	785	785	816	849	883	918	955	8,242
	Lowest level CT revenue foregone	30	31	32	33	35	36	37	39	41	42	356
	Weighted Average CT revenue foregone	10	29	59	62	64	67	69	72	75	78	585
Highest level CT revenue foregone	-	3	11	32	64	67	69	72	75	78	471	
Option D	<b>No harmonisation - CT revenue</b>	651	675	701	727	755	783	813	844	876	909	7,735
	Lowest level CT revenue	631	656	682	710	738	768	798	830	863	898	7,575
	Weighted Average CT revenue	646	652	678	705	734	763	794	825	858	893	7,549
	Highest level CT revenue	652	674	685	685	712	741	770	801	833	867	7,421
	<b>CT revenue foregone:</b>	20	19	18	18	17	16	15	14	12	11	160
	Lowest level CT revenue foregone	5	23	22	22	21	20	19	19	18	17	186
	Weighted Average CT revenue foregone	1	1	16	42	42	43	43	43	43	43	314
Highest level CT revenue foregone	-	-	-	-	-	-	-	-	-	-	-	
Option E	<b>No harmonisation - CT revenue</b>	882	916	951	988	1,026	1,065	1,106	1,149	1,193	1,239	10,515
	Lowest level CT revenue	842	876	911	948	985	1,025	1,066	1,108	1,153	1,199	10,113
	Weighted Average CT revenue	870	882	899	935	973	1,012	1,052	1,094	1,138	1,184	10,040
	Highest level CT revenue	884	909	923	946	963	1,001	1,041	1,083	1,126	1,171	10,048
	<b>CT revenue foregone:</b>	40	40	40	40	40	40	40	40	40	40	402
	Lowest level CT revenue foregone	12	34	52	52	53	53	54	54	55	55	476
	Weighted Average CT revenue foregone	1	7	28	42	63	64	65	66	67	68	467
Highest level CT revenue foregone	-	-	-	-	-	-	-	-	-	-	-	
Option F	<b>No harmonisation - CT revenue</b>	809	840	872	905	940	976	1,013	1,052	1,092	1,134	9,634
	Lowest level CT revenue	784	815	847	881	917	953	991	1,031	1,072	1,115	9,407
	Weighted Average CT revenue	800	809	833	867	901	937	975	1,014	1,055	1,097	9,289
	Highest level CT revenue	810	834	845	871	897	933	970	1,009	1,049	1,091	9,308
	<b>CT revenue foregone:</b>	25	25	24	24	23	23	22	21	20	19	228
	Lowest level CT revenue foregone	9	31	38	38	38	38	38	38	38	38	345
	Weighted Average CT revenue foregone	1	6	27	34	43	43	43	43	43	43	327
Highest level CT revenue foregone	-	-	-	-	-	-	-	-	-	-	-	
Option G	<b>No harmonisation - CT revenue</b>	809	840	872	905	940	976	1,013	1,052	1,092	1,134	9,634
	Lowest level CT revenue	787	819	851	885	921	958	996	1,036	1,077	1,120	9,451
	Weighted Average CT revenue	800	809	833	867	901	937	975	1,014	1,055	1,097	9,289
	Highest level CT revenue	810	827	844	871	896	932	969	1,008	1,048	1,090	9,295
	<b>CT revenue foregone:</b>	22	21	21	20	19	18	17	16	15	14	184
	Lowest level CT revenue foregone	9	31	38	38	38	38	38	38	38	38	345
	Weighted Average CT revenue foregone	1	13	28	34	44	44	44	44	44	44	339
Highest level CT revenue foregone	-	-	-	-	-	-	-	-	-	-	-	

<sup>8</sup> Council tax excluding parish, police and fire precepts

## Example Council Tax harmonisation Average Band D Council Tax Rate – Option D

	Council Tax Base	2016/17	2017/18	2018/19 (Assumed 1 April 2018 new structures in place)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Harmonising to the lowest level of Council Tax</b>				HARMONISATION									
Basingstoke and Dean Borough Council	62,760	1,186	1,231	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
East Hampshire District Council	48,628	1,214	1,260	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Eastleigh Borough Council	43,336	1,184	1,229	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Fareham Borough Council	42,006	1,225	1,271	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Hart District Council	38,487	1,236	1,282	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
New Forest District Council	69,632	1,238	1,284	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Rushmoor Borough Council	30,173	1,267	1,314	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Test Valley Borough Council	46,439	1,211	1,256	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Winchester City Council	46,835	1,210	1,256	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Gosport Borough Council	25,946	1,287	1,334	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
Havant Borough Council	39,291	1,272	1,319	1,278	1,330	1,383	1,438	1,496	1,555	1,618	1,682	1,750	1,820
<b>Harmonising to the weighted average level of Council Tax</b>				HARMONISATION									
Basingstoke and Dean Borough Council	62,760	1,186	1,231	1,280	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
East Hampshire District Council	48,628	1,214	1,260	1,310	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Eastleigh Borough Council	43,336	1,184	1,229	1,278	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Fareham Borough Council	42,006	1,225	1,271	1,321	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Hart District Council	38,487	1,236	1,282	1,322	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
New Forest District Council	69,632	1,238	1,284	1,322	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Rushmoor Borough Council	30,173	1,267	1,314	1,322	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Test Valley Borough Council	46,439	1,211	1,256	1,307	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Winchester City Council	46,835	1,210	1,256	1,306	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Gosport Borough Council	25,946	1,287	1,334	1,322	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
Havant Borough Council	39,291	1,272	1,319	1,322	1,322	1,374	1,429	1,487	1,546	1,608	1,672	1,739	1,809
<b>Harmonising to the highest level of Council Tax</b>				HARMONISATION									
Basingstoke and Dean Borough Council	62,760	1,186	1,231	1,280	1,331	1,385	1,388	1,443	1,501	1,561	1,624	1,688	1,756
East Hampshire District Council	48,628	1,214	1,260	1,310	1,362	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Eastleigh Borough Council	43,336	1,184	1,229	1,278	1,330	1,383	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Fareham Borough Council	42,006	1,225	1,271	1,321	1,374	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Hart District Council	38,487	1,236	1,282	1,334	1,387	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
New Forest District Council	69,632	1,238	1,284	1,335	1,388	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Rushmoor Borough Council	30,173	1,267	1,314	1,366	1,388	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Test Valley Borough Council	46,439	1,211	1,256	1,307	1,359	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Winchester City Council	46,835	1,210	1,256	1,306	1,358	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Gosport Borough Council	25,946	1,287	1,334	1,388	1,388	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756
Havant Borough Council	39,291	1,272	1,319	1,372	1,388	1,388	1,388	1,443	1,501	1,561	1,624	1,688	1,756

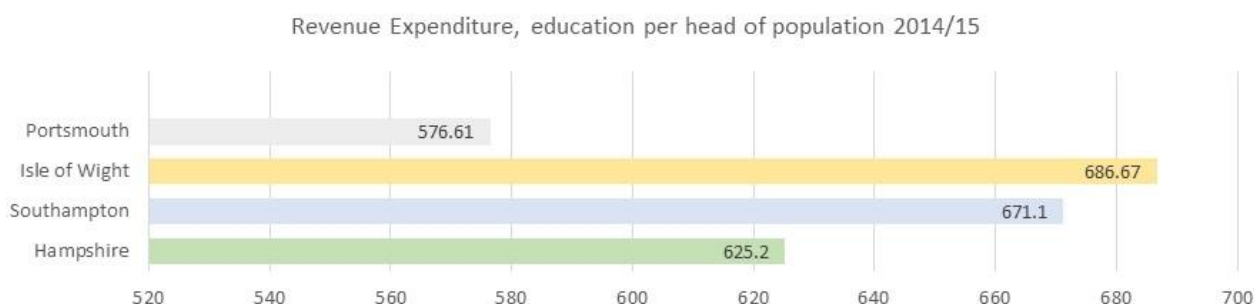
# Appendix C: Performance

## Current performance across the authorities

### Education

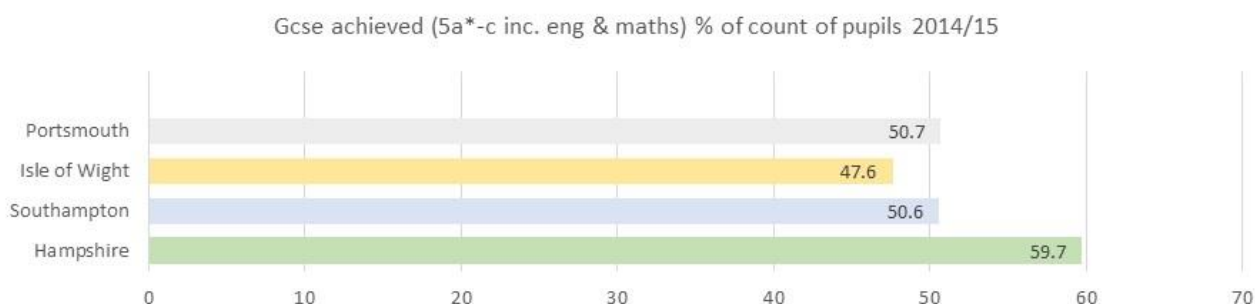
#### Revenue expenditure, education per head of population 2014/15

This is total Education Services revenue expenditure, per head of population in 2014-15. It includes employee costs and running expenses. It is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on Revenue Outturn Service Expenditure Summary (RSX) data for 2014-15.



#### GCSE achieved (5a\* - c inc. eng and maths) % of count of pupils

This is the number of pupils achieving 5 or more A\*-C or equivalent including English and Maths at Key Stage 4 (KS4) as a percentage of the number of pupils at the end of KS4 in the 2014-15 academic year and is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on Department of Education GCSE and equivalent attainment by pupil characteristics data for the academic year 2014-15.



Indicator	Period	Polarity	Hampshire	Isle of Wight	Portsmouth	Southampton
Achievement of 5 or more A*-C grades at GCSE or equivalent, including English and Maths	2014/15	High	59.7%	47.6%	50.7%	50.6%
Proportion of primary school pupils being educated in a good or outstanding school by Ofsted	31 August 2015	High	84%	64%	82%	83%
Proportion of secondary school pupils being educated in a good or outstanding school by Ofsted	31 August 2015	High	82%	22%	71%	82%
16-18 year olds not in education employment or training	2015 estimates	Low	3%	2.80%	5.60%	4.70%

## Qualified to level 2 and above (working age population) 2014

This is the proportion of the population aged 16-64 qualified to at least Level 2 or higher. People are counted as being qualified to level 2 and above if they have achieved at least either 5 GCSEs grades A\*-C (or equivalent, i.e., O levels, CSE Grade 1s), two A/S levels, or any equivalent or higher qualification in the Qualifications and Credit Framework. The data is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on ONS Nomis Annual Population Survey statistics for 2014.



## Children's Services

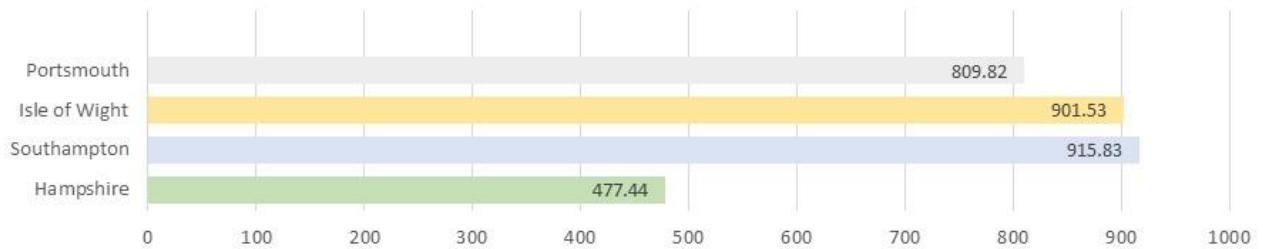
Inspection rating (2014)	Hampshire	Isle of Wight	Portsmouth	Southampton
<b>Overall Grading</b>	Good	Requires improvement	Requires improvement	Requires improvement
Children who need help and protection	Good	Requires improvement	Requires improvement	Requires improvement
Children looked after and achieving permanence	Good	Requires improvement	Good	Requires improvement
Adoption performance	Outstanding	Requires improvement	Good	Requires improvement
Experiences and progress of care leavers	Good	Requires improvement	Requires improvement	Inadequate
Leadership, management and governance	Outstanding	Requires improvement	Good	Requires improvement
The effectiveness of the LSCB	Good	Requires improvement	Good	Requires improvement

Ofsted inspection of children's social care

## Revenue expenditure per head, Children's services 2014/15

This is total revenue expenditure, per head of population (aged 0-17) in 2014-15, for Children's Services and includes employee costs and running expenses. It is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on General Fund Revenue Account Outturn RO3 Social Care data for 2014-15.

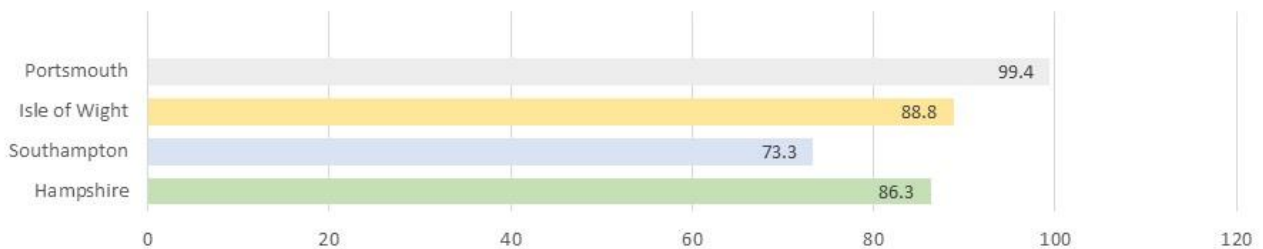
Revenue expenditure per head, children's services



### Child protection cases reviewed on time 2014/15

This is the percentage of children with a Child Protection Plan at 31 March 2015 who at that date had had a plan continuously for at least the previous three months, whose case was reviewed within the required timescales. The data is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on Department for Education Characteristics of Children in Need in England data for the period 2014-15.

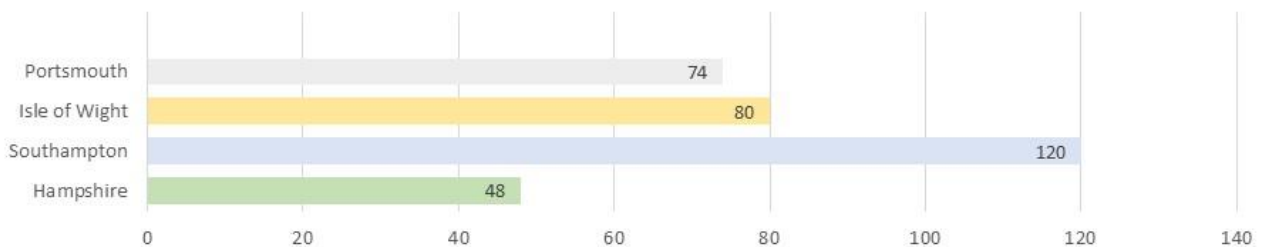
Child protection cases reviewed on time - % of child protection cases



### Children looked after rate, per 10,000 children aged under 18 2014/15

This is the number of children looked after as at 31st March 2015, expressed as a rate per 10,000 children aged 0-18. The term 'looked after' includes all children being looked after by a local authority; those subject to a care order under section 31 of the Children Act 1989; and those looked after on a voluntary basis through an agreement with their parents under section 20 of that Act. The data is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on Department for Education Children Looked After by Local Authorities in England data for the period 2014-15.

Children looked after rate, per 10,000 children aged under 18



## Environment and Regulatory Services

### Revenue expenditure, environmental and regulatory services per head 2014/15

This is total revenue expenditure on Environmental and Regulatory Services, per head of population in 2014-15. It includes employee costs and running expenses. It is taken from the Local Government Inform tool (<http://lginform.local.gov.uk>) which is based on Revenue Outturn Service Expenditure Summary (RSX) data for 2014-15.

Council	Revenue expenditure, environmental and regulatory services per head (£) 2014/15 *
Basingstoke and Deane *	102.09
East Hampshire *	80.51
Eastleigh *	92.07
Fareham *	87.04
Gosport *	87.64
Hart *	93.64
Havant *	100.57
New Forest *	102.78
Rushmoor *	113.43
Test Valley *	92.99
Winchester *	84.06
Isle of Wight	129.65
Portsmouth	104.73
Southampton	132.67

\*The District figures are a composite of the Districts and Hampshire County Council per head figures to allow for a comparison to be made between the UAs, the Districts and the County Council. The District figures include a per head figure of £42.44 for the County Council for 2014/15.

### Waste disposal

Indicator	Period	Polarity	Hampshire	Isle of Wight	Portsmouth	Southampton
Percentage of household waste sent for reuse, recycling and composting	2014/15	High	38.00%	49.16%	22.72%	26.10%
Percentage of municipal waste land filled	2014/15	Low	5.24%	31.53%	6.52%	15.25%

Red = waste sent for reuse, recycling and composting is below average of UAs in England. For waste sent to landfill is above average of UAs in England.

## Adult Social Care

### Adult social care: helping older people live independently for longer

Indicator	Period	Polarity	Hampshire	Isle of Wight	Portsmouth	Southampton
Proportion of older people (65 and over) who were still at home 91 days after discharge from hospital into reablement / rehabilitation services	2014/15	High	81.3%	92.2%	76.2%	72.7%

Red = below average for all UAs in England

## CQC inspection ratings of adult social care services, including council-run homes

Indicator	Period	Hampshire	Isle of Wight	Portsmouth	Southampton
Overall grading by CQC (as at 12 May 2016) where unit requires improvement or is judged to be inadequate.	As at 12 May 2016	7 out of 29 (24%)	4 out of 12 (33%)	2 out of 7 (29%)	1 out of 6 (17%)

## Crime and Community Safety

Indicator	Period	Polarity	Hampshire	Isle of Wight	Portsmouth	Southampton
First time entrants to the youth justice system - Rate of 10-17 year olds receiving their first reprimand, warning or conviction per 100,000 population	2014/15	Low	363	473	574	550
Violence against the person recorded crime (with and without injury) per 1000 people	Year ending 2015 Q4 rolling	Low	15.78	21.41	31.48	30.73

Red = above average for all county or UAs in England

## **Statement of Responsibility**

We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that may exist or all improvements that might be made. Any recommendations made for improvements should be assessed by you for their full impact before they are implemented.

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**Deloitte LLP**

**Cardiff**

**2016**

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