

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	6 June 2016
Title:	Report on the findings of Deloitte on options for local government in Hampshire, and proposals for consultation
Reference:	7577
Report From:	Chief Executive

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1. Purpose of Report

1.1. The purpose of this report is to:

- a) Update previous reports to Cabinet on devolution by summarising recent proposals for two combined authorities in Hampshire;
- b) Present and explain the results of an independent study, commissioned by Hampshire County Council from Deloitte, on options for local government in Hampshire and the Isle of Wight;
- c) Consider Deloitte's findings from the perspective of the County Council, and of residents and council taxpayers in Hampshire;
- d) Present Option D (a unitary authority for the county of Hampshire) as the option that clearly offers the best combination of financial benefits for the public purse, service quality and continuity, prospects for sustainable economic growth and potential for devolution to community level;
- e) Recommend a full public consultation on the future of local government in Hampshire, including on elected mayors, combined authorities and unitary government;
- f) Recommend a preferred approach to implementing the consultation.

2. Executive Summary

2.1. The Government is driving forward a devolution agenda for local government, linked to an original model in Greater Manchester. This is about transferring powers from central to local government, through groups of local authorities which form Combined Authorities as the vehicle for devolution. The agenda has a particular focus on economic development. Though it is not ostensibly to do with local government reorganisation, that

is becoming a by-product of the agenda in a number of areas and is built into the relevant legislation.

- 2.2. Following fruitful local negotiation, in September 2015, a proposal for a devolution deal with a Combined Authority (CA) was put forward by the Hampshire and Isle of Wight (HIOW) authorities, including the County Council, the three unitaries and the eleven Hampshire districts (alongside LEPs and other statutory partners). This was favourably received but became stalled in February 2016 after Government suddenly demanded that all such proposals needed to include a directly elected mayor. A clear majority of HIOW leaders rejected that demand.
- 2.3. Subsequently, via a separate negotiation which did not include the County Council, a proposal was put forward and supported by Government for a CA including the unitary authorities and five of the Hampshire districts. This Solent bid, including a directly elected mayor, presented a significant challenge for the County Council as it drew a boundary for the CA across the middle of the county. Aside from the manner of the negotiation, this proposal would require the County Council to work differentially across the county; it directly splits the county's highways and transport powers and duties; and it represents an inevitable pressure for further disruption and dismantling of County Council services towards a likely future demise of the County Council. Government and Solent partners are keen for the County Council to join the CA.
- 2.4. In response, the remaining Hampshire districts established a separate partnership towards a proposal for a 'Heart of Hampshire' CA. This negotiation has been conducted more openly and again the partners are keen for the County Council to formally join but the same reservations apply.
- 2.5. To date, the County Council has remained within both negotiations but was unable to confirm agreement prior to public consultation. As a result an expected formal announcement of the Solent deal was withdrawn from the Chancellor's Budget Statement in March.
- 2.6. On 13 May 2016, the Leader confirmed to Full Council that he was not prepared to support either CA proposal unless and until he was able to consult properly with the residents of the county and be guided by their views. At the same time he announced the findings of the Deloitte report which is the basis of this Cabinet paper.
- 2.7. The independent consultants, Deloitte, have been commissioned by the County Council to assess a range of options for local government in the area. A unitary council is one in which the functions of the existing county and district councils could be merged into a single local government organisation for a given area. County unitary government has been successfully established in a number of counties in recent years, for example, Wiltshire. This paper explains why the commissioning of the report was not merely appropriate, it was an essential step given the invidious position in which the County Council has been placed. The

Deloitte report (in full and in executive summary) has been placed immediately into the public domain.

- 2.8. The Deloitte report assesses a range of options in financial and non-financial terms. There are certain key themes to the Deloitte conclusions including: all forms of unitary local government represent a net saving to tax payers over time, releasing cash to reduce council tax and/or to reinvest in services; the larger options for unitary councils tend to realise much better savings; it is better for services and service delivery if they are not broken up into smaller unitary boundaries; in particular, the options which cut across the existing county boundaries are most disruptive and detrimental to services and of least financial benefit; the best performing option creates a large unitary council but its size (exactly the same as the County Council geographically and only around 20% larger in budget terms) could be balanced by a programme of work to substantially empower town and parish councils. Of all of the options, the Deloitte conclusions strongly favour the creation of a new single unitary council based on the existing Hampshire county borders as the best outcome for the residents of the county of Hampshire (Option D).
- 2.9. This paper describes the background and basis of those conclusions in more detail and sets out some next steps for the County Council (and partners), particularly with regard to proper public consultation, before rather than after any further local decisions are taken.

3. Context

- 3.1. Before embarking on a necessarily complex and technical report, there are some important points of principle and intent to be made for current and future purposes. Regrettably, the devolution debate nationally and locally has become increasingly lacking in a sense of core purpose and values – particularly with regard to the purpose of local government and the nature of local democracy and effective devolution from central government to a more local level. The Government's insistence on directly elected mayors has, for example, significantly skewed the intended outcomes of a carefully constructed local partnership and set of proposals; the original Hampshire and Isle of Wight (HIOW) Prospectus.
- 3.2. Furthermore, the very concept of devolution of powers from central Government has become lost with subsequent deals nationally being increasingly focussed on boundaries and structures, and the transfer of powers from high-performing local authorities, to experimental alternative governance arrangements. It is unfortunate that in Hampshire some of the consequent local negotiations and proposals have become marked by a sense of distrust and have reached what the County Council considers are irrational conclusions that will not serve the best interests of the wider community. There are currently two combined authority proposals covering the Hampshire and Isle of Wight area; 'Solent' and 'Heart of Hampshire'.
- 3.3. Hampshire County Council has been presented with a very difficult dilemma. Should it join both proposed combined authorities in order to

achieve at least some medium-term solution, but in doing so endorse the eventual splitting-up of one of the most consistent and high-performing units of local government in the country? Or, should it refuse to join, and provoke a possible legislative response that could potentially accelerate that split of the county? The County Council's leadership has been placed under significant pressure to choose and in the meantime the crucial business of local government goes on in the face of the most profound funding crisis of recent decades.

- 3.4. This report, based on Deloitte's independent and objective analysis, takes us to a possible alternative solution of a unitary county. This is evidenced by Deloitte as the best proposal for the people of Hampshire, with the potential to deliver significant financial and other benefits to residents. It is important to stress that it is **not** a proposal for the status quo, or a defence of the County Council 'as is'. Members should be aware that this proposal, if pursued, would lead to the disestablishment of the existing County Council as well as of the Hampshire district councils, in order to establish a new unitary 'Hampshire Council'.
- 3.5 The arguments presented in this report are ones that protect the core purpose of local government which, it is felt, has been overlooked in some of the recent devolution debate. Any recommendation of the 'Hampshire Council' option should be founded on a sense of moral as well as practical purpose and an obligation to the people of Hampshire which involves:
- Representing the views of the people of the county – all of the county;
 - Delivering the best possible services to communities, as efficiently and effectively as possible;
 - Protecting the most vulnerable;
 - Relentlessly focusing on spending taxpayers' money wisely;
 - Fulfilling our strong sense of stewardship of the environment;
 - Driving economic prosperity for the county by helping businesses and employment to thrive.
- 3.6 The leadership of the County Council understands the deep value of consistency, scale and capacity in all that it does, while not losing sight of localism; that it is not here to serve itself, but its community. It has long and staunchly defended the two-tier model, not least because of the preference to avoid disruptive reorganisation, but it is now clear that local government reorganisation is increasingly inevitable. As such, it is essential that the County Council identifies a model that best serves the people of Hampshire based upon their views. That is the basis of all that follows.
- 3.7 On that point, the nature of local engagement and community consultation is also at issue in this process so far. There is an expectation on all authorities to consult, but only after a deal has been struck and any consultation is thus a fait accompli. This paper proposes a process of

genuine consultation before Hampshire County Council makes any firm commitment.

4. Background and Clarification

- 4.1. A unitary authority is a single local authority that carries out the full range of local government services for its area, encompassing all the duties and functions that are carried out in two-tier areas by both district and county councils. For example, unitary councils both collect municipal waste (a district function) and dispose of it (a county function). Within the last year, Hampshire County Council has twice debated and rejected proposals, which the governing group strongly opposed, to become a unitary council. This was largely on the grounds of avoiding unnecessary disruption.
- 4.2. There are three unitary councils in the Hampshire and Isle of Wight area: Isle of Wight Council, Portsmouth City Council and Southampton City Council. The County Council fully respects the role and sovereignty of these and other local authorities. The only reason they are drawn into some aspects of this report is because of the starting point of the HIOW negotiation, and because of an expectation from central government that any examination of unitary local government in the area needs to be comprehensive.
- 4.3. In principle, unitary local government has the potential to operate more efficiently than two-tier government because it removes the need for duplicated management, systems and assets, and gives residents a single point of contact to their local representatives and services. However, the reality is dependent on many factors and – as with two-tier government – there is a wide range of performance among unitary authorities.
- 4.4. Nationally, some unitary authorities are highly successful. Others, often smaller and with tight boundaries, have found that they do not directly influence all the key areas such as planning or transport that contribute to their economic growth prospects, and have insufficient land within their area in which to accommodate all their assessed housing need. Additionally, outside the metropolitan areas, some smaller unitaries are so constrained that their tax base, and access to professional capacity is not sufficient to support sustainable high-quality services when funding comes under pressure. There are also examples of unitaries that were created due to political and economic circumstances that have since changed significantly.
- 4.5. A much-disputed issue is that of the optimum size of a unitary authority – i.e. not so small as to be unsustainable, but not so large as to be remote from the residents it serves. There is a notional view, promoted in some quarters but based on limited historical research, that there is a preferred population range for a unitary council. Government officials have recently clarified that ministers do not have such a policy. While it is probably true that a minimum population is required to ensure adequate capacity to deliver safe and efficient services, it is not possible to discern a legitimate upper limit. Officials are also clear that precedents set in other areas have

no relevance to Hampshire and that proposals will be dealt with on a case-by-case basis, depending on local circumstances.

- 4.6. Officials have also confirmed that leadership and capability are critical considerations regardless of size. This is illustrated by the fact that the County Council is a very large authority (albeit a county council not a unitary), that has highly successfully provided high-quality local services to 1.3 million residents across diverse communities for many years.
- 4.7. By the same token it is also worth addressing some of the assumptions about the respective size and duties of county and district local authorities in two-tier arrangements. This point is explored in more detail below, but certainly a Hampshire unitary council would only be approximately 20-25% larger in spending power than the existing County Council covering exactly the same geography. (See paragraph 7.2.)
- 4.8. Advice from civil servants is that, while there is no central process in place, new proposals for unitary local government under the Cities and Local Government Devolution Act 2016, in the form of a business case submitted to Ministers, would be assessed against five criteria:
 - Sustainability
 - Better public service delivery
 - Significant financial savings
 - Greater value for money
 - Stronger, more accountable leadership
- 4.9. A combined authority in this context is a separate legal authority, additional to existing forms of local government, which brings together multiple councils – potentially including one or more unitaries – to pool existing capability and receive new powers devolved by Government. The constituent local authorities continue to exercise their other powers autonomously. Combined authorities have so far mainly been established in large urban areas made up of unitary councils and result in an additional tier of government (an elected mayor and his/her office) sitting over existing councils. The additional cost of this is borne by the participating councils. The current proposed combined authorities in the Hampshire area are Solent, covering five Hampshire districts and the three unitaries, and Heart of Hampshire, covering the rest of the county.
- 4.10. For both unitary and combined authorities, the Government's general preference is a geography that reflects economic areas and is of sufficient scale to tackle local sovereignty constraints and streamline governance structures.

5 Combined Authority Proposals in Hampshire

- 5.1 Following the decision of a large majority of HIOW Leaders, on 12 February, not to accept Ministers' insistence on an elected HIOW mayor, HM Treasury entered negotiations with some authorities in south

Hampshire for a proposed Solent combined authority headed by an elected mayor. The County Council was latterly invited to support this proposal, but following a week of negotiation, concluded that more time was needed to consult on the proposals, which would have resulted immediately in the split of the County Council's highways and transport services.

- 5.2 This Solent devolution deal was subsequently not announced in the 2016 Budget, as originally expected, but it is understood that the Treasury has set aside an allocation of £30m per year for, apparently, 30 years, and that Ministers intend to announce a Solent deal some time following the EU referendum, with or without the support of the County Council. If Cabinet confirms through this report that the County Council does not agree the proposal pending full consultation, the Solent Deal can only go ahead on the basis of the three unitary councils. Only once a Solent combined authority is established in this way could Hampshire districts apply or be invited to join without the consent of the County Council.
- 5.3 In parallel, Leaders in the rest of Hampshire have developed a proposal for a 'Heart of Hampshire' combined authority, also predicated on an elected mayor. This proposal cannot proceed without the County Council's support.
- 5.4 A map of the two current combined authority proposals may be found at Annex 1.

6 Local Government Reorganisation: National and Local Context

- 6.1 Local government in Wales, Scotland and Northern Ireland is now all arranged on the unitary model. In England, about half of the population is covered by the two-tier system of county and district councils, with town and parish councils operating at community level.
- 6.2 New unitary councils in England have been created in waves over recent decades: 1986, 1997 (including Southampton and Portsmouth) and 2009 when a number of county unitaries (Wiltshire, Cornwall, Durham, Northumberland and Shropshire) were formed following the disestablishment of an existing county council and its district councils. Prior to their unitarisation these counties had many comparable characteristics to Hampshire. Annex 2 shows the old and new council configurations in these counties.
- 6.3 Plans to introduce universal unitary government across England are occasionally proposed – for example Lord Heseltine's report *No Stone Unturned*¹ recommended that *all two-tier English local authorities outside London should pursue a path towards unitary status...the Government should encourage this and work with authorities to clarify the process and enable it to happen.*
- 6.4 Despite Ministers' insistence to the contrary, there is a widespread belief that the general thrust of Government policy is to actively encourage and

¹ <https://www.gov.uk/government/publications/no-stone-untuned-in-pursuit-of-growth>

stimulate the spread of unitary local government. The difficulties that two-tier areas have experienced with the current devolution process, the introduction of financial incentives for mayoral combined authorities and the contrasting financial penalties imposed on two-tier areas in the recent financial settlement all suggest that the Government's preferred outcome is combined authorities that are led by an elected mayor, and made up of unitary councils.

- 6.5 Though there is no explicit strategic national agenda for local government reorganisation, Government's own actions and statements have explicitly linked devolution with local government reorganisation. Late in the development of the Cities and Local Government Devolution Act 2016, the Secretary of State for Communities and Local Government proposed a range of amendments, including a fast-track process for local government reorganisation that can be used by the Secretary of State before April 2019. These amendments included powers for the Secretary of State to impose reorganisation in a two-tier area if one council in the area consents. This created an explicit 'carrot and stick', pushing councils towards local government reorganisation, and it has led some to conclude that, directly or otherwise, the Government's devolution process was designed to bring about reorganisation.
- 6.6 Since January 2016, Ministers have made increasingly open reference to reorganisation as an acceptable alternative to combined authorities. Latent tensions around the country have resurfaced, resulting in a wave of reorganisation debates and proposals. In Oxfordshire, two plans have been proposed by district and county councils that are not only incompatible within Oxfordshire but also conflict with well-developed plans in Gloucestershire and Northamptonshire.
- 6.7 Many consider the current approach to be unsatisfactory as it encourages reorganisation within a tight and centralised framework, but fails to provide any kind of national guidance or criteria that might help local authorities consider and collectively agree their best options. Policy clearly allows for idiosyncratic outcomes of the kind that in previous rounds of reorganisation were avoided through a national approach such as Royal Commissions.
- 6.8 The National Audit Office (NAO) has compiled a report on the present approach to devolution² and found many aspects unsatisfactory. Amyas Morse, head of the NAO, stated: *Despite several iterations of deals, the Government's approach to English devolution still has an air of charting undiscovered territory. It is in explorer mode, drawing the map as it goes along. Some of the opportunities and obstacles are becoming clearer, but we still do not have a clear view of the landscape or, crucially, an idea of the destination.*
- 6.9 In these uncertain circumstances, a number of county councils (Oxfordshire, Leicestershire, Cumbria and Buckinghamshire) have

² <https://www.nao.org.uk/report/english-devolution-deals/>

commissioned Ernst and Young to analyse options for unitary local government in their areas. These studies have all supported the financial case for the creation of county-level unitaries, but none had the support of district councils.

- 6.10 In the area surrounding Hampshire, the case for county unitaries is supported by experience on the ground. One of the 2009 unitary creations was Wiltshire Council, formed from a county council and four districts, which is now well established. Meanwhile in Dorset, plans for two new unitaries (one based essentially on merging two existing small unitaries, and one covering the existing two-tier area) are progressing positively.
- 6.11 Within Hampshire itself, the debate about reorganisation has come and gone since 1997. There was an initiative in the mid-2000s to create several unitaries within the county, but this did not receive sufficient support. The Hampshire and Isle of Wight (HIOW) devolution project brought the issue back to the surface, but it was not until mid-February 2016, after the HIOW vote not to pursue an elected mayor, that a unitary proposal was directly put to Ministers – without the knowledge of the County Council.
- 6.12 On 18 February, the Leaders of five authorities in the Portsmouth area³ wrote to the Secretary of State for CLG offering to work with him on a range of possibilities for the area including unitarisation towards a ‘Greater Portsmouth’. This suggestion was not taken forward as part of the Solent devolution proposal but it served to put reorganisation firmly on the local agenda.
- 6.13 It is known that other councils in Hampshire have also been active on this issue and have analysed options for reorganisation. The Government’s impatience for change and the gathering momentum behind a county split into two combined authorities has left the County Council concerned that similar proposals to split the county into two or more unitaries could quickly arise and be seized on by Ministers without the opportunity for the County Council to influence the debate.

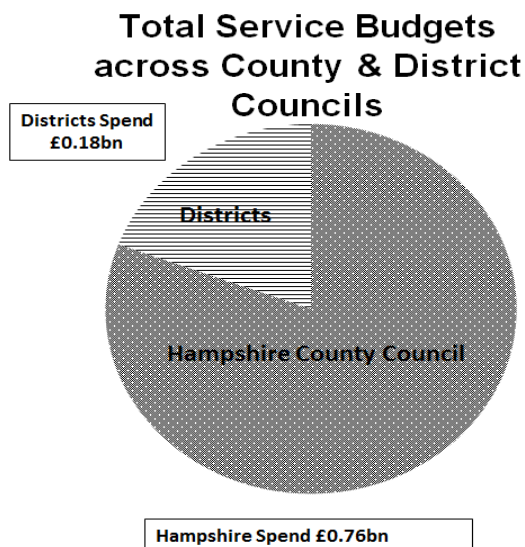
7 Hampshire County Council Position

- 7.1 Hampshire County Council has always sought to focus on providing high-quality public services for residents and regarded the reorganisation debate as a distraction from this task. During the course of the current administration this position has been strongly held at Full Council in the rejection of two opposition motions on the subject. The County Council has consistently supported the two-tier system and did so throughout the HIOW devolution process, declining to consider reorganisation despite encouragement from some quarters. The two-tier system, which has worked well in Hampshire, and certainly the avoidance of unnecessary re-

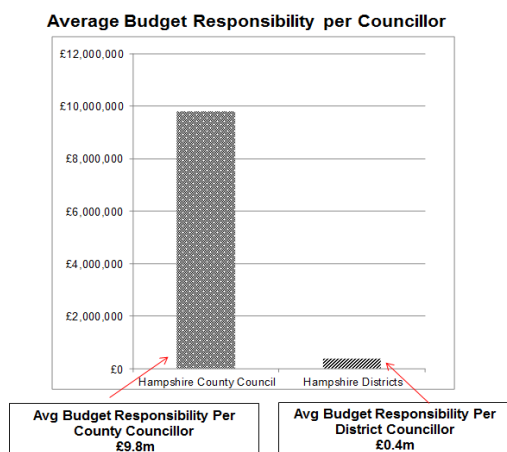
³ Portsmouth City Council, Gosport Borough Council, Havant Borough Council, Fareham Borough Council and East Hampshire District Council

organisation, would still be the County Council's preference if it were not for the changes to the external environment described above.

- 7.2 Public service responsibilities under the two-tier system in Hampshire are not evenly distributed between the tiers. While there are 11 district councils and only one County Council, the vast majority of expenditure on local government services in the county is by the County Council, which accounts for 81% of local government spend compared to the district councils' 19% (see below⁴)



- 7.3 The County Council also employs 70% of the local government workforce compared to the district councils' total of 30%.
- 7.4 In terms of budget responsibility per councillor, the position is even starker. Under the two-tier system there are 488 district and 78 county councillors in Hampshire, so county councillors are currently responsible for 25 times the budget of district councillors (see chart below).



⁴ Revenue Account Budget (RA) 2015/16 Data: Total Service Expenditure (excluding schools).

- 7.5 With other Hampshire councils expressing a view that reorganisation may represent the only sustainable future for services in their area, fuelled by a developing sense that district councils are increasingly unsustainable in financial or service terms, it is only right for the County Council to consider whether circumstances have changed so significantly that maintaining the two-tier arrangement is no longer viable. The persuasive case for change emerging around the country, based on the financial sustainability of councils, the growing role of strategic partnerships with other public services and the emergent Government policy direction in favour of unitary authorities, has been building for some time. However, the principal trigger for a potential change of stance here has been the way the Government's devolution process has unfolded in Hampshire.
- 7.6 The original HIOW proposal offered a means to preserve two-tier government through the scale, sustainability and flexibility of the planned combined authority. Since the HIOW proposal fell into abeyance, the actions of Government and others have not simply raised the question of reorganisation, but have made it unavoidable and hostile to the County Council and the district councils that would be abolished under (for example) the 'Greater Portsmouth' proposal.
- 7.7 Many observers take the view that combined authorities are a stepping-stone to unitary authorities. As neither of the two proposed combined authorities in Hampshire operates at sufficient scale to sustain long-term services without reorganisation, there is a concern that agreement to a split county now would result in the County Council 'sleepwalking' irrevocably down the route of reorganisation on the same geographical basis. There are indications that some in Government see this progression as logical and inevitable despite its implications for well-run county services. It was imperative therefore that the County Council should start to objectively consider options. However, the County Council is clear that any alternative proposals will not be taken forward without the benefit and challenge of a reasoned and public debate, including an early rather than belated consultation with the residents of the county.

8 Deloitte Commission

- 8.1 Before March 2016, the County Council had not invested capacity on local government reorganisation, based not least on the clear steer offered by the two Full Council debates. The subsequent events outlined above changed that position and required a more assertive approach to considering the issue. There was little current external evidence and it was felt that the Ernst and Young model used by Oxfordshire and others ought to be tested against a different approach.

- 8.2 Officers were aware of the previous work of Deloitte on this topic in Wales, and of relevant research they had carried out (*Sizing Up: Mergers and Service Integration in Local Government, 2011*⁵). Some time after the 'Greater Portsmouth' proposal to Ministers, and as part of an existing procurement, the Chief Executive commissioned Deloitte to produce an independent study analysing the financial and non-financial benefits of various options for unitary local government in Hampshire and the Isle of Wight.
- 8.3 Following the advice of DCLG officials, and mindful of the importance of a balanced view, Deloitte were asked to analyse a wide range of options ranging from a single council for the whole HIOW area, to five councils. The study is now complete and both the Executive Summary and the full report are available as separate annexes to this report. The Executive Summary was published by the Leader of the County Council on Friday 13 May. The full report was published on Wednesday 18 May.
- 8.4 Deloitte's work, though delivered quickly, is a robust, substantial and independent piece of analysis that sets a new standard for studies of this genre and provides a mature and proper platform for the County Council's deliberations.

9 Deloitte's Conclusions

- 9.1 Following advice, from CLG, to look at a wide range of scenarios, Deloitte's report analyses seven options. The options are described in detail in the Executive Summary and full report but as a summary, Cabinet may wish to note that the options fall into three categories:

- 1) A unitary council, larger than the county geography (Option A covering the original Hampshire and Isle of Wight geography with Options B and C as variants). These options were included due to the probable benefits of their scale and greater co-terminosity with other public services. They do not reflect any expansionist ambitions on the part of the County Council.
- 2) A unitary council based on the county geography (Option D). This option was included due to its probable lower cost and disruption, while retaining benefits of scale.
- 3) Unitary councils smaller than the county geography (Options E to G). Option E was included as it reflects the current proposed combined authority geography; Options F and G were included as attempts to approximately group existing councils around the largest employment and population centres in the area.

- 9.2 The conclusion of Deloitte's report is reproduced verbatim below:

Our [Deloitte's] conclusion summarises the outcome of this report and

⁵ [Click here for report](#)

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, 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 co-terminosity 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 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 co-terminosity and the potential for strategic economic planning;*
- *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**. [End of extract].*

- 9.3 Deloitte has provided compelling and independent factual evidence that **Option D** offers the scale of Option B without the disruption; costs the least of all options to deliver; saves the most per head of population; scores highest overall in the assessment of the qualitative/non-financial benefits; and is therefore the most beneficial to the residents of Hampshire.

10 Considerations for Hampshire County Council

- 10.1 This section of the report builds on the evidence base provided by Deloitte and overlays a Hampshire perspective that prioritises benefits to residents of the county of Hampshire, the quality and continuity of the services they receive, and value for Hampshire taxpayers.
- 10.2 Paragraph 7.2 has already shown that over 80% of total council service expenditure in Hampshire is the responsibility of the County Council. Expanding a county-level structure to take in the districts' 20% and create a new unitary structure is therefore likely to be significantly more efficient, less disruptive and less risky than the reverse course of breaking down the 80% of service expenditure. The same is true of amalgamating the workforce.
- 10.3 In addition, with County Councillors being responsible for 25 times more expenditure per head than district councillors, adding district budgets to the county level would make minimal difference to the exercise of executive functions. This analysis also supports Option D.
- 10.4 Although Option D would see the County Council replaced by a new unitary council, the upper-tier services would be delivered on the same geography. An indicator therefore of the likely performance of those services is the County Council's own performance, which will be the subject of a report to Cabinet on 20th June.
- 10.5 It is possible, using Deloitte's evidence base and rankings, to make an assessment of Option D against the Government criteria for new unitary

authorities (see Annex 3). While there would be a more detailed assessment as part of a business case submission to Ministers, it is possible to see that Option D will clearly also perform well against these criteria in comparison to all other options.

- 10.6 The case for Option D as the best for Hampshire residents is clearly therefore supported by:
- a) Deloitte's independent analysis;
 - b) The County Council's own analysis;
 - c) Early assessment against the Government's criteria for new unitary authorities.
- 10.7 It is therefore recommended that Cabinet notes the overwhelming case in favour of option D: a **new unitary council for the county of Hampshire** (referred to hereafter as 'Hampshire Council').
- 10.8 Cabinet are also asked to note that while the recurring net financial benefits achieved through the 'Hampshire Council' option – £41m a year – are greater than those arising from a typical devolution deal, the financial element of which would be a maximum of £30m a year, this is not a like-for-like comparison as most of the devolution allocation would be capital. The revenue element would be less than £10m, only part of which would be invested in the county and which cannot anyway be guaranteed beyond 2020.
- 10.9 Devolution deals also typically include the transfer of adult skills budgets and responsibility for allocation of business rates, but these are fiscally neutral measures.

11 Implications for the County of Hampshire

- 11.1 A 'Hampshire Council' unitary could be proposed, in the form of a business case, at any time to the Secretary of State for Communities and Local Government, as could any other proposals originating in the area.
- 11.2 If the 'Hampshire Council' option was favoured by the Secretary of State, the Order implementing the necessary changes would have to be made using the affirmative procedure in Parliament and would also have to include a report setting out details of the consultation undertaken by the Secretary of State and the representation made to him. District councils would be primary consultees in any such procedure.
- 11.3 The Order would set out the arrangements for moving to the new unitary arrangements and this could include interim executive arrangements including representatives from districts, provisions about elections due for the existing councils, and the arrangements for election to the new 'Hampshire Council'. It is not easy to estimate how long this could take, but the Order could potentially be made within a year of obtaining the Secretary of State's support.
- 11.4 If the Order was made in May 2017, the new 'Hampshire Council' could theoretically be established from 1st April 2018, with elections in May 2018.

However, it is likely that the process would take longer than this and it is therefore relevant that implementation could take place beyond April 2019 provided the Order was made before April 2019.

11.5 The County Council and all 11 Hampshire district councils would be abolished, with 'Hampshire Council' inheriting their statutory functions, their assets and liabilities and their contractual rights and obligations. A process of merger and amalgamation would begin immediately, but could take years to complete in the case of some long-term service contracts.

11.6 In order that the strong connection between residents and local councils in Hampshire should be enhanced through reorganisation, it is proposed that the deeper devolution model for 'Hampshire Council' should be among the most far-reaching in the country with a focus on empowering local communities and enhancing the capacity and voice of town and parish councils. A significant piece of work is required to define how this approach would work, but building on the experience of others such as Wiltshire, Shropshire, and Cornwall it could include:

- 'Town deals' to allow the county's largest towns and urban centres real control over the issues that are locally important and best reflect their own unique characteristics.
- Building on the county's already strong parish and town council base, extension of parish arrangements to those areas that are currently unparished, with a significant devolution offer to natural parish clusters and promotion of existing and new parish-level initiatives such as parish lengthsman and village agents.
- Revitalised engagement with community groups including (for example) the potential to transfer management of valued local assets.
- Area Committees composed of unitary councillors with significant budgets and autonomous control over significant areas of policy such as local planning and development and local traffic management including parking regulation.
- Matching area structures for officer arrangements to ensure that front-line services are wholly attuned to local circumstances.
- The opening of a debate with communities across Hampshire about the best possible way for 'Hampshire Council' to work positively with them.

It is entirely feasible that this work could be progressed by reinvesting a proportion of the identified savings in order to enhance true localism in Hampshire.

11.7 It is noted that the option of a 'Hampshire Council' unitary is also wholly compatible with the Government's stated intention to establish a combined authority comprising only Southampton, Portsmouth and the Isle of Wight. If 'Hampshire Council' joined as the fourth member, this would complete the Hampshire and Isle of Wight geography and create a combined

authority with tremendous weight and influence – a true ‘Southern Powerhouse’ – but also one that is far simpler, more manageable and therefore more effective, than either the Solent or Heart of Hampshire proposals, or indeed the original HIOW arrangement. Therefore, in addition to the significant savings that can be achieved through the implementation of a new county unitary (Option D), further financial and economic benefits could be gained through a parallel devolution agreement.

12 Proposed Approach to Consultation

- 12.1 At the County Council’s Annual General Meeting on 13 May 2016, the Leader of the County Council announced that there would be a full public consultation on options for devolution and local government reorganisation. The announcement set out some clear principles for the proposed consultation, namely that it will:
- a) Cover a wide range of options for the future of local government i.e. elected mayors, combined authorities and unitary councils;
 - b) Be directed to the residents and businesses in the county of Hampshire;
 - c) Be objective, factual and accessible. Given the urgency and importance of this work it is suggested that these principles can best be met through commissioning independent support to undertake the consultation exercise, including its design, implementation and analysis. This is considered the best means of ensuring public confidence in the independence and rigour of the process, before the County Council makes any firm commitment.
- 12.2 In the interests of transparency and partnership working, it is proposed that district and unitary councils are offered the opportunity to contribute to the design and text of the consultation document before it goes live. If agreement can be secured, this would enable a joint consultation to take place across the whole Hampshire and Isle of Wight area. Indeed, HIOW leaders have now committed to attempt such a shared consultation if possible, though from the County’s perspective one obstacle to such a process would be the status of the existing combined authority proposals.
- 12.3 Given that one of the topics of consultation would be whether or not residents and businesses would support the idea of an elected mayor, a joint consultation would require the process to establish the Solent and Heart of Hampshire combined authorities to be paused pending the outcome of the consultation.
- 12.4 Consultation could commence as soon as practicable following the EU referendum on 23 June and could run for a period of eight weeks with findings presented to Cabinet around late September, and to Full Council at a special meeting around early October.
- 12.5 Should local partners decide to participate in the consultation it would be right that they should make some contribution towards meeting the costs,

but for now it is assumed that this is a County Council exercise. It is therefore recommended that a sum of £150,000 is set aside from contingency funds to cover the consultation exercise.

13 Proposed Options for Consultation

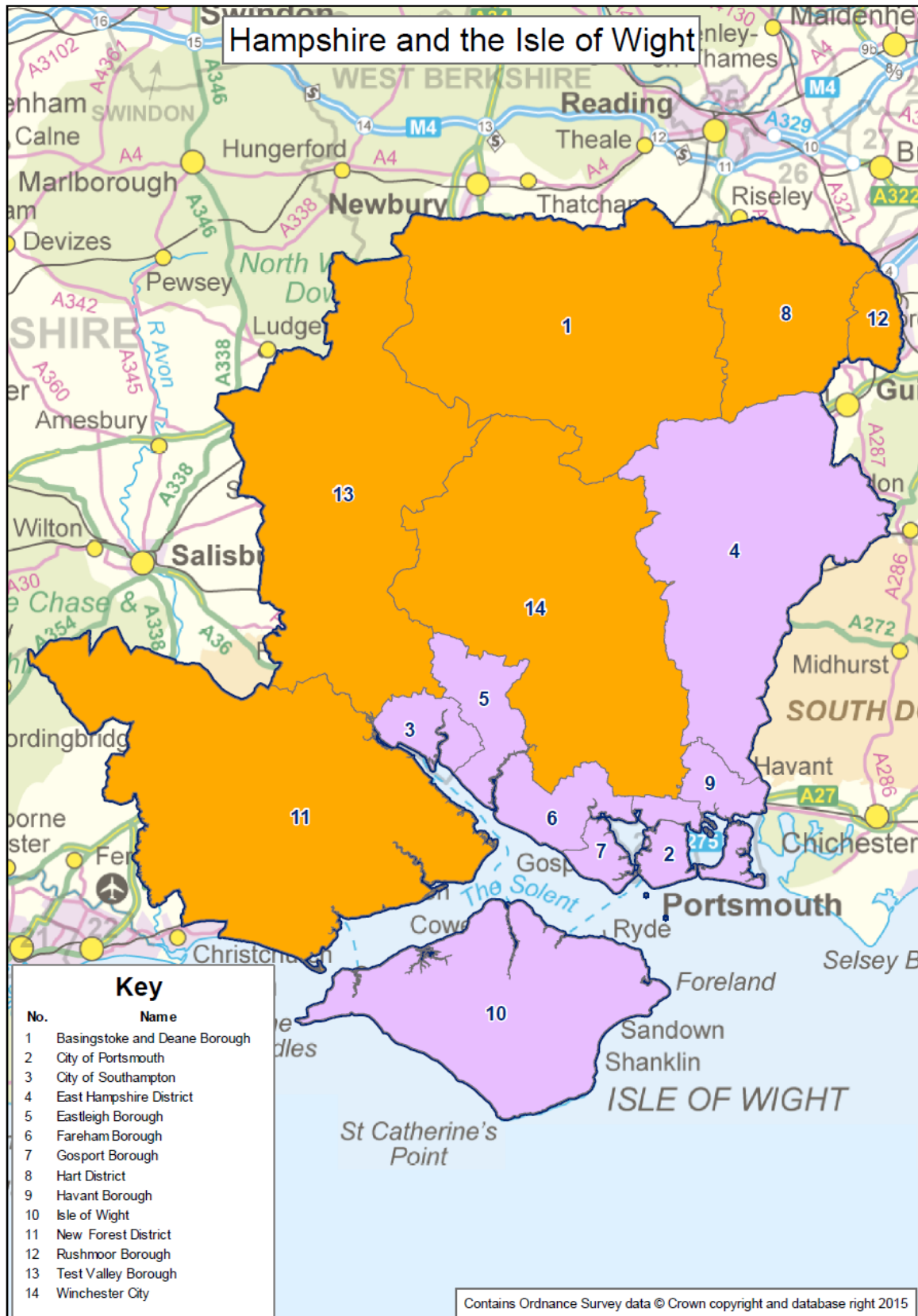
- 13.1 There are currently two proposals for combined authorities with elected mayors which cover Hampshire: Solent and Heart of Hampshire. The Leader of the County Council's statement on Friday 13 May indicated that neither proposal will be endorsed by the County Council unless, and until, Hampshire residents indicate through a public consultation that the County Council should do so.
- 13.2 In addition to these two combined authority options, the Deloitte report, commissioned by the County Council, examined a range of unitary options as described above. These included unitary models larger than the county, one based upon the county and several that would split the county. It concluded with a 'league table' of the best performing options based on financial and non-financial analysis. It is fair to record from the County Council's perspective that Option D, a unitary council for the county of Hampshire, appears to offer the best alternative.
- 13.3 However, given the complexity of these matters and in the interests of fairness, especially if the consultation is to be conducted on a partnership basis, independent support and advice will be required to consult objectively and in a timely manner. This work will be taken forward subject to Cabinet's agreement.

14 Conclusions and Recommendations

- 14.1 Through the Government's devolution process the County Council has been forced to actively consider local government reorganisation in Hampshire. Deloitte was commissioned to produce an independent study of seven reorganisation options. Based on Deloitte's findings, Government criteria and the County Council's own analysis it is clear that Option D is the one that is most beneficial to Hampshire residents.
- 14.2 It is recommended that Cabinet:
- a) Notes that events since leading up to and since the 2016 Budget have placed the integrity of the County Council's services at risk, through the proposed Solent and Heart of Hampshire devolution deals;
 - b) Confirms the County Council's intention not to endorse either the Solent or Heart of Hampshire combined authority proposals before conducting a full public consultation on all options for local government in Hampshire;
 - c) Notes the independent study by Deloitte presenting an initial analysis of options for local government in Hampshire and concluding that:
 - i. There is a strong financial and non-financial case in favour of a new unitary authority covering the current administrative county of Hampshire ('Hampshire Council', Option D in Deloitte's



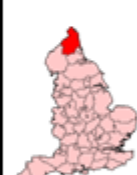
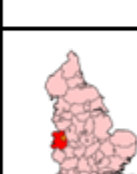

- report) as the best model for local government reorganisation in Hampshire;
- ii. There is a comprehensive and compelling case against all of the options which lead to any unitary council that splits the county of Hampshire;
- d) Notes that, if it were to be implemented, Option D would lead to the disestablishment of the existing County Council and Hampshire district councils, and the creation of a new unitary 'Hampshire Council' covering the existing Hampshire administrative boundaries;
 - e) Gives delegated authority to the Chief Executive, in consultation with the Executive Member for Policy and Resources, to appoint an independent organisation to design and implement a consultation on the basis of the proposals set out in section 12 and, if possible, in partnership with other HIOW authorities and agrees to allocate £150,000 from contingency funds to cover the costs of this exercise.

Annex 1: Map of combined authority proposals in Hampshire



Annex 2: Unitary counties created in 2009

In the following areas, the existing non-metropolitan county has now also become a non-metropolitan district (i.e. a "unitary county") and the existing non-metropolitan districts have been abolished.

Ceremonial county	Non-metropolitan districts abolished in 2009	New unitary authority from 2009	Existing unitary authorities from 1990s reforms	Map
Cornwall	Penwith Kerrier Carrick Restormel (Borough) Caradon North Cornwall	Cornwall	Isles of Scilly †	
Durham	Durham (City) Easington Sedgfield (Borough) Teesdale Wear Valley Derwentside Chester-le-Street	Durham	Hartlepool Darlington Stockton-on-Tees (part)	
Northumberland	Blyth Valley (Borough) Wansbeck Castle Morpeth (Borough) Tyndale Alnwick Berwick-upon-Tweed (Borough)	Northumberland	none	
Shropshire	North Shropshire Oswestry (Borough) Shrewsbury and Atcham (Borough) South Shropshire Bridgnorth	Shropshire	Telford and Wrekin	
Wiltshire	Salisbury West Wiltshire Kennet North Wiltshire	Wiltshire	Swindon	

† *sui generis* unitary authority since 1890

Annex 3: Assessment of options against Government criteria for new unitary authorities, using Deloitte's rankings as proxy measures

Government unitary criteria	Proxy measure from Deloitte report	Rank based on Deloitte proxy measures						
		A	B	C	D	E	F	G
Sustainability	Sustainability of Public Services	1	2	3=	5	3=	6	7
Better public service delivery	Service continuity, local responsiveness, disruption	4=	3	2	1	6	4=	6
Significant financial savings	Total net savings	2	1	4	3	7	5	6
Greater value for money	Savings per head	3	2	4	1	7	5	6
Stronger, more accountable leadership	Democratic participation and accountability	7	6	4	2=	5	2=	1
Sub-total		13	14	14	10	25	16	26
Overall rank		3	2	3	1	6	4	5

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	Yes
Maximising well-being:	Yes
Enhancing our quality of place:	Yes

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Devolution- Positioning the Council (Cabinet)	6749	11 June 2015
Devolution - Positioning the Council (Full Council)	6840	16 July 2015
Devolution Deal for Hampshire and the Isle of Wight (Cabinet)	7137	7 December 2015
Negotiation and Government's proposal of a devolution deal for Hampshire and the Isle of Wight (Full Council)	7201	7 January 2016
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	
Local Government and Public Involvement in Health Act	<u>2007</u>	
Local Democracy Economic Development and Construction Act	<u>2009</u>	
Cities and Local Government Devolution Act	<u>2016</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

No Equality Impacts have been identified.

2. Impact on Crime and Disorder:

N/A

3. Climate Change:

How does what is being proposed impact on our carbon footprint/energy consumption?

N/A

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A