
Heart of Hampshire

Devolution and the future of local government

Confidential

November 2016



Contents

Important notice	4
Executive summary	5
Future of local government in the Heart of Hampshire.....	5
Key points from the analysis.....	6
Key conclusions and securing a devolution deal	11
Overall conclusion	12
1. Introduction	13
1.1. Purpose of this report	13
1.2. Hampshire and the Isle of Wight.....	13
1.3. Heart of Hampshire	15
1.4. Local Economies	16
1.5. Local government in Hampshire and the Isle of Wight.....	18
1.6. The future of local government.....	19
1.7. The devolution opportunity	20
1.8. The case for reform in the Heart of Hampshire.....	21
2. Enhanced two tier and Combined Authority	27
2.1. Enhanced two / three tier working	27
2.2. A Combined Authority.....	29
3. Unitary authority options	31
3.1. The unitary authority options considered	31
3.2. Option 1 – Six unitary authorities with some county wide services	32
3.3. Option 2 – Two unitary authorities	33
3.4. Option 3 – A Single unitary authority	33
3.5. Commentary.....	34
4. Providing value for money and delivering positive outcomes	36
4.1. Approach	36
4.2. Baseline	36
4.3. Disaggregation of Hampshire County Council income and expenditure	38
4.4. Economy and efficiency.....	39
4.5. Summary results	39
4.6. Payback period.....	42
4.7. Council tax harmonisation	42
4.8. Summary and conclusions from value for money and cost of transition analysis	42

5.	Strong local leadership and accountability	44
5.1.	Local government reform and the opportunity to strengthen leadership and accountability	44
5.2.	Clarifying accountability	44
5.3.	Ensuring simplicity	49
5.4.	Summary and conclusions	50
6.	Better public services	51
6.1.	Introduction	51
6.2.	Current baseline position	52
6.3.	Future opportunity	52
6.4.	Developing better public service ‘tests’	55
6.5.	Appropriate scale	57
6.6.	Citizen centricity	57
6.7.	Connected government.....	59
6.8.	Empowered to deliver.....	61
6.9.	Delivering the promise	62
6.10.	Continuously Innovative	65
6.11.	Summary and conclusions	66
7.	Summary of findings.....	67
7.1.	Overall conclusion	68
Appendix A	Technical financial annex	69
A.1.	Six unitary option	69
A.2.	Two unitary option	71
A.3.	One unitary option.....	73
A.4.	Council tax harmonisation	75
A.5.	Disaggregation of Revenue Support Grant (RSG)	81
Appendix B	The Brief	82
B.1.	Unitary options analysis and devolution study May 2016	82

Important notice

This document has been prepared by PricewaterhouseCoopers LLP (“PwC”) for Basingstoke & Deane Borough Council acting on behalf of Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council, Winchester City Council (“Heart of Hampshire authorities” and the “Districts”).

Accordingly, the contents of this document are strictly private and confidential.

This paper contains information obtained or derived from a variety of sources as indicated within this document. PwC has not sought to establish the reliability of those sources or verified the information so provided. Accordingly no representation or warranty of any kind (whether express or implied) is given by PwC to any person (except to the Council under the relevant terms of the Engagement) as to the accuracy or completeness of the report. Moreover the report does not absolve any third party from conducting its own due diligence in order to verify its contents. For the avoidance of doubt this Engagement is not an assurance engagement and PwC is not providing assurance nor are the services being performed in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000).

PwC accepts no duty of care to any person (except to the Heart of Hampshire authorities) for the preparation of this report. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person (other than the Heart of Hampshire authorities on the above basis) acting or refraining to act in reliance on the briefing or for any decisions made or not made which are based upon such report.

In the event that, pursuant to a request which the Heart of Hampshire authorities have received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made there under (collectively, the “Legislation”), the Commissioning Councils are required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. The Commissioning Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure. If, following consultation with PwC, the Council discloses this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

Executive summary

Future of local government in the Heart of Hampshire

The Heart of Hampshire authorities commissioned this report to support development of local devolution proposals to Government that could result in the delivery of better services, through improved governance, for residents, by considering the options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitarisation.

Local government across Hampshire & the Isle of Wight is at risk of turning inwards as a result of discussion on a devolution settlement for the H&IOW area breaking down. This has brought to the surface tensions which are symptomatic of concerns about the longer term sustainability of public services and a desire to explore how decision making can be brought as close to local communities as possible.

Achieving this is essential for enhancing local choice and a local voice in decision making so that services can better reflect local needs and priorities. The parties involved in the previous Hampshire and the Isle of Wight devolution prospectus have split into three groupings:

- Hampshire County Council which has developed and consulted on its own options for unitary solutions;
- Solent authorities who are primarily focussed on securing a combined authority as the first step on their devolution journey; and,
- Heart of Hampshire authorities who want to ensure their residents and businesses have the same opportunity to benefit from devolution.

Purpose of this document

In this report we have provided an independent assessment of the options for change across the Heart of Hampshire. The report offers views on proposals for a combined authority and enhanced arrangements between existing authorities providing services in the Heart of Hampshire. The findings are based on our discussions, stakeholder engagement and analysis up to the 4th November 2016.¹

On devolution, our overriding message is that the Heart of Hampshire authorities, Solent authorities and Hampshire County Council would be stronger working together and bringing together the best of their respective preferred solutions for improving governance. Hampshire County Council has a critical role. It needs to decide on its course of action while recognising that it alone cannot decide what is right for other principal authorities.

There is no support among other principal authorities for the unitary options which Hampshire County Council recently consulted on. Neither is there any desire to return to a pan-Hampshire & Isle of Wight Combined Authority proposal developed specifically to respond to an accelerated Government timetable. Hampshire County Council's recent public consultation appears to confirm this is also the public and business community position. Instead, the Heart of Hampshire authorities are seeking to enhance two-tier working with Hampshire County Council, including the establishment of a combined authority as the mechanism to enable devolved powers, responsibility and funding from national to local bodies.

The Government has made clear that any future proposal will require a *degree* of local consensus and it is clear that relationships need to focus on better serving residents and businesses. Both the Solent and Heart of Hampshire authorities are supportive of each other's proposals and have a shared desire to engage and involve Hampshire County Council as a valued and influential partner. If Hampshire County Council were to also support proposals then there would be a united case to Government for devolved powers, responsibilities and resources from national to local bodies that took advantage of, and respected, the differences within Hampshire and the Isle of Wight.

¹ On 4th November Hampshire County Council published its response to the unitary options consultation. This has not been considered in this document.

The case for change

The district and county system of local government has inherent tensions that have been exacerbated by increasing financial challenges in recent years. Conflicting priorities regarding the funding of services and the needs of the same local people can create misalignment and inefficiency in service design, decision making and delivery.

All local authorities across Hampshire & the Isle of Wight are committed to the principle of subsidiarity. Their ambition is to achieve progressive devolution of power, control and resources from national to local bodies to enable decision making to be as close to local communities as possible. Achieving this is essential for reforming public services that benefit local residents and businesses.

Every authority recognises that the status quo is not a sustainable solution given that:

- Future funding of local government will be increasingly dependent on economic performance, with a greater emphasis on enabling economic growth.
- There is an underlying pressure for local government to continue to find efficiency savings including through creating greater economies of scale and an expectation to redesign and prioritise services to address local need.
- There are differential priorities requiring ways of working that achieve benefits of scale but respect local requirements around individuals, communities and districts within Hampshire and the Isle of Wight.

There is a need to enhance joint democratic accountability in the eyes of Government, through vehicles such as a combined authority for the Heart of Hampshire and a Mayoral Combined Authority in the Solent in order to take up the opportunity to secure devolution deals for the residents and businesses. The Heart of Hampshire and the Solent authorities are collectively supportive of the establishment of the Solent Combined Authority and the proposal to establish a Heart of Hampshire Combined Authority.

Key points from the analysis

Combined authority as a vehicle for change

Any local devolution proposal for Hampshire & the Isle of Wight needs to recognise the different requirements across the area, and establish mechanisms that work to the advantage of all communities. The recommended approach is for two combined authorities, one covering the Solent authorities and the other covering the Heart of Hampshire. Hampshire County Council would uniquely be involved in both authorities and play a critical role in each.

This would provide, in the Heart of Hampshire, a mechanism through which to kick start discussions on the 'recalibration' of district and county working as a genuine partnership which delivers:

- Unified service delivery, with service users not needing awareness of the 'council' or other provider responsible to get the service or support they need;
- Stronger leadership for place shaping more closely aligned to the Travel to Work and Economic Functional Areas operating in the area;
- Effective accountability arrangements so that people know who is responsible for what decision, with close engagement in designing the responsibilities of the combined authority to focus on where joint working adds value;
- Potential for shared back and front office functions as a 'virtual unitary'.

The purpose of the combined authority would therefore be to create a vehicle from which to collaboratively develop and implement a whole systems strategic approach, to take on devolved powers and funding from national bodies, and act as a mechanism for effective strategic decision making and streamlined accountability and joined up services.

As noted above and explored as part of a separate report, the Solent authorities are seeking to establish a combined authority as the first step to securing a devolution deal. The establishment of a combined authority covering the Heart of Hampshire geography would complement the establishment of a Solent Combined Authority. For Government this approach offers the prospect of a coherent solution across the locality within the minimum of disruption.

The requirement for a Mayor would need to be tested as part of the negotiations around the establishment of a combined authority in the Heart of Hampshire and to help define the 'significant' test. The representative telephone survey as part of *Serving Hampshire* public consultation by Hampshire County Council suggested more support for Mayors leading a combined authority (37%) than opposition (27%), but the open consultation also suggested more support for a single combined authority (38%) than for two combined authorities (18%).

Any development of a combined authority would require further public engagement and discussion around the role and responsibility to inform proposals, including whether a Mayor was required or considered beneficial.

Enhanced two-tier working arrangements between principal authorities as the preferred route

For the Heart of Hampshire authorities the goal is to start to secure devolved powers and resources. They believe this would be best facilitated by enhanced two-tier working arrangements between Districts and County. They also believe that a combined authority is the vehicle to facilitate that change, while also providing the mechanism for devolution of additional powers, responsibility and resources from national bodies. There is agreement that the district and county status in Hampshire is legitimate and desirable but equally that there is a desire to strengthen the relationship between authorities.

Department for Communities and Local Government (DCLG) have previously sought proposals on enhanced two-tier working but there has been limited examples of pioneering pathfinders addressing the known challenges. What would be different in this context would be the new mechanism of a combined authority, and the potential for additional powers and responsibilities not just a reallocation between authorities.

The exact nature of the recalibration needs to be defined in due course, with all parties around the table, but there is general consensus that it could involve further investigation of the following principles:

- Enable greater influence over county decisions so that decisions better reflect the needs of communities and are made as close to local communities as possible;
- Readdress how some services are allocated between tiers where synergies and rationale for coordination exists, e.g. pot holes, highways and street cleaning;
- Allow different levels of service depending on need and residents priorities;
- Build services to become more citizen-centric, and restructure services to fit around the person;
- Practice and encourage mutual trust, respect, understanding and open communication across different delivery partners to best enhance outcomes for the customer; and
- Identify additional powers, responsibilities and resources to progressively transfer from national to joint local arrangements.

Heart of Hampshire authorities believe strongly that any enhanced working arrangements between the districts and Hampshire County Council should not only focus on their own service delivery but also on relationship between the wider public sector and other stakeholders. In many areas this will include local councils – parish, town and community councils where the relationship (and these principles) have the potential to develop even closer to local communities. In other services areas this might also mean developing services around GPs, schools and families as a coherent integrated service between local government and other partners.

The future relationships should be built around an ability to enable decision making to be as close to local communities as possible and to recognise that different areas need different solutions. It should also be flexible enough to provide for more effective outcomes as a result of designing services around citizens and planning and managing delivery at the appropriate scale as part of an integrated approach.

Two main options for enhanced two tier working were considered:

1. **Increased collaboration at the District and Hampshire County Council level** through greater influence by the Districts on the scope of county services delivered locally and over the commissioning and delivery models used. The Districts would have responsibility for ensuring services are delivered most effectively to their communities, addressing needs and demands within the resource envelope available.
2. **Joint commissioning between Hampshire County Council and the Districts under a new virtual-unitary authority governance arrangement.** This would involve a significant restructure of existing governance arrangements through the creation of a County Federal Board to represent the interests of each district in policy and decision making of county services.

Further development of an enhanced model through one of these routes would be the preferred approach for the Heart of Hampshire authorities. This would avoid the upheaval of unnecessary change, along with its associated costs and disruption, and could translate into tangible benefits for local residents and businesses more quickly.

The Heart of Hampshire authorities recognise such arrangements are most likely to be successful where all parties co-operate fully on the basis of trust and respect, where partners can hold each other to account and will commit to deliver a cultural change in partnership working. There is an urgent need to find a forum through which the Districts and Hampshire County Council can develop a coherent proposal together rather than in opposition.

Local government re-organisation

Despite the recognition of the strengths of the district and county structure in Hampshire, it is acknowledged that if local government arrangements were being established from a blank sheet of paper, it is unlikely the result would be the current two-tier arrangement. For the Heart of Hampshire, the options for local government reorganisation that were presented by Hampshire County Council are limited and did not provide sufficient recognition of the local issues. Therefore this report was asked to look at additional options that could provide the basis for change if it was not possible to enhance current arrangements. In making the case for reorganisation the authorities would need to demonstrate the value for money and potential benefits.

Table 1 Unitary authority options

Option	Overview
Six unitary authorities	This option would see the Heart of Hampshire districts become unitary authorities within their own existing boundaries but with Children's Services, Adult Social Care and Highways commissioned on a larger scale county wide basis.
Two unitary authorities	This option would create two unitary authorities of Northern Hampshire and Mid Hampshire. Northern Hampshire would comprise Basingstoke and Deane Borough Council, Hart District Council and Rushmoor Borough Council with a geographical area of 343 sq. miles and a population of 363,100. Mid Hampshire would comprise of New Forest District Council, Test Valley Borough Council and Winchester City Council with a geographical area of 798 sq. miles and a population of 420,400.
One unitary authority	This option would see the establishment of a single unitary authority for the Heart of Hampshire with a geographical area of 1,141 sq. miles and a population of 783,500.

Proving value for money and cost of the transition

In order to evaluate the value for money case for each of the unitary authority options considered, we undertook analysis against two quantitative tests. This included an assessment of the financial status quo of the authorities that make up the Heart of Hampshire, including Hampshire County Council, as well as recalculated income and expenditure accounts and the council tax harmonisation process for each unitary authority option.

Using the 2016/17 General Fund Revenue Account data, a baseline income and expenditure budget has been calculated for each unitary option under consideration with Hampshire County Council income and expenditure apportioned to each District council where necessary using a series of 'disaggregation factors'. The income and expenditure accounts and the net surplus/deficit positions that have been calculated for each unitary authority option provide an indication of each authorities' ability to assume and provide existing county services. Our financial analysis has been presented for the baseline year (2016/17) and for 2021/22 both before and after the savings and efficiencies associated with re-organisation are taken into account. The 2021/22 positions were calculated based on budget book projections provided by the Districts and Hampshire County Council. Three districts (Basingstoke and Deane, Test Valley and Winchester) returned budget book projections in which a funding gap was anticipated.

Combining district authorities into unitary authorities will require the convergence of council tax rates. We have adopted the approach that the lowest rate inherited within the configuration should be increased at the highest annual percentage increase available for a unitary authority and that all other rates should be increased by the required percentages so that council tax rates are identical at the end of a specific convergence period. The table below presents the year five financial position of each unitary authority once the effects of re-organisation and council tax harmonisation have been considered.

The primary driver for savings is through service transformation. There is also the possibility of generating further income through council tax yields should this be sought.

Our analysis indicates that from year two onwards, all of the proposed unitary options could generate additional council tax income following the harmonisation process.

Our analysis demonstrated that there could be significant financial benefits from unitary authorities.

Table 2 Surplus/deficits of options pre and post reorganisation, transformation and council tax harmonisation

	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 assuming funding gap closed (£'000)*	Surplus/deficit 2021/22 post re- organisation (£'000)*	Surplus/deficit 2021/22 post re- organisation and CT harmonisation (£'000)*
Six unitary option				
Basingstoke and Deane	(1,693)	3,235	9,948	11,143
Hart	12,487	12,487	14,011	14,395
New Forest	(2,612)	(2,612)	5,510	5,991
Rushmoor	(348)	(348)	2,186	2,699
Test Valley	(4,148)	(1,374)	3,091	3,921
Winchester	10,116	11,788	16,030	17,101
Two unitary option				
Northern Hampshire	10,447	15,375	31,671	32,633
Mid Hampshire	3,355	7,801	30,335	32,149
Single unitary option				
Heart of Hampshire	13,802	23,176	64,769	66,541

**Presents position assuming initial District Council funding gaps are closed. Budget book projections showed funding gaps in 2021/22 for Basingstoke and Deane, Test Valley and Winchester Districts Council only.*

Ensuring strong and accountable local leadership and governance

The second set of criteria for examining the unitary authority options focuses on their ability to ensure strong and accountable local leadership and governance.

One of the challenges of the district and county local government arrangement is the multiple points of accountability, which can result in residents, businesses, public sector partners and sometimes even staff being unsure which authority is responsible for a particular issue. Under unitary authority arrangements, the local authority is responsible and accountable for all of the local government services that are provided in that community.

However, a new unitary authority must not be too large that it is unresponsive or unrepresentative to the needs of the communities it serves (which is one criticism widely made about county councils). It could be argued that in larger unitary authorities, the Cabinet members who make the day to day decision about services are making decisions on behalf of a larger population, albeit the role of full Council is to set the strategic framework for which those decisions are made.

The number of Members across the Heart of Hampshire area and Electorate per Member would vary depending on the number of unitary authorities. Democratic representation will be influenced by the Boundary Commission's review and without pre-determining the outcome of a review, it is difficult to find a differentiator between the options on democratic representation by ward or electorate. There are examples from other recently established unitary authorities of enhanced representation of local communities through Area Boards as an example, as well as enhancing the role of town and parish councils and engagement of citizens through digital technology. A summary of the strengths and weaknesses of each of the Heart of Hampshire unitary authority options is summarised in the table below.

Table 3 Summary of Local Leadership assessment

Summary of Local Leadership assessment	
Six unitary authorities	Members in smaller authorities can arguably be closer to local communities. Direct lines of accountability could be more achievable than with larger unitary authorities.
Two unitary authorities	Arguably the most coherent balance regarding accountability, without risk of becoming too remote like with 1 unitary authority. An opportunity to establish enhanced community representation through arrangements like Area Boards.
One unitary authority	Larger unitary authorities might risk getting disconnected from communities they serve (but there are ways to mitigate this). Community representation can be established through enhanced governance arrangements such as Area Boards.

Delivering better public services

Local government in the Heart of Hampshire has been successful in finding efficiencies and adapting to a new reality of lower central government funding. While this has not been easy there is less of a burning platform in the relatively successful communities of the Heart of Hampshire to find radical efficiencies than there is in the rest of Hampshire and the Isle of Wight. Instead, the driver for change in the Heart of Hampshire is to achieve a devolution deal which facilitates improved productivity and a realisation of the potential growth of Hampshire and the Isle of Wight, while protecting the competitive advantages that come from its natural environment and attractive communities. That is why the Heart of Hampshire authorities are considering options now that will impact on their future over the next twenty to thirty years.

There are also opportunities to address the multiple points of accountability, dispersed customer insight and duplicated support costs associated with district and county structure which could lead to more effective and efficient delivery of services across the area. Our assessment of whether options would deliver better public considered six sub-criteria, based on our work about the future role of public bodies, covering scale, citizen-centricity, connected government, empowered authorities, delivering the promise and ability to innovate.

Across the sub-criteria our overall assessment suggests that a two unitary authority solution would be strongest. It is the only option where the unitary authorities sit within the DCLG recommended range for population size. It is most likely to be able to apply the lessons from trying to join up services around the local citizen. It is less strong on building on existing programmes and structures but benefits from consolidation of teams, potential to engage those responsible in service design from the outset and ability to establish a shared desire and ambition.

A single unitary authority also scores relatively strongly across the criteria. It scores more strongly than the two unitary authority solution regarding the ability to deliver empowered authorities and the opportunities for transformation, mainly because it provides a single vision and agenda for change. However, population growth means that the authority would be larger than the recommended DCLG range by 2032, and the size and uniformity required in one unitary authority could limit innovation.

Six unitary authorities is assessed to be more likely to stimulate different thinking, both because of the creative disruption caused by a move to unitary government and because of the increased number of authorities resulting and testing different approaches. However, this option is unlikely to offer the scale of population and connected government to support and sustain devolution opportunities which can be provided by the other unitary authority options.

Key conclusions and securing a devolution deal

Following consideration of the options outlined in this report, the Heart of Hampshire authorities agree that, the first steps toward a mechanism for achieving a devolution settlement that could result in the delivery of better services, through improved governance, for residents, would be:

- *Establishing a combined authority covering the Heart of Hampshire geography which complements the establishment of a combined authority in Solent;*
- *Active Hampshire County Council engagement and participation in the combined authority arrangements to reflect the diversity of Hampshire and the Isle of Wight and maximise the potential for local communities to benefit from devolution; and*
- *Joint working to realise significant benefits from a 'virtual unitarisation' that creates unified service delivery where the user does not need to know which authority is responsible*

The analysis within this report supports the following conclusions:

- i. The current district and county relationship needs to be recalibrated to better reflect the aspirations and ambitions of the Heart of Hampshire authorities surrounding delivery of better services for their residents. This is unlikely to be achieved through maintaining the status quo (as it stands);
- ii. The prospects for devolution to the Heart of Hampshire are limited without changes to the status quo. The establishment of a combined authority supported by enhanced two-tier working arrangements would provide a mechanism to address current challenges around dispersed and disconnected services;
- iii. While a combined authority with enhanced two-tier working is the preferred option for the Heart of Hampshire, if this cannot be agreed locally and the only route to establishing such a mechanism was local government reorganisation then preferred option would be to establish two unitary authorities. A Northern and a Mid Hampshire Unitary covering the area administered by the District councils in the Heart of Hampshire would be most aligned to the DCLG tests (value for money, including transition costs and efficiency savings; strong local leadership; and better public services).
- iv. Enhanced two-tier working arrangements between all principal authorities, and with local councils, utilising a combined authority, for Heart of Hampshire would be an attractive outcome. It would allow the authorities to seek devolved responsibilities for local government without the delays, cost and instability often associated with large scale reorganisation. This would also provide a strong foundation for joint working and accountability to improve the design and delivery of services for residents, and provide strong strategic leadership for the Heart of Hampshire.
- v. Achieving a commitment to joint working and genuine partnership to unify service delivery could help to release significant financial benefits for all authorities and avoid the costs associated with transition to unitary structures, which no authority is keen on pursuing at this point in time.

On the basis of this analysis the Heart of Hampshire authorities are united in seeking a combined authority arrangement while retaining existing principal councils and focussing on enhanced working arrangements, as the mechanism for devolved powers, responsibility and resources from national to local bodies. A unitary solution would only be considered if this was deemed essential to unlock devolution or in response to alternative proposals. If pressed the authorities could recommend assessment of a two-unitary option covering central and north Hampshire.

As it appears unlikely that the status quo would find favour with Government in relation to local devolution proposals, the preferred option is to develop the case based on enhanced two-tier arrangements and a combined authority. This has the attraction of complementing the proposals in the Solent, providing a coherent solution across Hampshire and the Isle of Wight and avoiding the need for re-organisation. It would require all authorities to seek to work in new ways and potentially offers Government a pioneering solution for other two tier areas. Taken together these proposals would still provide a model for the whole of the county area, as required in previous calls for two-tier pathfinders, but would utilise the new legislation for combined authorities resulting in two authorities each with their own specific focus. The Local Economic Partnerships in and around Hampshire and the Isle of Wight set a precedent for this type of arrangement which would be enhanced through the combined authorities.

Table 4 Main options for local governance changes in the Heart of Hampshire

Option	Key features
Heart of Hampshire Combined Authority with enhanced two-tier working between all principal authorities	<ul style="list-style-type: none"> • Establishes a mechanism for devolution discussions with Government • Facilitates enhanced two-tier working through the combined authority • Maintains all existing authorities • Can flex according to locally agreed priorities
Heart of Hampshire Combined Authority with two unitary authorities	<ul style="list-style-type: none"> • Establishes a mechanism for devolution discussions with Government • Disruption to all authorities resulting from abolition and creation of new bodies • Creates dependency with Solent authorities in relation to future Hampshire County Council role
Status Quo	<ul style="list-style-type: none"> • Provides no stimulus for devolution discussion • Provides no stimulus for changes to joint working • If Solent Combined Authority progresses, this option may result in Hampshire County Council focusing more on outside of the Heart of Hampshire as it responds to new arrangements.

Overall conclusion

The purpose of this report was to support development of local devolution proposals to Government that could result in the delivery of better services, through improved governance, for residents, by considering the options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitarisation.

The resulting preferred option of the Heart of Hampshire authorities is to seek enhanced working with Hampshire County Council and agreement to establish a combined authority. Therefore, any devolution proposal requires first an agreement to work with Hampshire County Council on a mutually acceptable basis for developing a proposal that could result in the Heart of Hampshire being a pioneering model of enhanced two tier working with a combined authority as the mechanism for progressively devolving powers, responsibility and resources from national bodies.

Over the next two months there will be less uncertainty about the Government's Autumn Statement and an opportunity for the principal authorities within the Heart of Hampshire to agree a way forward on local government structures that support devolution proposals.

We recommend that the Heart of Hampshire seek to engage with Hampshire County Council and make time for facilitated discussions on how their respective proposals and the potential to reach an agreed position. However, should there be no prospect of an agreed position by early 2017, the Heart of Hampshire authorities may wish to consider resolving whether or not an application for a combined authority should be worked up without Hampshire County Council involvement, recognising the potential further damage this could do to working relationships.

1. Introduction

1.1. Purpose of this report

In response to Hampshire County Council's unilateral proposals for local government re-organisation, the six district councils in the Heart of Hampshire (Basingstoke & Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council) have commissioned PwC to provide independent advice and analysis in relation to the options for the most effective and efficient form of local government – in the context of opportunities for devolution, combined authorities and unitary authorities – that deliver better public services, stronger and accountable local leadership and value for money. A copy of the brief is attached at Appendix B.

In the short term, this is needed to support the Heart of Hampshire authorities to progress their devolution proposals to Government following the collapse of the Hampshire and Isle of Wight devolution deal in February 2016 and subsequent fragmentation into three parties:

- Hampshire County Council which has developed and consulted on its own options for unitary authority solutions;
- Solent authorities² are primarily focussed on establishing a Solent Combined Authority as the first step on their devolution journey; and
- Heart of Hampshire authorities who want to ensure their residents and businesses have the same opportunity to benefit from devolution, in relation to greater local democratic control over services currently controlled by Whitehall and increased resources for infrastructure investment.

In light of Hampshire County Council's proposals for local government reorganisation, it is right for the Heart of Hampshire authorities to consider alternatives. This report aims to provide a robust consideration of options for change within the Heart of Hampshire. It also considers the potential to enhance the many strengths of existing structures through enhanced working between authorities using mechanisms that would allow for initial devolution of powers and resources.

1.2. Hampshire and the Isle of Wight

Hampshire and the Isle of Wight are traditional ceremonial counties, covering 4,168 km squared³ (1,609.5 square miles) and bordering Dorset and Wiltshire to the West, Berkshire to the North and Surrey and West Sussex to the East. In the South sit the cities of Southampton and Portsmouth with the Solent separating the mainland from the Isle of Wight, which is the largest island in England.



²The 'Solent' authorities are the three Unitary Authorities of Isle of White Council, Portsmouth City Council and Southampton City Council plus the six Districts of East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, and Havant Borough Council.

³Area of 416,879 hectares or 1609.5 square miles <https://www.iwight.com/azservices/documents/2552-Isle-of-Wight-Demographic-and-Population-2014-15-Final.pdf>, <http://www3.hants.gov.uk/about/hnt.html>, <https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/city-of-portsmouth-geographical-area.aspx>, <http://www3.hants.gov.uk/planning/factsandfigures/key-facts/kf-southampton.htm>

Population overview

The total population of Hampshire and the Isle of Wight is approaching nearly two million, predominately based within urban areas (82%), of which there are five major urban areas; Portsmouth, Southampton, Basingstoke, Farnborough and Aldershot⁴.

Populations of the individual authorities range from 84,672 in Gosport to 249,537⁵ in Southampton, with an average of 139,552 per local authority. However, 85% of Hampshire county landmass is defined as rural and over a third of the county's area is within National Parks or Areas of Outstanding Natural Beauty⁶.

Socioeconomic overview

The economic coherence of local government is an issue that has come up repeatedly in stakeholder consultations throughout Hampshire and the Isle of Wight. It is therefore worth discussing the economic baseline. In 2013 Hampshire County Council reported on the overall competitiveness of the Hampshire Economic Area, in their Hampshire Economic Assessment⁷ using the UK Competitiveness Index (UKCI)⁸. The UKCI uses economic factors such as GVA per capita, unemployment rates, productivity and full time weekly median pay. This report highlighted that the performance of Hampshire and Isle of Wight is similar when compared with the rest of the UK on most economic indicators, however there are significant variances.

- **Gross Value Added:** Gross Value Added per head generally declines from the North to South across the Hampshire and Isle of Wight NUTS 2 statistical region. This is reflected in the most recent Gross Value Added per head figures in 2014, where North and Central (New Forest⁹) Hampshire are 121.7 and 112.7 against a UK base of 100, and Portsmouth, Southampton, South Hampshire, and the Isle of Wight are 104.5, 95.8, 93.7 and 70.2 respectively¹⁰. The South East average is 109.7.
- **Employment:** Unemployment rates are highest in Portsmouth, Southampton, Isle of Wight and Havant with more than 5% unemployed.¹¹ Unemployment rates are lowest in Winchester, Test Valley and Hart with less than 3% unemployed. The North and South Hampshire divide is also reflected in the residential gross weekly median pay, where Isle of Wight has median weekly pay of £479 against the highest reported in Hart of £708¹²
- **Education:** Educational attainment indicators within the UKCI, show Gosport, Portsmouth and Southampton having less than 86% with NVQ 1 and above. This is lower than the 94% and above reported in Test Valley, Hart and Fareham.
- **Health:** Hampshire and the Isle of Wight is one of 44 geographical footprints in England which are currently developing a Sustainability and Transformation Plan (STP) to identify priorities needed to achieve sustainable National Health Service (NHS) services as part of the Five Year Forward View. The aim of the plan is to enable local health and social care partners to work at scale to realise solutions that can transform the health and well-being of their populations. For the Hampshire and the Isle of Wight STP this means closing an expected gap of £540m - £610m by 2020/21 – a shortfall of £305 per person. While the plan is still in development there is recognition of *'unwarranted variation across Hampshire and the Isle of Wight'*.

In summary, it is clear that Hampshire and Isle of Wight is a very large diverse area and economy, with a population with variations in demographics and health, educational attainment and employment.

More detail on both population and socioeconomic characteristics is considered in greater detail in section 1.3 and 1.4 below.

⁴ <https://www.ons.gov.uk/methodology/geography/geographicalproducts/ruralurbanclassifications/2011ruralurbanclassification>

⁵ Office for National Statistics – Population Estimates for UK, England and Wales, Scotland and Northern Ireland – Mid 2015

⁶ <http://www3.hants.gov.uk/factsandfigures/keyfactsandfigures/factsabouthampshire.htm>

⁷ An update of the economic areas for the Hampshire Economic Area and its functional geography, Hampshire County Council, June 2013.

⁸ <http://documents.hants.gov.uk/Economy/Theme1OverallCompetitiveness.pdf>

⁹ As referred to in Hampshire Economic Assessment, Hampshire County Council, 2011.

¹⁰ <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach>

¹¹ Annual Population Survey model based estimates of unemployment, 2016, www.nomis.co.uk

¹² Annual Survey of Hours and Earnings, 2015, www.nomis.co.uk

1.3. Heart of Hampshire

The Heart of Hampshire, representing the districts of Basingstoke and Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council covers an area of 2,954 km sq (1,141 sq mile) and has a population of 783,541¹³, representing approximately 40% of the total Hampshire and Isle of Wight population.

Map 1 Heart of Hampshire Districts

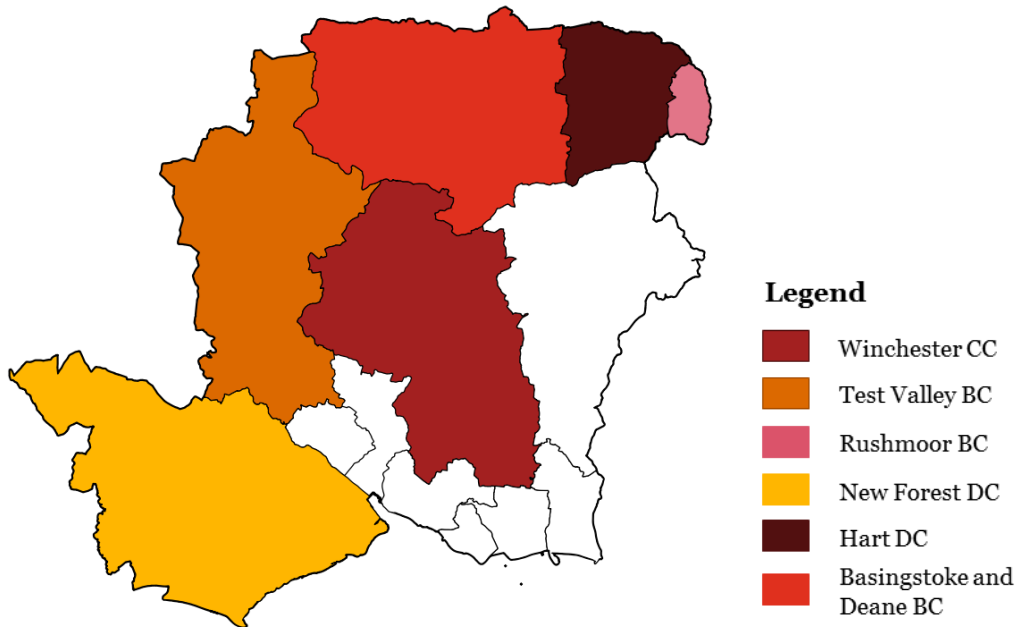


Table 5: Heart of Hampshire authorities – key facts

Authority	Snapshot	Area (km ²)	Population
Winchester CC	Similar age profile to national average	661	120,696
Test Valley BC	Lower population increase than average	628	120,712
Rushmoor BC	Younger age profile than average	39	95,342
New Forest DC	Older population, low wages	777	179,023
Hart DC	Least deprived district nationally	215	93,912
Basingstoke & Deane BC	High growth area with aging population	634	173,856

There is a large population variation between districts, although none is currently above the indicative minimum size for a unitary authority suggested by DCLG of 300,000 residents. New Forest, with a 2015 population of 179,023, is the largest of the six districts; 1.9 times the size of the smallest district, Hart which has a population of 93,912. Basingstoke and Deane is expected to experience the largest population growth (in percentage terms) over the period to 2032, during which its population is projected to increase by 14% from 173,856 to 198,100.¹⁴ Hart is expected to experience the smallest growth over the same period with its population increasing by 6%. Population data for 2032¹⁵ is shown for illustrative purposes and is

¹³ Office for National Statistics – Population Estimates for UK, England and Wales, Scotland and Northern Ireland – Mid 2015.

¹⁴ 2032: ONS Subnational Population Projections for Local Authorities (published May 2016)

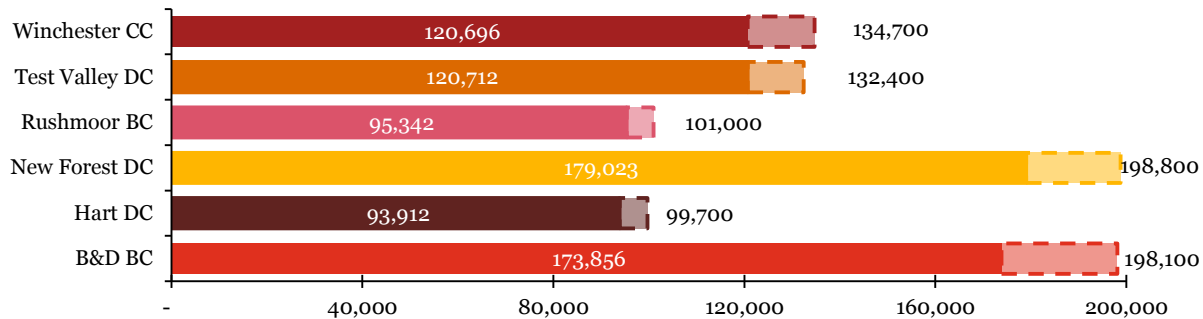
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/localauthoritiesinenglandtable2>

¹⁵ Basingstoke and Deane’s adopted local plan includes provision for 850 dwellings per year, leading to an additional 15,300 dwellings over the local plan period (2011-2029). Population projections produced as part of the local plan process, suggest an increase of almost 30,000 people by 2029, which is an increase of 18% since 2011.

based on past trends. The net financial impact of these population changes have not been analysed as part of this report¹⁶.

Graph 1 Population within 2015 and projections of population by 2032 (based on past trends)

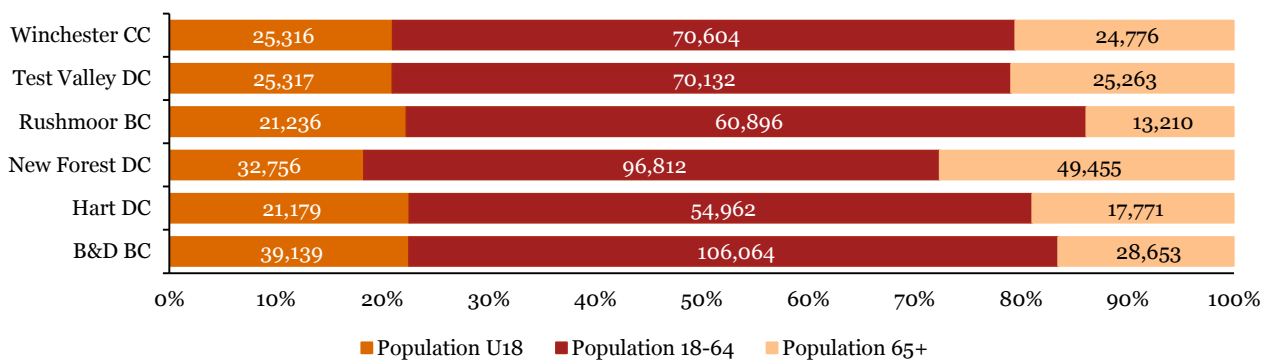
Total Population 2015 & Total Population 2032



New Forest has the lowest proportion of working age adults (18-64) with 54% and the highest proportion of individuals 65 and over (28%). In contrast, those 65 and over account for only 14% of Rushmoor’s population, whilst its working age population is the largest, in percentage terms of the six districts, making up 64% of its total population.

Graph 2 Population composition in 2015

Population Composition - 2015



1.4. Local Economies

The Hampshire Economic Area (HEA) covers the whole county geography and includes the unitary authorities of Portsmouth and Southampton (excluding the Isle of Wight). As a whole the HEA performs better than the national average on a productivity basis, as measured by Gross Value Added per Full Time Equivalent (FTE), but worse than the regional average¹⁷. These figures are displayed below.

Table 6: GVA per FTE

GVA per Full Time Equivalent (FTE)	
Hampshire Economic Area	£45,300
Regional average	£48,100
National Average	£53,400

¹⁶ This is because there are no long-term (past 2021) budget projections for the local authorities in Heart of Hampshire, and this, coupled with an unknown future of the local government finance system means that any modelling would be of limited value as it would be reliant on too many overlaid assumptions.

¹⁷ An update of the economic areas for the Hampshire Economic Area and its functional geography, Hampshire County Council, June 2013.

According to the Hampshire Economic Assessment, there is a clear difference between the better performing north and central (New Forest) parts of Hampshire, compared to the southern parts, as reflected in the overview analysis on page 16.

Across Hampshire & the Isle of Wight there are two Local Enterprise Partnerships (LEPs) – Enterprise M3 and Solent – both with the same ambition of fostering growth, but with different emphases reflecting the diversity of the areas they seek to support.

- Enterprise M3 includes seven of the Hampshire districts – all of the Heart of Hampshire plus East Hampshire District Council in addition to seven further authorities within Surrey.
- Solent LEP includes all of the Solent authorities plus parts of New Forest District Council, Test Valley Borough Council and Winchester City Council.

The competitiveness of the northern areas highlights that the Heart of Hampshire districts are within the Enterprise M3 LEP (noting that parts of Test Valley and Winchester are in the Solent LEP and part of East Hampshire is within the Enterprise M3 LEP) which is in the top 20% nationally, while the Solent LEP has two of the least competitive districts in the UK (Gosport and Isle of Wight are in the lowest 20% nationally).

Travel to Work Areas

Economic flows overlap local authority boundaries which means that the ‘functional economic market areas’ (FEMAs) over which the local economy and its key markets operate will not necessarily adhere to administrative boundaries. The most widely accepted approach to identifying FEMAs is by reference to Travel to Work Areas (TTWAs) which have been declining in number over time from 308 in 1991 to 228 in 2011¹⁸ as community distances increase. TTWAs are defined to approximate self-contained local labour market areas, where the majority of an area’s resident workforce work (usually 75%), and where the majority of the workforce live, with the prime areas in Hampshire and the Isle of Wight being Andover, Basingstoke, Southampton, Portsmouth and the Isle of Wight. Southampton and Portsmouth are both Key Cities in the UK¹⁹, playing a significant role in the UK’s regional economy. In PwC’s Good Growth for Cities 2015 index, Southampton and Portsmouth were rated as 5th and 11th respectively, out of 42 UK city travel to work areas analysed, and have been rising through the ranks since 2011.

As a result, there are potentially greater economic similarities between districts within the Enterprise M3 LEP than the districts within the Solent LEP which organise around three labour markets. Districts within Enterprise M3 share a TTWA and FEMAs with non-Hampshire districts in Enterprise M3 and perform higher on the UK Competitiveness Index (UKCI) than Solent. The reason for this is largely due to the geographical proximity of these areas to Berkshire, Surrey, London and Dorset and the urban areas therein where economic performance is greater than that of Hampshire.

Table 7 Travel to Work Areas (2011)

TTWA	% of employed residents who work locally	% of local jobs taken by local residents	Number of economically active residents (aged 16+)
Andover	67.4	70.5	44,548
Basingstoke	66.7	66.7	133,662
Guildford & Aldershot	70.4	72.5	347,333
Isle of Wight	92.3	96.3	64,665
Portsmouth	80.9	85.0	281,594
Southampton	83.5	82.5	353,704

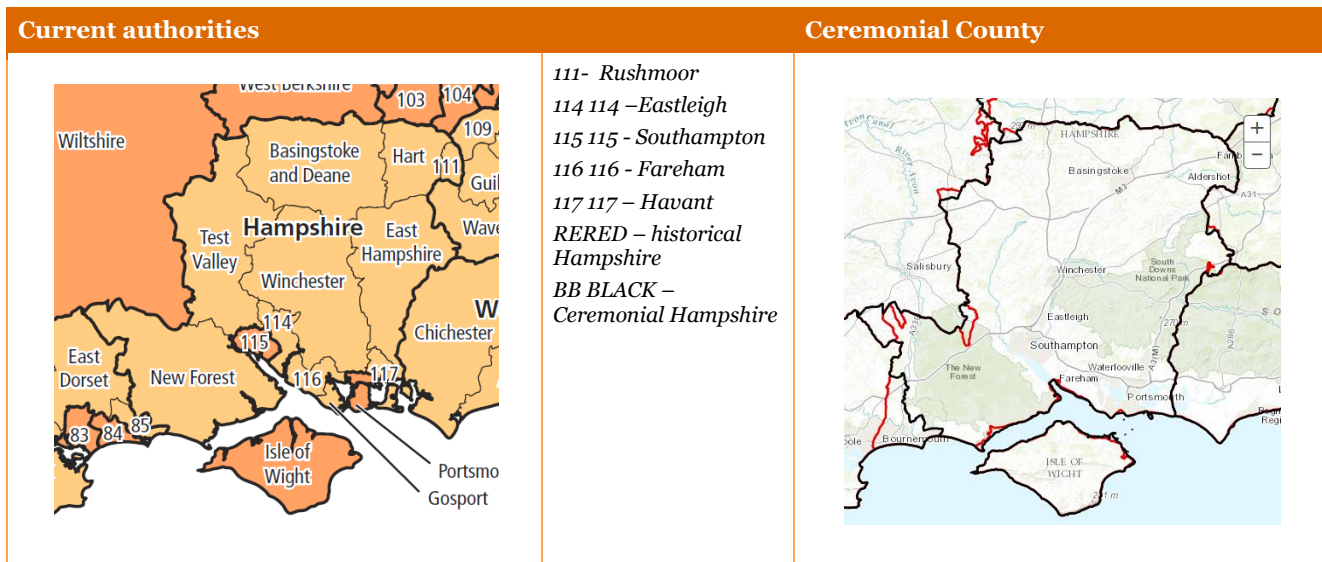
¹⁸<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/commutingtoworkchanges totraveltoworkareas/2001to2011>

¹⁹ Key Cities Group

1.5. Local government in Hampshire and the Isle of Wight

The historic, ceremonial and current administrative boundaries of Hampshire all represent different geographies and reflect the changing boundaries of local government in the UK which are never static.

Map 2 Hampshire & Isle of Wight boundaries



Whilst Hampshire has a recorded history dating back to Anglo-Saxon times, its administrative boundary has changed over time. For example the city of Portsmouth’s administrative boundary was extended in the early 20th century, and in 1974, with Southampton, became a second tier of local government under Hampshire County Council. In 1997, Portsmouth and Southampton once again became administratively independent of Hampshire County Council with the creation of the unitary authorities under the 1992 Local Government Act.

The Isle of Wight was one of the first unitary authorities created under the enabling legislation in the Local Government Act 1992 and was established in 1995 following abolition of the county council and two borough councils as well as the role of Governor. It was part of Hampshire until 1890 and shared a Lord Lieutenant until 1974.

Table 8 Outlining typical differences in local government arrangements and service provision across Hampshire and the Isle of Wight and the UK.

County Councils	District Councils	Unitary Councils	Town & Parish Councils
Hampshire County Council	<ul style="list-style-type: none"> • Basingstoke & Deane Borough Council • East Hampshire District Council • Eastleigh Borough Council • Fareham Borough Council • Gosport Borough Council • Hart District Council • Havant Borough Council • New Forest District Council • Rushmoor Borough Council • Test Valley Borough Council • Winchester City Council 	<ul style="list-style-type: none"> • Portsmouth City Council • Southampton City Council • Isle of Wight Council 	<ul style="list-style-type: none"> • 245 (269 including Isle of Wight’s) parish councils • 16 (24 including Isle of Wight’s) town councils
27 county councils in UK	201 District Councils	56 unitary authorities	Around 10,000 town and parish councils

Political representation

Heart of Hampshire has 127 wards²⁰ within its districts which are represented by 285 District Council members²¹. Hampshire County Council, which also covers the geographical area within Solent not administered by existing unitary authorities, has 78 council members, of which 45 represent the Heart of Hampshire area.

Table 9 Members and representation in the Heart of Hampshire ²²

Authority	Council Members	Electors	Electorate per Member
Winchester CC	45	86,974	1,933
Test Valley BC	48	92,574	1,929
Rushmoor BC	39	64,094	1,643
New Forest DC	60	139,338	2,322
Hart DC	33	68,824	2,086
Basingstoke & Deane BC	60	127,847	2,131
Hampshire County Council	78 of which 45 cover the Heart of Hampshire	579,651 Heart of Hampshire	12,881 Heart of Hampshire

Across Hampshire and the Isle of Wight, there are an estimated 8,297 local authority officers working within the six districts and proportional share of the County staff, assuming that County staff are distributed by population. Local government across Hampshire and the Isle of Wight has a net expenditure of £607.8m per annum (gross expenditure over £1bn).

1.6. The future of local government

Local government is never static. Roles, functions and structures are constantly evolving as the right form for council functions change according to the priorities of the time, which more recently has been on driving efficiency. Local authorities have sought to improve outcomes for citizens primarily by managing the delivery of services in their local areas. The ability to support vulnerable people, help children and young people reach their potential, grow local economies and keep communities safe has been severely challenged by their financial position, resulting in a loosening of their control on certain aspects of public life and a shift of attention away from system inputs and processes towards outcomes²³.

As a result of these challenges, the past five years have seen a period of unprecedented change for local authorities. Responding to significant budget cuts, local government is now one of the most efficient parts of the public sector having adapted to budget reductions of 40% since 2010.

As local government has responded to a prolonged period of austerity individual councils have pursued efficiencies in how they operate but are now asking more fundamental questions about their role and purpose, and in particular, their role in facilitating economic growth.

This can be seen in recent years with the creation of new governance structures focused on economic growth and based on functional economic areas, such as Local Enterprise Partnerships and combined authorities; incentivising deals and initiatives from government such as City Deals, Growth Deals, Enterprise Zones; and policy changes such as the presumption in favour of sustainable development and proposals for business rate retention to replace Revenue Support Grant. The stated intention of the previous Chancellor was for local areas to raise locally the money that they spent on local services.

²⁰ <https://democracy.basingstoke.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www.hart.gov.uk/wards-polling-stations>; <http://www.rushmoor.gov.uk/councillors>; <http://www.winchester.gov.uk/about/ward-map/>; <http://www.testvalley.gov.uk/resident/communityandleisure/workingwithcommunities/mylocalarea/>; <https://democracy.newforest.gov.uk/mgMemberIndex.aspx?FN=WARD&VW=LIST&PIC=0>

²¹ <https://democracy.basingstoke.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www.hart.gov.uk/councillors>; <http://www.hart.gov.uk/councillors>; <http://www.rushmoor.gov.uk/councillors>; <http://www.winchester.gov.uk/meetings/councillors>; <http://testvalley.emis.uk.com/testvalleypublic/ElectedRepresentatives.aspx>; <https://democracy.newforest.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www3.hants.gov.uk/yourcountycouncillors.htm>

²² <https://www.lgbc.org.uk/records-and-resources/local-authorities-in-england>

²³ PwC, 2016, Beyond Control, Local government in the age of participation <http://pwc.blogs.com/publicsectormatters/2016/03/beyond-council-control-harnessing-the-power-of-participation.html>

At the same time, changing demographics and a growing population are increasing pressures on council services. The challenge is particularly acute in social care where responsible authorities can spend as much as 70-80 per cent of their budget. Councils face steeply rising demand with around one-in-five of their residents aged over 65, while mental health is the leading cause of workplace sickness in the UK and dementia is estimated to cost the UK £26.3bn. This is an area of shared responsibility with the NHS, which is also facing the need to find unprecedented efficiencies as it seeks to implement a sustainable solution over the next five years. Within Hampshire and the Isle of Wight there is a forecasted budget shortfall of £550m to £610m by 2020/21 in health services alone.

For other councils, the outlook is different and they are exploring what they want to achieve, assessing everything they do and fostering new ideas, innovation and thinking about how they deliver outcomes²⁴.

Local authorities are also increasingly working across organisational boundaries, with greater sharing between councils of both management and delivery functions that blur the boundaries of the traditional organisation. This has been driven in part by the need to deliver savings but also by a desire to shift more resources into frontline delivery by sharing management and support functions.

Examples of the key shared service arrangements currently existing within Hampshire are outlined in Section 1.8 (table 12).

Shared working arrangements also exist between the councils and other public sector organisations. For example, these are two way shared services for Trees, HR, Payroll and Health and Safety with the New Forest National Park Authority, Internal Audit Services provided by New Forest across the county border to Christchurch and East Dorset Councils in Dorset, and the management and operation of the National Coastal Monitoring Service by New Forest on behalf of Defra and all coastal regions in the UK.

1.7. The devolution opportunity

The devolution of funding and powers from central government to local government has continued to be a priority during 2016 with several announcements of devolution deals and combined authorities made in 2015/16. At the Conservative Party Conference 2nd-5th October 2016, Phillip Hammond, Chancellor of the Exchequer, voiced his support for continuing with a programme of regional devolution deals and that tackling regional differences will be a key driver for the forthcoming industrial strategy. Additionally he commented that *“we have passed a tipping point in devolution in this country. A decisive and irreversible shift in economic and political power”*.

Devolution from government to combined authorities presents opportunities to rebalance the economy through greater investment, reform of public services, enhanced public engagement and accountability for the delivery of local services, and improved local outcomes by putting service providers closer to the end service user. During 2015, Hampshire and the Isle of Wight responded to the initial call for proposals by working together to create a pan-regional solution at pace. Once that arrangement failed to progress, the authorities involved have taken different paths to considering the devolution opportunity.

Generally, local authorities recognise that they have to be able to influence and co-ordinate strategy, investment and delivery of services across a much broader range of public sector organisations. Council leadership has shifted from being about directing delivery, to providing the place leadership for a more inclusive and collaborative arrangement that works not just for the wider public sector but which also engages and empowers leading firms, knowledge institutes and engages citizens²⁵. A whole system approach is needed with partners across a place establishing a shared vision for the outcomes they want to achieve, and keeping a firm focus on the impact they can deliver by working collaboratively. Taking such an approach offers the potential to deliver better for less by reducing costs and demand and moving towards a goal of fiscal neutrality.

Combined authorities are being established as the vehicle from which to develop and implement this whole systems strategic approach collaboratively, to take on devolved powers and funding, and be the mechanism for effective strategic decision making and streamlined accountability and joined up services. To date there have been seven combined authorities established, each with different devolution deals and governance

²⁴ PwC, 2016, Beyond Control, Local government in the age of participation <http://pwc.blogs.com/publicsectormatters/2016/03/beyond-council-control-harnessing-the-power-of-participation.html>

²⁵ Euricure and PwC, 2016, iUrban Enabling sustainable city competitiveness through distributed leadership

arrangements, recognising the different needs and issues of each locality. The Solent authorities are focussed on securing a combined authority at the earliest opportunity as the first step in their devolution journey along similar lines to previous deals.

In the Heart of Hampshire, with the current configuration of districts and no unitary authorities, the ability to establish a combined authority and perform the functions within the current alignment of districts requires Hampshire County Council to consent to becoming a member of the combined authority.

When the Hampshire and the Isle of Wight devolution proposals failed, the Heart of Hampshire authorities, including involvement of Hampshire County Council, developed a devolution proposal²⁶ which outlined shared ambitions for the Heart of Hampshire. This would have had benefits not only for the Heart of Hampshire area but also when combined with the Solent Combined Authority proposal provided a comprehensive solution for the whole of Hampshire and the Isle of Wight.

1.8. The case for reform in the Heart of Hampshire

It is widely recognised that the two tier system of local government²⁷ has incorporated tensions since it was created in 1972. This arrangement can work well where there are strong relationships at all levels and a shared vision between councils within an area but was designed in a different era. Recent examples of positive working beyond standard functions include the joint work on the Hampshire Supporting Troubled Families Programme which was organised around the Local Co-ordination Groups based on district council boundaries within an overall programme.

However, it can also be a cause of tension where different authorities have conflicting priorities. There are a number of examples where Hampshire County Council has reduced funding, and where the District authorities reflecting their view of local need and priorities have felt compelled to step in to provide continuation of service, for example in relation to rural bus services and homelessness prevention through supporting people.

A failure of different local authorities in the same area to agree priorities, and work on a common approach whilst responding to local needs, can create dis-alignment between connected services and inefficiencies. This is a key concern amongst the Hampshire Districts where a disconnect in decision making and service design has had an impact. The approach to restructuring Sure Start Children's Centres in Hampshire, with 56 centres reduced to 11 district hubs, is seen as a counter example to the positive work on troubled families. The districts recognise the need for savings but were concerned about an approach that, in their opinion, didn't focus on need.

As a result of common disconnects across the UK, nationally nearly half of the original two tier areas have been replaced in successive rounds of reorganisation during the 1990s and in 2009. Local government reorganisation in response to delivering economic growth was also highlighted in 2012 with Lord Heseltine's report 'No stone unturned – in pursuit of growth' where he stated that local government had become disempowered by 'centralising power and funding' and remained 'overly complex and inefficient'.²⁸ The report advocated for a system of single unitary authorities with clear accountability and responsibilities.

The Heart of Hampshire authorities are not seeking a reorganisation of local government but recognise that there are several drivers for change to the status quo in Hampshire. Those drivers include:

- Recognition that future funding of local government will be increasingly dependent on economic performance. If local spending needs to be matched by local income within a place then councils will have a greater emphasis on enabling economic growth. Whilst the Heart of Hampshire authorities are comparatively strong economic performers nationally, they recognise the different economic geographies will affect the long term resilience of individual local authorities and the services they deliver.
- Underlying pressure for local government to continue to find efficiency savings including through creating greater economies of scale for high demand/cost services across the public sector and an expectation to redesign and prioritise services to address local need.

²⁶The Heart of Hampshire Devolution Prospectus May 2016

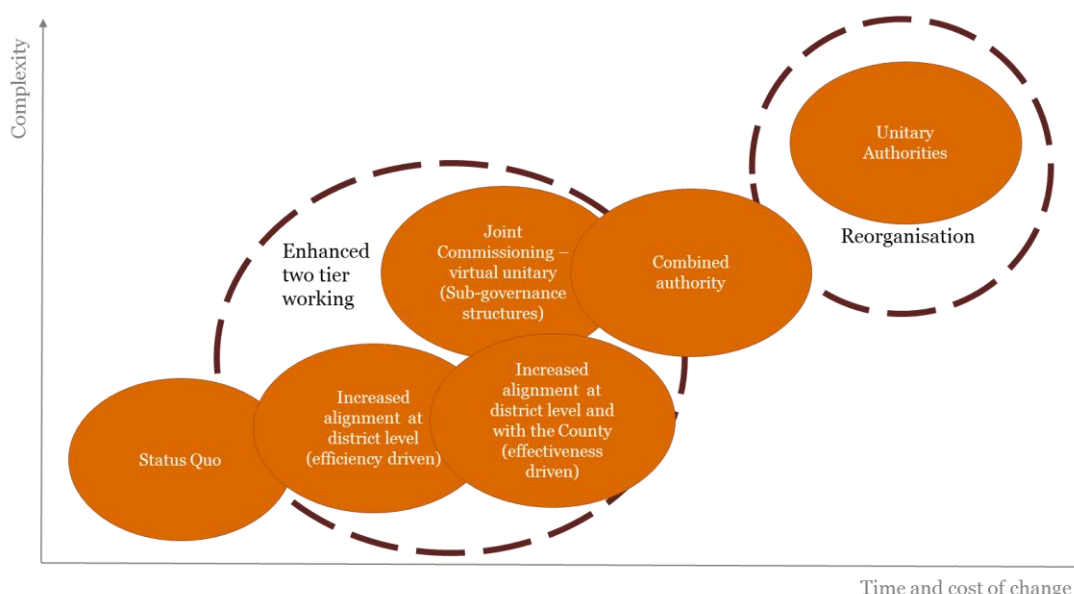
²⁷Two-tier local government in this report refers to County and District local authorities, recognising that in many places local councils (parish, town and community councils) also exist as a further form of local representation

²⁸The RT Hon Lord Heseltine: No stone unturned – in pursuit of growth 2012

- Differential priorities requiring ways of working that achieve benefits of scale but respect local requirements around individuals, communities and districts within Hampshire and the Isle of Wight.
- The need to enhance joint democratic accountability in the eyes of Government, in order to take up the opportunity to secure a devolution deal for the residents and businesses within the Heart of Hampshire via a combined authority.

Whilst considering these drivers, it is recognised by the Heart of Hampshire authorities that there are several options on the spectrum between the status quo and complete local government reorganisation into unitary authorities. These options can be designed to achieve the drivers as far as possible, but they vary on the complexity, time and cost continuum. Unitary authority options are explored in later sections of this report, but in addition we explored options to achieve these drivers without reorganisation, in accordance with the aspirations of the Districts.

Figure 1 Status quo to local government reorganisation continuum



Two-tier status quo

Local government in the Heart of Hampshire operates under a two-tier arrangement of principal councils, where each is responsible for providing different services to residents and businesses as indicated in Table 10 below. Across many parts of the Heart of Hampshire there are also local councils – parish, town and neighbourhood councils – which provide greater local representation and which may over time develop greater capacity and if communities choose, increased coverage, enabling further scope to deliver services. In other areas there are strong voluntary and community organisations who could play a similar role.

Table 10 Services provided by council tiers

Function	Service	Unitary	County	District
Customer services	Customer services	✓	✓	✓
People services	Adult social care	✓	✓	
	Children’s services	✓	✓	
	Births, deaths and marriage registration	✓	✓	
	Community safety	✓		✓
	Concessionary travel	✓	✓	
	Consumer protection	✓	✓	
	Education, including special educational needs, adult education, pre-school	✓	✓	
	Housing	✓		✓

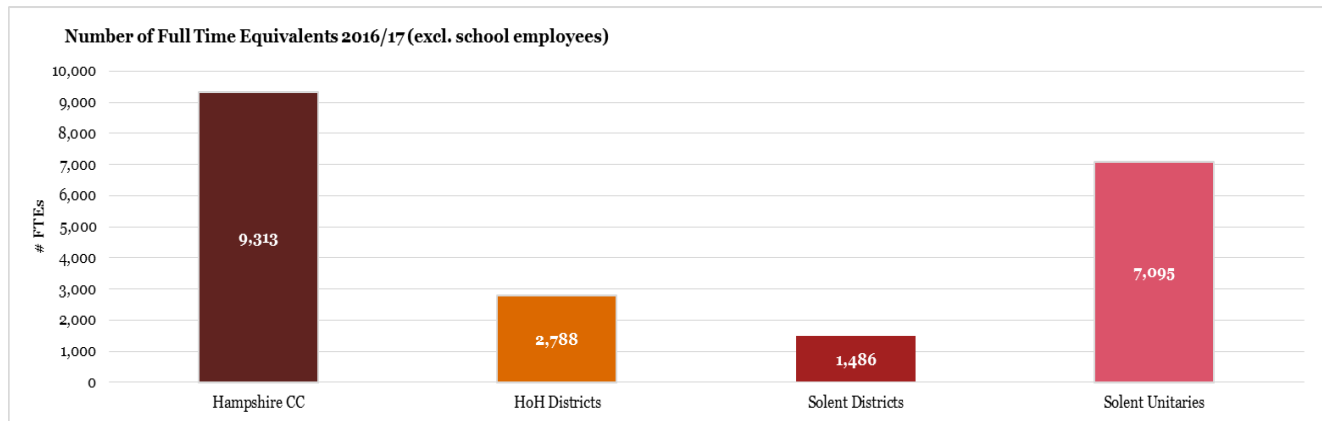
Function	Service	Unitary	County	District
	Licencing	✓		✓
	Public health	✓	✓	
	Revenues and benefits	✓		✓
	Trading standards	✓	✓	
Place services	Building regulations	✓		✓
	Burials and cremations	✓		✓
	Coastal protection	✓		✓
	Economic development	✓	✓	✓
	Emergency planning	✓	✓	✓
	Environmental health	✓		✓
	Highways (not trunk roads) and traffic management	✓	✓	
	Minerals and waste planning	✓	✓	
	Parking	✓		✓
	Passenger transport (buses) and transport planning	✓	✓	
	Planning	✓		✓
	Public conveniences	✓		✓
	Street cleaning	✓		✓
	Waste collection and recycling	✓		✓
	Waste disposal	✓	✓	
Cultural services	Art & Recreation	✓	✓	✓
	Libraries	✓	✓	
	Markets and fairs	✓		✓
	Museums and galleries	✓	✓	✓
	Sports centres, parks, playing fields	✓		✓
	Tourism	✓	✓	✓
Corporate services	Audit	✓	✓	✓
	Chief executive's service	✓	✓	✓
	Communications / Print	✓	✓	✓
	Corporate policy	✓	✓	✓
	Democratic services	✓	✓	✓
	Electoral services	✓	✓	✓
	Facilities management	✓	✓	✓
	Finance	✓	✓	✓
	HR	✓	✓	✓
	ICT	✓	✓	✓
	Legal	✓	✓	✓
	Payroll	✓	✓	✓
	Procurement	✓	✓	✓
	Property services	✓	✓	✓

The remaining areas within Hampshire and the Isle of Wight include a mixture of two-tier and unitary authority administrations. Five of the Solent authorities²⁹ currently operate under a two-tiered local government structure alongside Hampshire County Council whilst Isle of Wight Council and Portsmouth and Southampton City Councils operate as unitary authorities.

Current resources

Just as Hampshire County Council and the District councils provide different services, so too do they operate on markedly different scales. Graph 3 below illustrates the current staff resource across the Hampshire and the Isle of Wight as split out by Heart of Hampshire authorities, Solent districts, Solent unitary authorities and Hampshire County Council.

Graph 3 Number of Full Time Equivalent (FTE) 2016/17 (exc. School employees)



As demonstrated, Hampshire County Council accounts for the majority (68%) of FTEs currently employed within the two-tier structure across both the Heart of Hampshire and Solent authorities. Heart of Hampshire FTEs account for 21% of the total whilst Solent District FTEs represent just 11% of the overall amount (13,586 FTEs across the two tier area). Of the 2,788 FTEs within the Heart of Hampshire authorities, the majority (54%) are employed by either New Forest District Council (33%) or Basingstoke and Deane Borough Council (21%). Hart District Council currently employs just 112 FTEs, the smallest number by a considerable margin of any authority across the Hampshire and the Isle of Wight. This imbalance between Hampshire County Council and the District councils helps to explain why a 'unitarisation' agenda has been traditionally led by Hampshire County Council.

Current operating models

The manner in which local authorities, including the District councils, deliver the services for which they are responsible has changed over time. The operating model has shifted, to varying degrees, from local authorities directly delivering services to the end user to increasing use of third part commissioning, joint venture operations and other innovative operating models.

We have analysed each District's current 'staff' and 'non-staff' budgets in order to make a high level determination to the extent to which each District can be said to be a delivery authority as opposed to a commissioning one. 'Non-staff revenue expenditure' has been taken as a high level proxy for third party spends. As

²⁹ East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Havant Borough Council

Table 11 indicates, whilst the Heart of Hampshire authorities do still directly deliver some services, none can be said to be a delivery authority in the traditional sense. Rather, all heavily rely on commissioning activity in order to provide the services for which they are responsible³⁰.

Table 11 Proportion of staff spend versus non staff spend

	Staff Spend	Non-Staff Spend											
Basingstoke and Deane Borough Council	16%												84%
Hart District Council	12%												88%
New Forest District Council	30%												70%
Rushmoor Borough Council	18%												82%
Test Valley Borough Council	24%												76%
Winchester City Council	24%												76%
TOTAL	21%												79%

Arrangements exist between some District councils, across both the Heart of Hampshire and Solent authorities as well as Hampshire County Council, to share certain service delivery arrangements. Such agreements have been put in place, in part, to achieve efficiencies and cost savings but also in recognition that such operating models make better use of, what are often, limited resources. Joint service delivery arrangements in place between the authorities within Hampshire and the Isle of Wight include:

Table 12 Joint service delivery arrangements

Local Authority	Service
Basingstoke and Deane Borough Council and Hart District Council	Share a number of services across multiple directorates; for example, both share licensing and street naming activities, community safety initiatives as well as legal services and a contact centre. Furthermore, both jointly outsource a number of their services to third parties, namely waste collection whilst Hart outsources its internal audit function to Basingstoke and Deane.
Test Valley Borough Council and Winchester City Council	Shared IT service and infrastructure. Community Development activities are shared.
Winchester City Council and Eastleigh Borough Council	Training and development activities are shared.
Winchester City Council and East Hampshire District Council	Environmental services contract shared.
Hart District Council and Rushmoor Borough Council	Building control activities are shared.
Hart District Council and East Hampshire District Council	Planning policy activities are shared.
Hart District Council and Havant Borough Council	Two of five Councils, the others being Mendip DC, South Oxfordshire DC and the Vale of White Horse DC, share IT services from outsourcer Capita.
Test Valley Borough Council and Hampshire County Council	Recruitment & Payroll activities are shared
Test Valley Borough Council & Gosport	Internal Audit Activities are shared

³⁰ Note this does not make any differentiation between those authorities who maintain direct responsibility for housing stock and so does not include the Housing Revenue Account (HRA) spend.

Borough Council	
Test Valley Borough Council, Winchester City Council and East Hampshire District Council, Havant Borough Council and Eastleigh Borough Council	Jointly operate the Hampshire Home Choice- choice based lettings scheme with the Hampshire Home Choice Manager shared across the Councils.
Test Valley Borough Council and Hampshire County Council	Ecological resource to provide advice on planning applications, policy matters and land management is shared.

Hampshire County Council has established a shared service centre to deliver HR, recruitment, finance, purchasing, payroll and pension transactions to Hampshire schools, Hampshire Constabulary, Hampshire Fire and Rescue Service and Oxfordshire County Council.

Whilst successful shared services are already in place, increased collaboration between the District councils can achieve further efficiencies by sharing back office services, management teams and delivery (including procurements) as agreed by each District concerned. Whilst this option does not assist with securing a devolution deal with Government, it does provide opportunities to create a joint efficiency investment fund that the Heart of Hampshire authorities could either reinvest in services that are a priority; use to subsidise Hampshire County Council discretionary services where the Districts want enhanced service levels; or potentially test the appetite with Government to match fund an economic development fund or public services reform collaboration innovation fund settlement.

2. *Enhanced two tier and Combined Authority*

2.1. *Enhanced two / three tier working*

Whilst undertaking the study, we found that there is agreement amongst the Heart of Hampshire authorities that the two-tier status in Hampshire is legitimate and desirable, but equally that there is a desire to recalibrate the relationship between the Districts and Hampshire County Council.

The exact nature of ‘recalibration’ needs to be defined in due course, with all parties around the table, but there is general consensus that it could involve further investigation of the following principles. The first two principles are particularly relevant to two tier organisation, whereas the latter points are relevant to both two tier and single tier:

- Readdress how some services are allocated between tiers where synergies and rationale for coordination exists, e.g. pot holes, highways and street cleaning;
- Enable greater influence over county decisions so that decisions better reflect the needs of communities and are made as close to local communities as possible;
- Allow different levels of service depending on need and where residents wish to pay more;
- Build services to become more citizen-centric, and restructure services to fit around the person; and
- Practice and encourage mutual trust, respect, understanding and open communication across different delivery partners to best enhance outcomes for the customer.

Heart of Hampshire authorities believe strongly that any recalibration of two-tier working between districts and Hampshire County Council should not only focus on service delivery but also on relationships.

There is a preference for the establishment of a combined authority covering the Heart of Hampshire geography which complements the establishment of a combined authority in Solent. The future relationship should be built around an ability to enable decision making to be as close to local communities as possible and to recognise that different areas need different solutions. It should also be flexible enough to provide for more effective outcomes as a result of designing services around citizens and planning and managing delivery at the appropriate scale as part of an integrated approach.

This would be the preferred approach for the Heart of Hampshire authorities in the immediate future as it is more within the control of councils in Hampshire to make it happen, would avoid the upheaval of unnecessary change, along with its associated costs and disruption, and could translate into tangible benefits for local residents and businesses more quickly.

Two main options for enhanced two / three tier working were considered:

- **Increased collaboration at the District and Hampshire County Council level** could drive greater transformational change and public service reform without the need for reorganisation. In this model, the Districts would seek a greater influence on the scope of county services delivered locally and over the commissioning and delivery models used. The District councils would have responsibility for ensuring services are delivered most effectively to their communities, addressing needs and demands within the resource envelope available. The role of Hampshire County Council would be focussed on the strategic framework and play a greater role in commissioning, monitoring and oversight with governance and delivery structures designed around localities.

This model could be designed to realise the benefits of a unitary authority but without the cost and implementation timescales associated with the abolishment of existing local authorities, disaggregation of services and creation of new unitary authorities. In this model, the sovereignty and accountability of the existing local authorities would be maintained, but it would require a high level of trust, a shared vision and commitment to long-term collaboration by both Hampshire County Council and the District councils, which may evolve to include joint management, delivery teams and increasingly a shared workforce. This option

would also be complementary to the combined authority option, where the same collaborative behaviour and commitment would be required. It may also open up the opportunity to agree a devolution deal with Government around enhanced two-tier working.

- A further model of **joint commissioning between Hampshire County Council and the District councils under a new virtual-unitary authority governance arrangement** was also explored as a possible option. Under this model, there would be a significant re-structure of the existing governance arrangements of the existing councils, where elected District councillors would be appointed to a County Federal Board to represent the interests of their District in policy and decision making of county services. This option would preserve sovereignty of each local authority, whilst allowing a whole-systems redesign of county and district services, including the option to joint commission services to achieve shared outcomes. This model would enable each District to tailor services to their local area and provide the opportunity to slightly vary what they pay in return for a higher or lower service standard.

However, the Heart of Hampshire authorities recognise that such options would only work with the establishment of a vehicle such as a combined authority where all parties co-operate fully on the basis of trust and respect, and can hold each other to account. The underlying tensions will remain especially in the context of declining funding over the next decade. Where those conditions deteriorate the ability to deliver effective joint working can rapidly diminish to the detriment of all parties. There have also been many initiatives at national level to support and enhance two tier working which have had mixed results. Therefore it is right to explore the potential for unitary solutions across the Heart of Hampshire.

Any reorganisation of local government should be sustainable and resilient for the future so that the costs of change are outweighed by the future benefit and that transition does not put front line delivery at risk. Building on our work on the ‘future of government’ we have assessed potential options for change against five key enablers:

- **Understanding the customer** – With local authorities providing over 700 individual services, the split between county and district functions can be unclear for communities, partners and authorities themselves. The broad allocation of functions masks the complexities of many services and the interrelationships between different council teams, different councils and other public bodies. By flipping this approach and putting the citizen at the centre, the question is whether there would be benefits from structural change to use customer insight in how services are designed and delivered.
- **Pulling down boundaries** – Given these challenges, our ‘Local State we are in’³¹ report found that local authorities are looking to the future with a sense of confidence in their ability to deliver on an ambitious agenda, one which is being defined by the opportunity of devolution to deliver both growth and whole system reform; new collaborations across the public and private sector to move interventions upstream; the potential and power of digital and data to transform services and engage citizens and communities; and a clear focus on delivering outcomes rather than services alone. This questions whether connected government is more likely to overcome agency silos within a unitary model.
- **Empowered to deliver** – With devolution, local government is seeking to take on powers and responsibility from central government, which over time will require new skills and capabilities. With reorganisation, the current responsibilities of local government would be unified into a single organisation. The question is whether councils created through combining devolution and reorganisation would enhance delivery by consolidating powers, resources and responsibilities, whilst providing single points of accountability.
- **Delivering the promise** – a reorganisation of local government would need to demonstrate not only that it can deliver services effectively but also that it can deliver value for money and cost savings as a result. The question is whether benefits will come from consolidation at a strategic scale across the Heart of Hampshire and beyond, or whether consolidation at a delivery level and operation within a coherent planning framework would be more effective.

³¹ PwC Local State we are In 2016: <http://www.pwc.com/gx/en/industries/government-public-services/public-sector-research-centre/united-kingdom/local-state-were-in-2016.html>

- **Continuously innovating** – the question is whether existing structures are sufficiently harvesting best practices and customer feedback to continuously improve or whether changes to structures and responsibilities would create more innovative solutions.

The rest of this report considers these issues in evaluating different options for reform across the Heart of Hampshire. Ultimately the aim is to ensure the residents and businesses of Hampshire and the Isle of Wight can fulfil their potential and that local government can play a place leadership role that facilitates inclusive growth and prosperity for the Heart of Hampshire.

2.2. A Combined Authority

Combined authorities are being established in England as a formal mechanism for providing ‘place leadership’, accountability and collective decision making across economic geographies.

A combined authority is a public body with its own legal personality and can be established at the request of two or more local authorities by an Order issued by the Secretary of State and are increasingly the vehicle by which devolution from Central Government to Local Government is enabled. To date there have been seven combined authorities established, each with different devolution deals and governance arrangements, recognising the different needs and issues of each locality. Combined authorities are being established as the vehicle from which to develop and implement a whole systems strategic approach collaboratively, to take on devolved powers and funding, and be the mechanism for effective strategic decision making and streamlined accountability and joined up services.

The Cities and Local Government Devolution Act 2016 now enables any public authority function relating to an area, including health, to be conferred on a council and any local government function to be conferred on a combined authority, removing the limitation that restricted this to economic development, regeneration and transport. The Act also introduced a second type of combined authority – a Mayoral Combined Authority with a directly-elected mayor which amongst other additional functions can have the ability for devolved policing powers. The opportunities open for Mayoral Combined Authorities through devolution deals to date have related to:

- Transport e.g. bus franchising, responsibility for key route networks;
- Housing and regeneration e.g. spatial strategies, housing funds, compulsory purchases;
- Skills and employment support e.g. adults education budget;
- Business support and inward investment;
- Health & social care budgets; and
- Criminal justice.

The strong message from Government is that having elected mayors is the best way to make combined authorities work, due to their inevitable impact on strong and accountable governance. This is because the government believes that there should be direct accountability to residents for the new powers and funding that they plan to pass down through Devolution Deals. The post of a Mayor is not required by law, but is in essence a fundamental condition of the devolution process.

The Mayor would provide overall leadership of the combined authority and exercise new powers. The Mayor would chair the combined authority, the members of which would serve as the Mayor’s cabinet. The Mayor and the combined authority would be held to account by the Overview and Scrutiny Committee. He/she would also be required to consult the Cabinet on strategy, which it may reject if two third of the numbers agree to do so.

When the pan Hampshire and the Isle of Wight devolution proposal failed, the Heart of Hampshire authorities, including involvement of Hampshire County Council, submitted a proposal to Government for devolution and a combined authority³² which outlined shared ambitions for the Heart of Hampshire. This sought to recognise the potential of the Enterprise M3 zone and use the autonomous funding powers provided by Government to deliver strong economic growth with residents supported through access to education and skills enabling them to find employment and support business growth and the provision of affordable homes, alongside long term infrastructure and investment plans.

³²The Heart of Hampshire Devolution Prospectus May 2016

The Heart of Hampshire authorities' ability to establish a combined authority and secure a devolution deal requires Hampshire County Council to consent to becoming a member. This is due to the absence of having a unitary authority or other county council currently within the proposed area.

It should be noted that this could be different if the Heart of Hampshire authorities were to consider a combined authority proposal which was based on the travel to work area shared with non-Hampshire districts in the Enterprise M3 LEP area, and include neighbouring unitary authorities such as West Berkshire. The 2016 Act allows district or unitary authorities, when establishing a combined authority, to take on powers from a county council if some authorities within a county area have joined the combined authority but the county council has not.

To effectively perform its economic development, regeneration and transport functions, a combined authority should be reflective of the economic area that it serves. As we have already discussed in the report, the functional economic area of the Heart of Hampshire extends outside of the Hampshire boundary into Berkshire and Surrey, around the key towns of Reading, Newbury, Bracknell, Guildford and Woking. A combined authority on this geography could be an opportunity for the Enterprise M3 member local authorities to develop an integrated transport function and achieve the ambition of the Enterprise M3 Transport Action Group.

This would be possible through the legislation as the county councils are able to join more than one combined authority, which is helpful to Hampshire County Council as it could be a constituent member of both the Solent Combined Authority and a Heart of Hampshire Combined Authority. This effectively enables local government to operate on economic geographies without the need for local government reorganisation and retains the greatest number of councillors to support democratic representation.

However, for the Heart of Hampshire authorities, the creation of the combined authorities is viewed as the vehicle to facilitate change and recalibrate arrangements and relationships between the Hampshire District and County Councils and to achieve a devolution deal that is complementary to a Solent deal.

3. Unitary authority options

3.1. The unitary authority options considered

Hampshire County Council recently brought forward options to establish unitary authorities across Hampshire to replace the current Districts and Hampshire County Council. A public consultation on the options has recently been undertaken by Hampshire County Council without the support of the authorities covered by the proposals.

In the light of Hampshire County Councils proposals for local government reorganisation, it is right for the Heart of Hampshire authorities to consider alternative options for local government reorganisation, and in particular options for unitary authorities, recognising that:

- The options contained within the Hampshire County Council consultation are limited, specifically in relation to the Heart of Hampshire, and further options warrant consideration;
- Options considered are based on combining existing authority boundaries; and,
- A complementary proposal for the Solent authorities would be needed.

This section of the report focusses on the first of these issues. It provides a more robust consideration of unitary authority options for the Heart of Hampshire authorities which were not considered by Hampshire County Council. The consideration of these options recognises that unitary authority options should be explored due to the opportunities this model of local government offers to:

- Streamline responsibility and accountability for local authority services and provide stronger leadership in a place that works not just for the wider public sector but which also engages and empowers leading firms, knowledge institutes and engages citizens³³;
- Clearer representation with public sector partner organisations and opportunity for whole systems service re-design to achieve shared outcomes;
- Greater profile with Government and opportunity through the Cities and Local Government Devolution Act 2016 to transfer public authority functions³⁴;
- Better strategic service planning and joining up between services; and,
- Realise cost savings from rationalisation.

It is important to remember that the Solent authorities are also currently considering their options for the future of local government in Hampshire and the Isle of Wight and this study has been undertaken in a way which allows both sets of proposals to be read together to make it easier to understand the broader picture across Hampshire and the Isle of Wight.

This analysis excludes East Hampshire which is included in the Solent combined authority area. In the event that a two unitary authority model were to be progressed then it would be anticipated that the detailed boundaries to be determined between the two new local authorities would be subject to review and refinement.

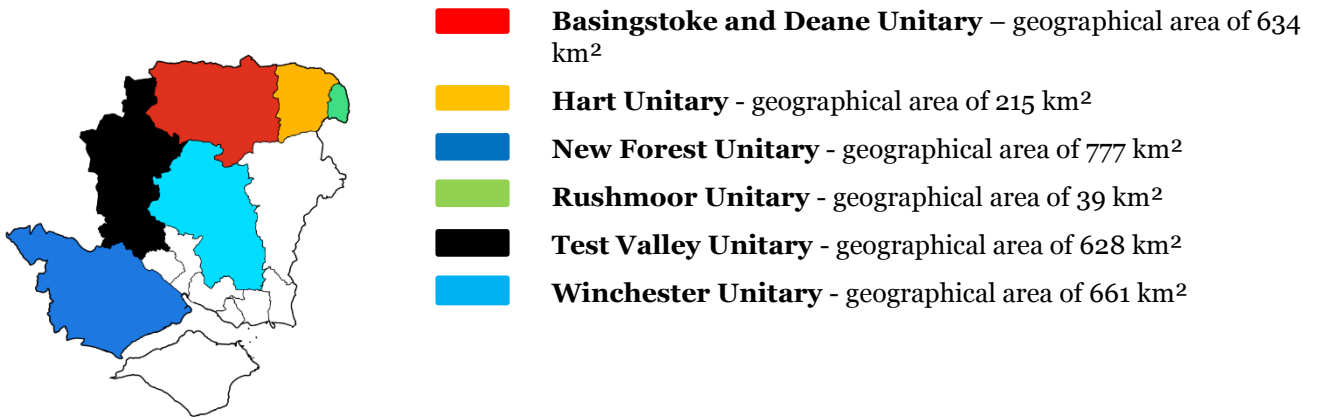
³³ Euricure and PwC, 2016, iUrban Enabling sustainable city competitiveness through distributed leadership

³⁴ Cities and Local Government Devolution Act 2016

3.2. Option 1 – Six unitary authorities with some county wide services

This option would see the Heart of Hampshire districts become unitary authorities within their own existing boundaries but would potentially see Children’s Services, Adult Social Care and Highways commissioned on a larger scale county wide basis.

Map 3 – Map of Heart of Hampshire

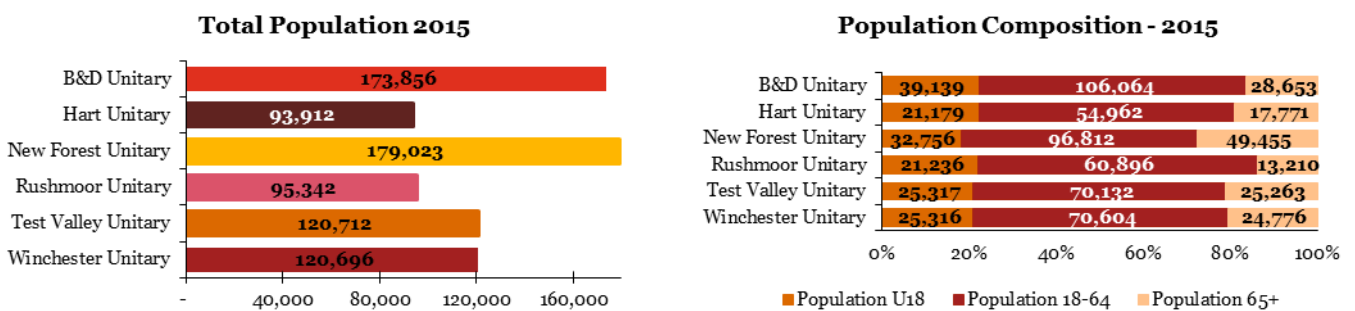


Demographics

Considerable disparity exists between the districts both in terms of population size and geographical area. New Forest, the most populous and geographically largest of the districts is for example almost double the size of the smallest, Hart, in terms of population size. Test Valley and Winchester are very similar, both in terms of population size and geographical area.

Furthermore, the split of inhabitants across the three age ranges (under 18, 18-64 and 65+) are comparable. With 22.2% of its inhabitants under the age of 18 and 63.9% between the ages of 18–64, Rushmoor has, proportionally the youngest population of the six district councils. Conversely, New Forest has proportionally the oldest population with 27.6% of its residents aged 65 and over.

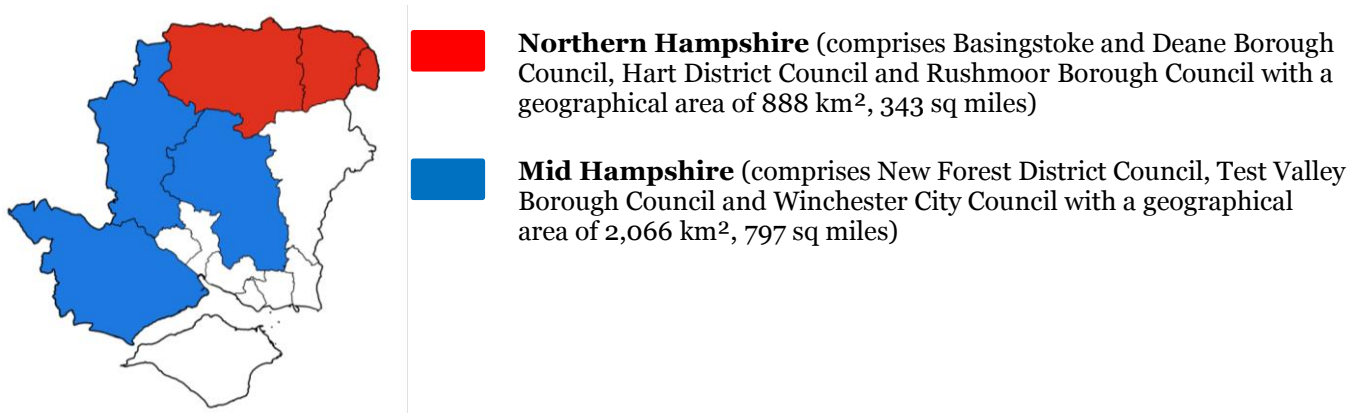
Graph 4 Total population and population composition



3.3. Option 2 – Two unitary authorities

This option would see the creation of two unitary authorities:

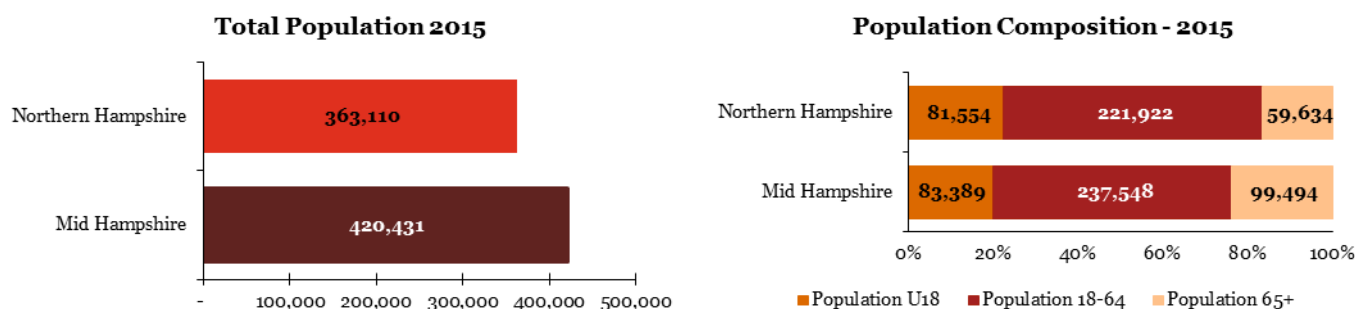
Map 4 - Map of Heart of Hampshire – 2 unitary authorities



Demographics

A Mid-Hampshire unitary authority would be the larger of the two proposed authorities both in terms of population size (15.8% larger) and, to a greater extent, geographical area (232.7% larger). However, the Northern Hampshire unitary authority would have a younger population, with 83.6% of inhabitants below the age of 65, compared to just 76.3% for Mid Hampshire.

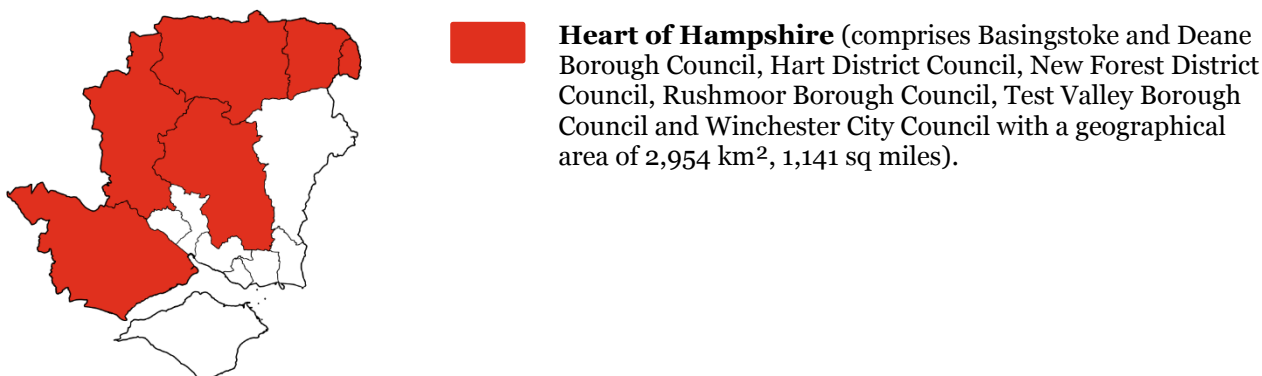
Graph 5 Total population and population composition – 2 unitary authorities



3.4. Option 3 – A Single unitary authority

This option sees the establishment of a single unitary authority for the Heart of Hampshire.

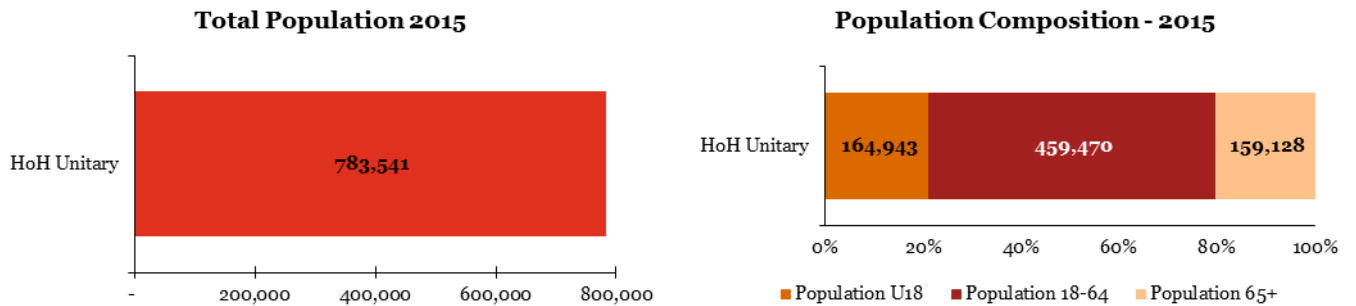
Map 5 Map of Heart of Hampshire – 1 unitary authorities



Demographics

A Heart of Hampshire unitary would encompass 783,541 individuals, 21.1% of whom would be under the age of 18. The working age population would constitute 58.6% of the total population with 20.3% of inhabitants aged 65 and over.

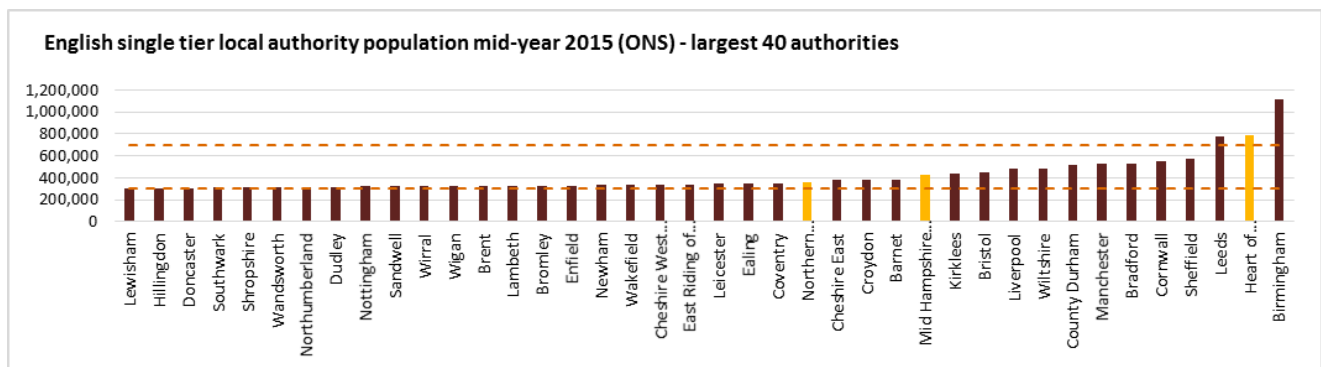
Graph 6 Total population and population composition – 1 unitary authorities



3.5. Commentary

Figure 2 below illustrates how the proposed unitary options would compare to those existing single tier local authorities (unitary authorities, metropolitan districts and London boroughs), of which there are 124, in terms of population size.

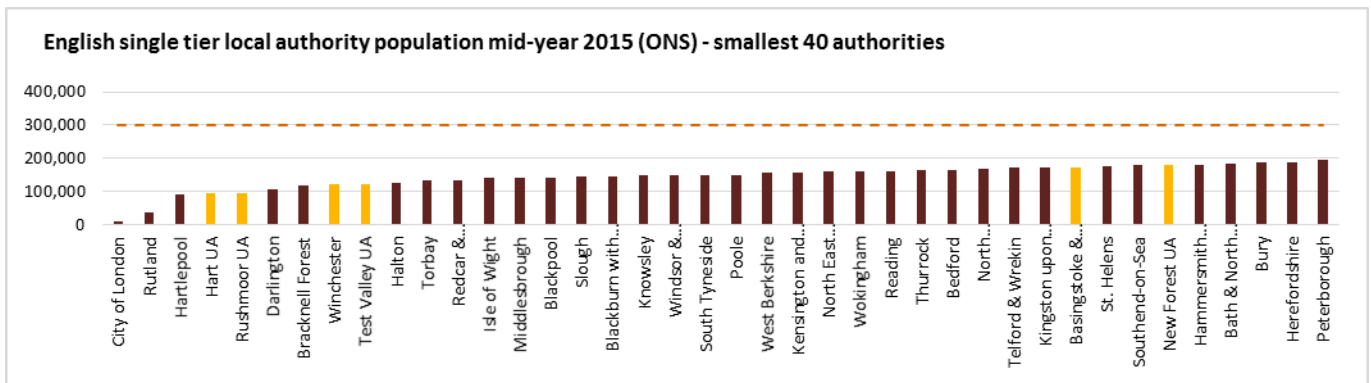
Figure 2 - English single tier local authority population mid-year 2015 (ONS); largest 40 authorities



As Figure 2 indicates, compared to existing single tier authorities in England, a single unitary authority for the Heart of Hampshire would be the second largest single tier authority in England with 783,541 inhabitants and would only be behind Birmingham City Council with regards to population.

Mid and Northern Hampshire’s comparable population sizes (420,431 and 363,110 respectively) would see them become the 12th and 16th largest single tier authorities in the country. It has been reported that DCLG would expect any new unitary authority to have a population in the range of 300,000 to 700,000. Unlike, the single Heart of Hampshire proposal, both Mid and Northern Hampshire unitaries fall within these parameters suggesting that, at least from a population perspective, they are workable as single tier authorities.

Figure 3 English single tier local authority population mid-year 2015 (ONS); smallest 40 authorities



As Figure 3 above highlights that were the six district councils to become unitary authorities they would be amongst the smallest in the country, with Hart, Rushmoor, Test Valley and Winchester being the 4th, 5th, 8th and 9th smallest respectively. Whilst markedly larger than the other proposed unitary authorities, Basingstoke and Deane and New Forest would still be of a size that is 34% and 32% smaller than the national average for single tier authorities (265,048). Indeed, all fall well short of DCLG’s optimal lower threshold for new unitary authorities raising serious questions as to their ability to absorb and re-perform County services.

4. *Providing value for money and delivering positive outcomes*

4.1. *Approach*

This report assesses potential options for local government re-organisation against a set of four quantitative and qualitative criteria as agreed with DCLG, being:

- Providing value for money (quantitative);
- Delivering positive outcomes in terms of the cost of the transition (quantitative);
- Ensuring strong and accountable local leadership and governance (qualitative); and
- Delivering better public services (qualitative).

This section focuses on the quantitative tests, whilst later sections provide an examination of the two qualitative tests. In order to assess the extent to which the respective options pass the quantitative tests our financial analysis comprises:

- An assessment of the financial status quo, including an examination of the financial stability, or otherwise, of the authorities, including Hampshire County Council, that make up the Heart of Hampshire;
- Details of the approach taken with regards to the disaggregation of Hampshire County Council's income and expenditure line items across the unitary authority options considered;
- Presentation of the recalculated income and expenditure accounts, for each of the unitary options considered, both before, and after the financial effects (costs and savings) of re-organisation are taken into account; and,
- An assessment of the council tax harmonisation process the newly formed unitary authorities could undertake post re-organisation along with an estimation of potential additional/foregone income to be earned/lost as part of this.

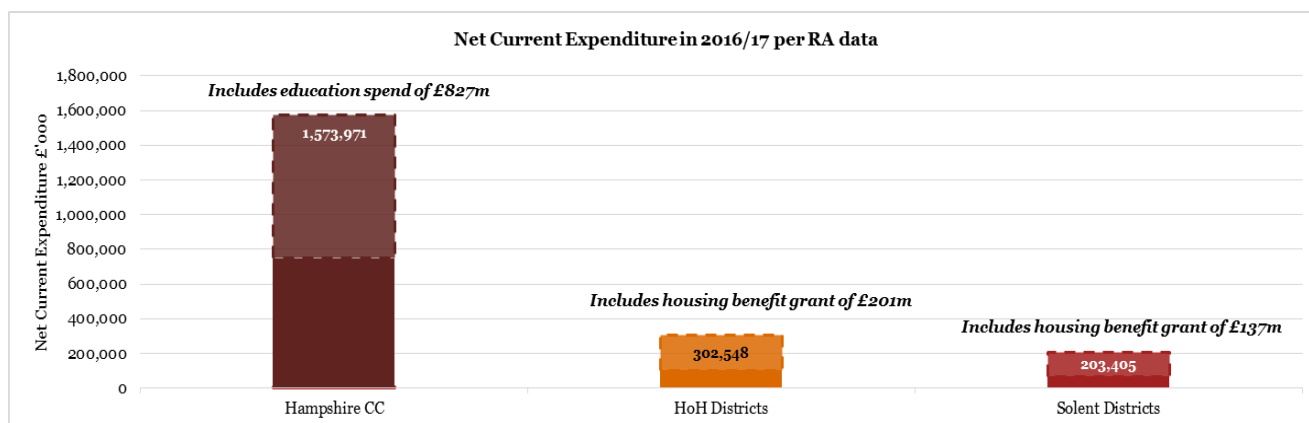
4.2. *Baseline*

Just as disparity exists across Hampshire and the Isle of Wight in terms of FTE numbers so too are marked differences between the existing authorities with regards to current income and expenditure and financial positions.

Figure 4, illustrates the total Net Current Expenditure of Hampshire County Council, the Heart of Hampshire authorities and the Solent authorities as per the 2016/17 General Fund Revenue Account data.

The scale on which Hampshire County Council operates and its associated expenditure, far exceeds the activity of the District councils (both Heart of Hampshire and Solent). Indeed, Hampshire County Council accounts for 75.7% of all expenditure incurred across the current two-tier structure with Heart of Hampshire representing 14.5% of the total and Solent authorities just 9.8%. Of the six Heart of Hampshire districts, New Forest incurs the greatest level of expenditure (£68.8m), whilst Hart, the smallest of the authorities in terms of population, incurs, perhaps unsurprisingly, the lowest, with total expenditure amounting to just £28.0m (representing 1.3% of total spend) per the 2016/17 Revenue Account (RA) data.

Figure 4 – Net Current Expenditure; County and District Councils (2016/17)



It is important to note that the net current expenditure figure represents all spending undertaken by the respective authorities, including those amounts for services which are directly funded by government grant (i.e. education spend in the case of Hampshire County Council and housing benefit provision in the case of the District councils). When these grants are stripped out, county expenditure (£747.2m) actually increases in terms of proportion of overall spend across the two tier structure, rising to 81.6% (up from 75.7%).

As per the 2016/17 Revenue Account data, over half (52.52%) of Hampshire County Council’s total net current expenditure is spent on the provision of education services. Adult social care spend, at £359.6m (22.52% of total net current expenditure) and children’s social care, at £134.4m (8.54% of total net current expenditure) represent the second and third largest expenditure line items respectively. Indeed, these three services account for the majority of spend (83.91%) incurred by Hampshire County Council. Despite education spend representing such a large proportion of their annual expenditure, Hampshire County Council have limited influence over the way in which schools spend the funding that they receive. Given their high expenditure value, adult’s and children’s social care expenditure is particularly vulnerable to demographic shifts within Hampshire and the Isle of Wight or the imposition of financial constraints, both of which could create considerable pressures for the continued successful delivery of the respective services.

The Public Sector Audit Appointments 2014 analysis³⁵ indicates that in comparison to other county councils, Hampshire County Council is in a strong position with regards to the level of reserves it holds and is in the highest 5% for “planned total reserves at the end of the year 2015/16”. In an attempt to examine the financial resilience of both Hampshire County Council and the District councils, an assessment has been made as to how their level of usable reserves compared to their net cost of services for the past two financial years. The figures noted in Table 13 below have been taken from each respective authority’s 2015/16 and 2014/15 statements of account. For those authorities which run a Housing Revenue Account (“HRA”), net expenditure associated with their HRAs have been excluded from the “net cost of services”.

³⁵ Public Sector Audit Appointments 2014

Table 13 Usable reserves as a multiple of cost of services

£,000	Hampshire County Council	Basingstok e & Deane	Hart	New Forest	Rushmoor	Test Valley	Winchester
2015/16							
Usable Reserves	497,294	127,900	13,455	44,924	28,785	45,266	39,603
Net Cost of Services	858,144	32,200	9,440	21,438	19,343	20,270	22,660
Usable Reserves as a multiple of 'Cost of Services'	0.58	3.97	1.43	2.10	1.49	2.23	1.75
2014/15							
Usable Reserves	462,149	123,000	14,253	36,730	24,919	51,856	27,776
Net Cost of Services	875,786	31,300	9,183	21,169	15,608	19,312	15,950
Usable Reserves as a multiple of Cost of Services	0.53	3.93	1.55	1.74	1.60	2.69	1.74

Table 13 indicates, that, for 2015/16, Hampshire County Council's usable reserves would have been able to cover just 0.58 of its net costs of services whilst in 2014/15 this figure would have been lower at 0.53. This compares unfavourably with all six the of the Heart of Hampshire authorities, each of whom would have been able to cover the net cost of their services at least once with their respective levels of usable reserves. The 2015/16 data indicates that of the six district councils, Basingstoke and Deane are the most financially resilient when assessed in these terms with their usable reserves able to cover the net cost of their services 3.937 times. At 1.43 and 1.49 times, Hart and Rushmoor's multiples are the lowest of the District councils though they are still at a level where they are comfortably able to cover their net cost of services.

4.3. Disaggregation of Hampshire County Council income and expenditure

The 2016/17 General Fund Revenue Account data, as submitted by each council to DCLG, has been used as the starting point for our financial analysis. A baseline income and expenditure budget has been calculated for each unitary option under consideration with Hampshire County Council income and expenditure apportioned to each District council where necessary. For the purposes of baseline comparison, where reserves have been used to meet revenue shortfalls then these have been assumed to also have been utilised.

The disaggregation of Hampshire County Council data has been undertaken using appropriately selected 'disaggregation factors'. It is recognised that the extent to which Councils currently receive particular income lines is determined by reference to complex formulae; such as Revenue Support Grant, which is calculated on a 'needs' basis. However, in the absence of publicly available data of the granularity and accuracy that would allow for such a formula to be recalculated, a broader high level disaggregation factor has been selected³⁶. Each of the factors selected for disaggregating Hampshire County Council data have been agreed with Section 151 officers, with full details to be found in Appendix A. The disaggregation of Hampshire County Council data undertaken, has been limited to its Revenue Account income and expenditure line items only. An assessment would have to be made as to how best to apportion Hampshire County Council's reserves were unitarisation to proceed, though this has not been included as part of this analysis.

Our financial analysis has been presented over a five year period (2016/17 to 2021/22) with the District councils' completed budget books used to project Revenue Account income and expenditure across the period. It is important to note that three of the six authorities (Hart DC, New Forest DC and Rushmoor BC) completed budget books which were balanced across the five year period whilst Basingstoke and Deane BC, Test Valley BC and Winchester CC projected funding gaps going forward. Such funding gaps were reported to PwC in order to

³⁶ A sensitivity analysis on Revenue Support Grant disaggregation has been conducted in Appendix A.5.

maintain consistency with other published and publicly available financial projections. It is noted that each of the three authorities expect to close the funding gaps nearer the financial year for which they have been projected.

It should also be noted that it has not been possible to obtain five year budget book projections for Hampshire County Council in the format required from publicly available sources. Therefore, for the purposes of our financial analysis it has been assumed that Hampshire County Council income and expenditure remains constant over the period to 2021/22; that is to say it reflects the 2016/17 RA data submitted to DCLG.

4.4. *Economy and efficiency*

The income and expenditure accounts and the net surplus/deficit positions that have been calculated for each unitary authority option provide an indication of each authorities' ability to assume and provide existing county services. It is important to note that the local government finance system is currently undergoing widespread reform. Government grants continue to decline, most noticeably the Revenue Support grant which is expected to reduce to zero by 2020, whilst business rates retention is being modified in a move that will see local areas retain a greater proportion of the proceeds of economic growth they contribute to. Please see Appendix A for further details.

Transformation savings

Whilst the transition to new local government structures will incur a number of costs it will also provide a number of opportunities for potential efficiencies and transformation savings to be realised. It is important to consider these savings and costs (emerging from transition) alongside the financial impact on income and expenditure in order to calculate the 'net' impact on the re-organisation. For the purpose of this report, we have focused on those costs and savings considered to typically be the most material in the context of local government reorganisation. These include:

- *Transformation savings*: savings to be achieved through a reduction in FTE numbers (both front and back office) following the removal of staff effort duplication;
- *Employee severance costs (at both senior management and employee level)*: costs associated with the reduction in FTE numbers;
- *Member and democratic costs/savings*: savings to be achieved through a reduction in the number of members and a reduction in election costs due to fewer elections;
- *Office space rationalisation*: savings to be achieved from fewer FTEs and therefore a reduction in office space required; and
- *'Other' transition costs*: these include, inter alia, costs associated with project and change management, business management and ICT integration.

It has been assumed that the costs associated with re-organisation will be incurred over the short to medium term (three years) and that by the 2021/22 (final year of analysis presented) net savings will be at a steady state.

Whilst the anticipated transition costs included within our financial analysis are based upon on publicly available data sources, namely the 2008/09 Business Case submissions for unitary authority status of Central Bedfordshire, Cornwall, Leicestershire, Suffolk and Wiltshire, in reality the exact cost of re-organisation will ultimately depend on which service reform aspects are implemented and the extent and the nature and scale of the proposed option.

4.5. *Summary results*

Table 14 presents an overview of each proposed unitary authority's financial position, that is to say whether they are anticipated to generate a surplus or a deficit. This analysis has been presented for the baseline year (2016/17) and for 2021/22 both before and after the savings and efficiencies association with re-organisation are taken into account.

Table 15 presents a summary of the level of savings that could be achieved over a five year period through re-organising to form unitary authorities. Please note, the effects of council tax harmonisation have been considered in Appendix A, whilst detailed results of the financial analysis undertaken can be also found in Appendix A.

Table 14 Summary of surplus/(deficit) position pre and post re-organisation

	Surplus/ deficit 2016/17 (£'000)	Surplus/ deficit 2021/22 (£'000)	Surplus/deficit 2020/21 as % of Total net current expenditure	Surplus/deficit 2021/22 assuming funding gap is closed (£'000)	Surplus/deficit 2021/22 post re- organisation* (£'000)
Six unitary option					
Basingstoke and Deane	137	(1,693)	(0.67%)	3,235	9,948
Hart	15,412	12,487	10.54%	12,487	14,011
New Forest	(3,973)	(2,612)	(1.05%)	(2,612)	5,510
Rushmoor	(311)	(348)	(0.24%)	(348)	2,186
Test Valley	(124)	(4,148)	(2.38%)	(1,374)	3,091
Winchester	12,062	10,116	5.88%	11,788	16,030
Two unitary Option					
Northern Hampshire	15,238	10,447	2.00%	15,375	31,671
Mid Hampshire	7,965	3,355	0.56%	7,801	30,335
Single unitary Option					
Heart of Hampshire	23,203	13,802	1.24%	23,176	64,769

*Presents position assuming funding gaps are closed

The analysis suggests that under a six unitary structure there would be a financial mismatch between the proposed authorities. Hart and Winchester would generate a financial surplus in both 2016/17 and 2021/22 and post re-organisation indicating their apparent viability as stand-alone authorities.

Basingstoke and Deane's deficit of £1.7m in 2021/22, representing 0.67% of total net current expenditure, is attributable to the fact that a £4.9m funding gap was reported in their five year budget book projections. Were this funding gap to be closed a surplus of £3.3m would be generated. Similarly, Test Valley's 2021/22 deficit of £4.1m is part explained by the £2.8m funding gap reported in their budget book projections; although even if it is assumed that this gap were to be closed a pre re-organisation deficit of £1.3m would still be generated. New Forest and Rushmoor would generate financial deficits of £2.6m and £0.3m respectively in 2021/22 which equates to just 1.05% and 0.24% of their total net current expenditure. Once the savings associated with re-organisation are considered, all six unitaries would be in surplus, with Winchester and Hart generating surpluses of £16.0m and £14.0m respectively.

A two unitary structure would see both authorities generate a financial surplus in 2016/17; Northern Hampshire £15.3m and Mid Hampshire £8.0m. Their financial position worsens over the five year period to 2021/22 with both unitary authorities reporting reduced surpluses (£10.4m and £3.5m respectively). These reduced surpluses are largely attributable to the fact that three of the six district councils (Basingstoke and Deane, Test Valley and Winchester) have reported expected revenue shortfalls in their budget book projections. Assuming these funding gaps are closed, the surplus position improves to £15.4m and £7.8m respectively. When the net savings associated with re-organisation are taken into account (£16.3m and £22.5m for Northern and Mid Hampshire respectively in year five) both proposed unitary authorities have the potential to generate significant surpluses.

The analysis indicates that a Heart of Hampshire unitary authority would generate a financial surplus (£23.2m) in the baseline year (2016/17) suggesting that the region currently is a net contributor to the County and that it subsidises the Solent District Councils. Whilst the financial position deteriorates over the period to 2021/22, again, this is due to the fact that three of the six Heart of Hampshire authorities reported deficits (totalling £9.4m) as part of their budget book projections. Perhaps unsurprisingly, the single unitary option has the potential, largely driven by economies of scale, to generate the greatest level of net savings from re-organisation (£41.6m per annum from year four onwards) of any proposed option. As such, the financial surplus post re-organisation of £64.8m (assuming the funding gap is closed) is the greatest of any of the options considered.

Table 15 Summary of cost/savings associated with re-organisation

	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Six unitary authority option						
Total costs	(11.5)	(11.5)	(11.5)	0.1	0.1	(34.2)
Total savings	9.8	18.7	27.7	27.7	27.7	111.6
Total net savings	(1.7)	7.3	16.2	27.8	27.8	77.4
Two unitary authority option						
Total costs	(11.0)	(11.0)	(11.0)	0.6	0.6	(31.8)
Total savings	13.3	25.8	38.2	38.2	38.2	153.9
Total net savings	2.3	14.8	27.3	38.8	38.8	122.1
One unitary authority option						
Total costs	(10.9)	(10.9)	(10.9)	0.7	0.7	(31.2)
Total savings	14.2	27.5	40.9	40.9	40.9	164.4
Total net savings	3.3	16.7	30.0	41.6	41.6	133.2

Table 15 above indicates, a single unitary for the Heart of Hampshire has the potential to generate the greatest amount of net savings, both in totality over a five year period (£133.2m) and on an annual basis (£41.6m) from year four onwards. Savings associated with transformation programmes (£132.8m) and the reduction in FTE numbers account for the majority of the potential £164.4m of savings achievable. Whilst the costs (£31.2m) associated with establishing a single unitary authority for the Heart of Hampshire region are broadly similar to those incurred establishing two unitary (£31.8m) and six unitary (£34.2m) structures, total potential savings (£164.4m) are much greater under this option. This difference is largely driven by the increased potential for savings associated with the reduction in senior management numbers, which amounts to £21.3m over a five year period and £5.3m on an annual basis from year 3 onwards.

Were a two unitary structure to be adopted, total net savings in the region of £122.1 can be expected over the five year period to 2021/22. As for all options considered, these potential savings are driven by the effect of transformation programmes (£132.8m over five years and £33.2m on an annual basis from year three onwards). It is assumed that a reduction in senior management headcount would generate £10.7m of savings over the period to 2021/22 (representing an annual saving of £2.7m from year three onwards).

Adopting a six unitary authority structure for the Heart of Hampshire region has the potential to generate net savings totalling £77.4 million over the five year period to 2021/22. Again, these savings are largely driven by anticipated transformation programmes to reduce FTE headcount. Whilst re-organising to a single or even two unitary authority structure would generate potential savings (£21.3m and £10.7m respectively) via a reduction in senior management numbers, proceeding with six unitary authorities would, conversely, incur considerable expense (£31.6m). This is largely due to the fact that a steady state, annualised saving of £27.8m is achievable from year four onwards; though this is 33.2% and 28.4% lower than when compared to the single and two unitary authority options respectively.

A full analysis of the potential savings to be achieved through re-organisation can be found in Appendix A.

4.6. Payback period

Total costs associated with re-organising to form either a single unitary or two unitary local government structure will be recouped within the first year as potential savings to be realised outweigh costs. Re-organising to form a single unitary authority would generate net savings of £3.3m in year one whilst moving to a two unitary structure would allow for savings of £2.3m to be realised. A six unitary authority structure would require a slightly longer payback period (two years). Year one would see net costs of £1.7m incurred with net savings of £7.3m achievable in year two.

Table 16: Payback period

Option	Payback period
Six unitary authority	Year 2
Two unitary authority	Year 1
Single unitary authority	Year 1

4.7. Council tax harmonisation

Combining district authorities into unitary authorities will require the converging of council tax rates. There are various methodologies available for this analysis. We have adopted the approach that the lowest rate inherited within the configuration should be increased at the highest annual percentage increase available for a unitary authority and that all other rates should be increased by the required percentages so that council tax rates are identical at the end of a specific convergence period³⁷.

The detailed financial analysis is shown in Appendix A.

4.8. Summary and conclusions from value for money and cost of transition analysis

Based on the financial analysis undertaken, we summarise our findings as follows:

- The 2016/17 General Fund Revenue Account outturn data (“RA data”) for the six district councils and Hampshire County Council has been used to disaggregate resources and expenditure using appropriately selected drivers.
- A single unitary for the Heart of Hampshire generates the largest financial benefit for the Heart of Hampshire, in that it generates the largest surplus (£66.5m) once the effects of re-organisation and council tax harmonisation are taken into account (and assuming reported projected funding gaps are closed). Furthermore, it generates the greatest level of net savings (£133.2m) over the five year period and the largest steady state annual savings (£41.6m from year four onwards) of all options considered.
- A two unitary authority structure would be financially viable given that both authorities, North and Mid-Hampshire, generate a financial surplus post re-organisation (and maximising council tax yield) in 2021/22 and at comparable levels (£32.6m and £32.1m respectively).
- A six unitary authority structure would generate considerable mismatch between the proposed authorities. Hart and Winchester would generate financial surpluses both pre and post re-organisation as would Basingstoke and Deane if it is assumed that their projected £4.9m funding gap were to be closed. All other unitary options would be in deficit in 2021/22 before the savings to be achieved through re-organisation are taken into account. All unitaries generate a financial surplus following re-organisation and the process of council tax harmonisation would serve to strengthen these positions further. Indeed, re-organising in this manner would allow for the greatest level of additional council tax income to be earned across the Heart of Hampshire region as a whole; £4.5m in year five and £10.5m over the first five years of harmonisation.

³⁷ Dorset Councils – Potential Options for the reconfiguration of local authorities

It should also be noted that:

- The analysis undertaken, including the potential costs and savings associated with re-organisation are not detailed but indicative at this stage based on a number of high level assumptions;
- For the purposes of the council tax harmonisation figures quoted above, it has been assumed that a 20 year convergence period has been adopted with the lowest inherited rate increased at 3.99% per annum and converging all other rates; and
- The Revenue Support Grant is provided by the Government to local authorities using a ‘needs’ based formula. This is a complex formula which has not been replicated for the purposes of this report³⁸.

Summary

The table below presents a summary ranking of the proposed unitary options (with a ‘four’ ranking being the most favourable and a ‘one’ ranking being the least favourable) assessed against their ability to;

- Generate a baseline budget surplus/deficit.
- Achieve savings through re-organisation.
- Generate additional council tax income through harmonisation.

Table 17 Summary ranking of the proposed unitary options (UAs)

	Two-tier status quo	Six UAs	Two UAs	One UA
Baseline budget surplus/deficit position	2	1	3	4
Savings to be achieved through re-organisation	1	2	3	4
Council tax harmonisation – additional income to be earned	1	4	3	2
Total	4	7	9	10

³⁸ A sensitivity analysis on Revenue Support Grant disaggregation has been conducted in Appendix A.5.

5. *Strong local leadership and accountability*

This section and the following section examine the options through the lens of the DCLG qualitative tests:

- Ensuring strong and accountable local leadership and governance (this section); and
- Delivering better public services (next section).

The final section then brings this analysis together with the preceding financial/quantitative analysis in to a summary section.

5.1. *Local government reform and the opportunity to strengthen leadership and accountability*

The Local Government Association (LGA) routinely conducts public opinion polls on resident satisfaction with local councils³⁹. The six key indicators are satisfied with local area; satisfied with local council, feel well informed, agree council acts on residents' concerns, trust the local council and agree that council provides value for money. The June 2016 national LGA results indicate that overall satisfaction remains relatively consistent over time. Levels of satisfaction within district functions appear to be higher and this is reflected in the improving performance of, for example, Basingstoke and Deane from 2012 to 2014. Nonetheless, continued improvement of leadership and accountability is a fundamental driver behind the commissioning of this report. There needs to be greater weight on local voice and local choice.

The Williams' Commission on Public Service Governance and Delivery in 2014 was established to examine the current arrangements for public service governance and delivery in Wales and assess whether these arrangements met the needs and aspirations of citizens and would provide a sustainable basis for the future of public service delivery. The conclusions of the Commission are relevant when considering local government reform in the Heart of Hampshire, in particular:

- Clarifying accountability and building trust – being accountable and responsive to citizens and communities and removing duplication and friction between different roles of government; and⁴⁰
- Ensuring simplicity – creating a simpler and more coherent set of structures and mechanisms (such as partnerships) which can be adapted to accommodate new purposes and pressures over time.

This section of the report assesses how the unitary authority model for the Heart of Hampshire could meet these criteria.

5.2. *Clarifying accountability*

One of the challenges of the two-tier local government arrangement is the multiple points of accountability, which can result in residents, businesses, public sector partners and sometimes even staff being unsure which authority is responsible for a particular issue. At its worst this can result in the customers being passed between authorities without resolution. While such issues can be managed, it requires customers to work harder to understand local authority organisational responsibilities and causes additional complexity in terms of information sharing and exchange between organisations.

One Leader of a district council we interviewed stated that a significant amount of the direct correspondence received from residents related to county council services which had to be passed on. In his view, this demonstrated the lack of clarity over responsibilities and created delay, additional administrative cost and inefficiency in responding to resident enquiries.

³⁹ <http://www.local.gov.uk/documents/10180/11719/October+2014+Resident+Satisfaction+Polling+-+Final+Report.pdf/dd57f664-443f-4bf7-9455-4506614bee6c>

⁴⁰ Commission on Public Service Governance and Delivery 2014

Under a unitary model, the local authority which a resident pays their council tax to and a business pays their business rates to, will be the authority which is responsible and accountable for all of the local government services that are provided in that community. The exception to this is those services provided by town and parish councils which are discussed later in this section, and of course, a unitary authority model does not resolve the inter-relationship between different public sector organisations, such as community safety and the police service, and adult social care and the health service. We discuss the benefits achievable from simplifying the separation of two-tier local government functions and the wider complexity in public service delivery in section 6.7.

Decision making

A new unitary authority must not be too large that it is unresponsive or unrepresentative to the needs of the communities it services (which is one criticism widely made about county councils). This was also articulated by the Williams Commission which recommended that:

“the importance of maintaining local democracy means that any reform must strike a balance. It must ensure coherence and representativeness while reducing the risks of small scale and creating local authorities that are more efficient and resilient. It should not seek to establish some minimum or average size, or to create a predetermined lower number of local authorities.”⁴¹

A unitary authority is governed by full Council, which is responsible for setting the strategic framework and the budget for the services the unitary authority is responsible for. The majority of unitary authorities operate on a Cabinet / Executive model of governance where the Leader of the Council and a number of Cabinet members who are usually responsible for a portfolio of council services, make the majority of decisions on how council services are run. The benefit of this model is that there is clear responsibility for decision making across all council services, and accountability for decision making for the electorate. A unitary authority Cabinet would be responsible for the end to end design of services and assessing the impact across the place and customer groups.

It could however be argued that the larger the unitary authority is in population terms, the ratio of population to Cabinet Member is lower which may challenge representativeness in decision making.

One area of decision making which is particularly sensitive to community identity is town planning and consideration of planning applications. Under a unitary authority model, a planning committee is responsible for considering and making decisions on planning applications. These committees are usually established in smaller geographies than the geography the unitary authority covers – at a geography that is large enough to appreciate the strategic planning context of the Core Strategy or Local Plan but also sensitive to smaller community identities. There are many good examples of other forms of public engagement over decision making in local government which overcome some of these issues.

Local democratic representation

An important aspect of strong accountability in local government is the local democratic representation within communities. It is highly likely that any proposals for local government reorganisation will be reviewed by the Boundary Commission to ensure that the pattern of ‘electoral divisions’ (e.g. ward representation) reflect the interests and identities of local communities as well as promoting effective local government, including a review to ensure that each council member represents approximately the same number of electors (voters).⁴²

The Heart of Hampshire has 127⁴³ wards within its districts currently which are represented by 285⁴⁴ council members. Hampshire County Council, which also governs the districts within Solent, has 78 council members, of which 45⁴⁵ represent the Heart of Hampshire area.

⁴¹ Commission on Public Service Governance and Delivery 2014

⁴² <https://www.lgbce.org.uk>

⁴³ <https://democracy.basingstoke.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www.hart.gov.uk/wards-polling-stations>;

<http://www.rushmoor.gov.uk/councillors>; <http://www.winchester.gov.uk/about/ward-map/>;

<http://www.testvalley.gov.uk/resident/communityandleisure/workingwithcommunities/mylocalarea/>;

<https://democracy.newforest.gov.uk/mgMemberIndex.aspx?FN=WARD&VW=LIST&PIC=0>

⁴⁴ <https://democracy.basingstoke.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www.hart.gov.uk/councillors>;

<http://www.hart.gov.uk/councillors>; <http://www.rushmoor.gov.uk/councillors>; <http://www.winchester.gov.uk/meetings/councillors>;

<http://testvalley.cmis.uk.com/testvalleypublic/ElectedRepresentatives.aspx>;

<https://democracy.newforest.gov.uk/mgMemberIndex.aspx?bcr=1>; <http://www3.hants.gov.uk/yourcountycouncillors.htm>

Table 18 Members and representation in the Heart of Hampshire⁴⁶

Authority	Members	Wards	Electorate per Member
Winchester CC	45	16	1,933
Test Valley BC	48	24	1,929
Rushmoor BC	39	13	1,643
New Forest DC	60	34	2,322
Hart DC	33	11	2,086
Basingstoke & Deane BC	60	29	2,131
Hampshire County Council	78 of which 45 cover the Heart of Hampshire	6 Divisions in the Heart of Hampshire	

In the last round of local government reform, many new unitary authorities reduced the number of council members per ward in comparison to the unitary authorities established for some time. For example, the average number of members per ward across English single tier authorities (excluding London boroughs) is 2.28 with the highest representation of 3 council members per ward.⁴⁷ When compared to the 2009 round of new unitary authorities, Cornwall, Northumberland and Wiltshire unitary authorities have the lowest council members per ward ratio of 1 with the other 7 new unitary authorities having a range of 1.17 to 2.⁴⁸

Based on a reasonable assumption that the average number of members per ward could be 1.5 across the new unitary authorities in the Heart of Hampshire, this would result in the total number of members as follows:

Table 19 Members and representation in the new Heart of Hampshire Unitary Authorities – assuming 6 unitary authorities

New unitary authority (UA)	Members	Wards	Electorate per Member
Winchester UA	24	16	3,106
Test Valley UA	36	24	2,572
Rushmoor UA	20	13	3,204
New Forest UA	51	34	2,732
Hart UA	17	11	4,049
Basingstoke & Deane UA	44	29	2,906
Total	192	127	

It is valid to analyse the ‘electorate per member’ statistics as it reflects the possible impacts on local representativeness. In the current organisation of local government, electorate per member varies from 1,643 in Rushmoor Borough Council to 2,322 in New Forest District Council. In the new unitary authorities (with an estimated members per ward of 1.5) the electorate per member would be expected to vary from 2,572 in Test Valley to 4,049 in Hart. This represents a 33% increase in Test Valley and a 94% increase in Hart. The new unitary authority would no longer recognise ‘Test Valley’ and ‘Hart’ as districts but there will clearly be some analysis to consider the local representation that is achieved within the geographies of these new unitary authorities. The configuration of members in the new unitary authority options could of course be re-configured to better reflect local representativeness and ensure that electorate per member figures are not too high.

For comparison, the Deloitte report⁴⁹ commissioned by Hampshire County Council implies an electorate per member ratio of over 16,000 to 1 in their Option D (county-wide unitary authority, excluding the current three unitary authorities, and including all Heart of Hampshire and Solent authorities). This is calculated by dividing

⁴⁵ <http://www3.hants.gov.uk/yourcountycouncillors.htm>

⁴⁶ <https://www.lgbce.org.uk/records-and-resources/local-authorities-in-england>

⁴⁷ <https://www.lgbce.org.uk/records-and-resources/local-authorities-in-england>

⁴⁸ <https://www.lgbce.org.uk/records-and-resources/local-authorities-in-england>

⁴⁹ Deloitte, Initial analysis of options for local government in Hampshire and the Isle of Wight. Hampshire County Council, 2016.

the proposed unitary authority population (1.3 million) by the proposed total number of members in this option (78). This is nearly three times greater than the maximum outlined above. It is also much greater than the range indicated by the 2009 unitary authority (below) which sits roughly between 3000 and 3500. The report highlights that the number is based on a Local Government Boundary Commission Review and Consultation for Hampshire County Council⁵⁰, which recommends that the number of county council members remains static at 78, but in our opinion, this does not take into account district councillors, and the need for councillors in the new unitary authority structure to also represent former district services.

As outlined in section 5, member representation at this level could achieve an annual saving of between £1m to £5.5m. The modelled level of ward representation and electorate per council member for the Heart of Hampshire unitary authorities is therefore broadly consistent with the new unitary authorities that have been established.

Table 20 Members and representation in the 2009 unitary authorities

2009 unitary authorities	Members	Wards	Electorate per Member
Bedford	40	27	3,167
Central Bedfordshire	59	31	3,414
Cheshire East	82	52	3,351
Cheshire West and Chester	75	46	3,469
Cornwall	123	122	3,215
County Durham	126	63	3,017
Northumberland	67	66	3,482
Shropshire	74	63	3,135
Wiltshire	98	98	3,579

When establishing the 2009 unitary authorities, arrangements were put in place to enhance local representation and responsiveness. For example, in Wiltshire, the new unitary authority established 18 new Area Boards, which were established as a means to ensure that local people have the opportunity to contribute to place-shaping and influence strategic decision making at the centre. The area boards bring local decision making back into the heart of the community which are responsible for finding solutions for local issues such as road repairs, traffic problems, litter, facilities for young people and affordable housing, however the boards do not have a budget.⁵¹ Area Boards are not directly involved in deciding planning applications but do consider: benefits of larger developments, pre-applications for major developments, planning briefs and development of Local Plan policies. Many committees and boards function as consultative forums and do not have significant decision making powers. Often the outcomes of meetings inform discussions at council level through a Portfolio Holder at Cabinet.

Cornwall Council has also adopted a similar model, through the use of 19 Community Networks, which look to drive improvements locally. Both councils invest in these bodies through ensuring attendance from councillors of both the unitary authority and the local town and parish councils. This provides local representation and accountability, while removing some of the disadvantage of the lack of scale that town and parish councils can have.

Both of these examples demonstrate that arrangements to enhance local representation and accountability can be put in place to reflect natural communities. However it should be recognised that there will be additional costs associated with the democratic servicing of these arrangements.

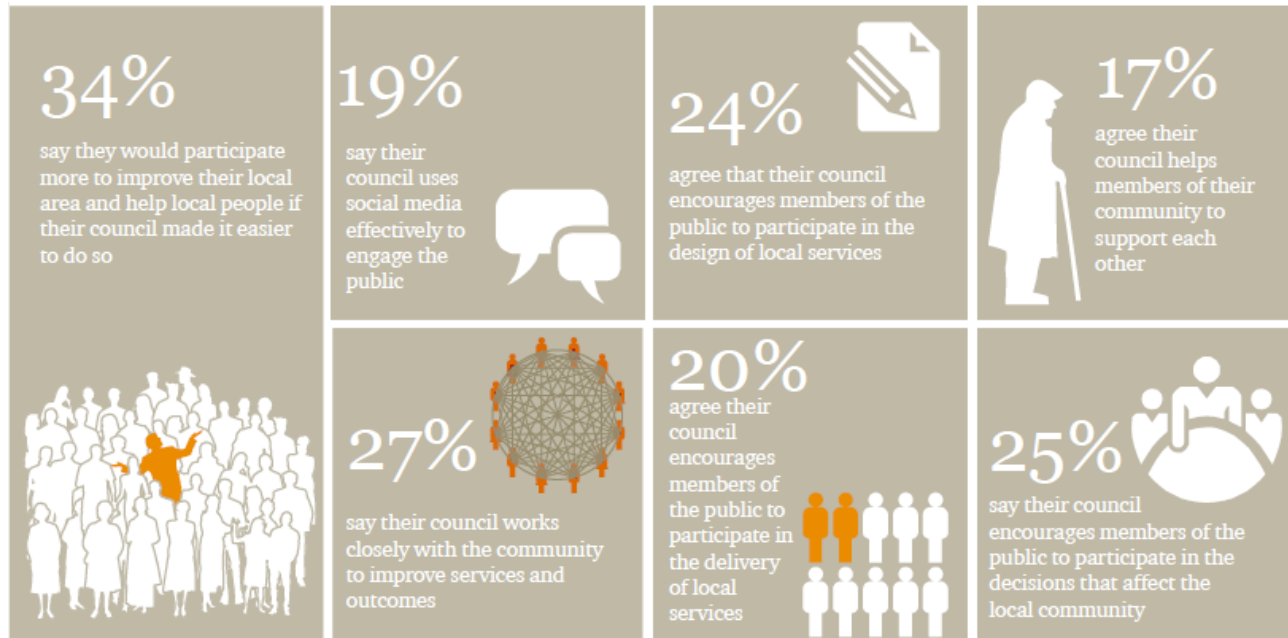
⁵⁰ <https://consultation.lgbce.org.uk/node/5188>

⁵¹ Wiltshire.gov.uk

Digital participation

Another opportunity to increase participation in democracy is through digital technology. Local government is becoming more aware of the importance of the desire for an increasing proportion of residents wishing to access services and participate in democracy online.

Figure 5 Resident survey



Source: PwC polling, February 2016, UK national sample of 2007 adults ⁵²

There are good examples of using technology to aid participation for example, with Basingstoke and Deane Borough Council live streaming council meetings which are available on the council's website and also through a specific YouTube channel. Some meetings have had in excess of 30 views, which indicates a greater level of viewing than the attendance at the meetings themselves. In addition to viewing council meetings, public consultations are undertaken online, with interactive webcasts allowing a wider range of participation.

Other examples from the UK and around the world where local government has moved beyond consultation and successfully involved citizens in tough decisions, leading to less adversarial interactions and often better outcomes, include:

- Redbridge Council provided citizens with 'YouChoose,' an online tool to set budget priorities.
- After public backlash against planned expansion, the Alders Table was founded with public involvement to steward the future of the Netherlands' Schiphol airport.
- In Thurrock, the redesign of adult social care was conducted in collaboration with a group of users who have since taken over delivery of the service.
- The Oregon Kitchen Table is a citizen-founded platform which has been used by government to engage citizens on their own terms.
- Citizens' juries run by PwC and Britain Thinks provided a deliberative space in which citizens established decision-making criteria for the 2010 Spending Review. ⁵³

⁵² Beyond Control: in the age of participation

⁵³ PwC & Institute for Government, Smarter engagement: Harnessing public voice in policy challenges

Local councils

Beyond the principal councils, the parish, town and community councils across England also play a valuable role in strengthening local representation and participation. Devolution is an important opportunity to strengthen the potential of these local councils, where communities want them, and enable them to add additional value.

Local councils already have specific powers and responsibilities that are not available to other forms of local representation, including ‘community rights’ and an ability to levy a precept. The role of local councils should be further enabled by Government in the development of the devolution agenda, and reorganisation would provide an opportunity to invite communities to consider their role.

While there is significant potential in local councils it is important to recognise:

- That not all areas are covered by a local council, and it is for communities to decide whether they wish to support the establishment of a new council;
- Existing powers and responsibilities are limited and councils will need support to develop the capacity and capability to do more;
- There are alternative community and representative bodies, such as development trusts and community associations that may be more appropriate in some areas.

On this basis the role of local councils has been considered as adding value to the consideration of the right form of principal authorities within the Heart of Hampshire, rather than as a viable alternative to replace those bodies. None of the options considered would prevent joint working with relevant local councils to support a ‘double devolution’ over time.

5.3. Ensuring simplicity

The second main conclusion of the Williams’ Commission of particular relevance to Heart of Hampshire is ‘ensuring simplicity’. As discussed in section 1.6 of our report, austerity has increased the need for public sector whole system transformation in supporting the needs of residents and businesses. This requires local government to act as ‘place leaders’ and take responsibility for designing fundamentally different ways of achieving outcomes for residents. Local government has an important role in facilitating shared place leadership by being clear about their ambitions for the residents they serve, building consensus with partners and the public and distributing their power.⁵⁴

Their democratic mandate means local authorities have a unique position with respect to place leadership. Council members in particular are able to broker agreements between public service providers, and critically between providers and Government, to improve the coordination of planning and delivery and to lobby for greater flexibility.

A single tier unitary authority is best placed to achieve this role. A unitary authority would have oversight of the local authority services provided to residents and would reduce the number of public sector organisations trying to work together in partnership to deliver shared aims.

To support this view, the Williams Commission found that “the public services of the future will need leaders at all levels who actively seek out opportunities for delivery with others to maximise synergy and efficiency and to ensure that services are integrated from the users’ perspective. That in turn reinforces the need to address issues of scale, and to create the space and strategic capacity to redefine services and the means of their provision around the needs, priorities and preferences of citizens and communities.”⁵⁵ We discuss how a unitary authority model can support a wider ‘connected government’ further in section 6.7.

⁵⁴ PwC Beyond Control - Facilitating shared place leadership

⁵⁵ Commission on Public Service Governance and Delivery 2014

5.4. Summary and conclusions

In summary, a unitary authority arrangement would create stronger and more accountable local leadership by creating a single point of accountability for local authority services in a place and having a greater role in ‘place leadership’ across the public sector. However, it could be argued that in larger unitary authorities, the Cabinet members who make the day to day decision about services are making decisions on behalf of a larger population, albeit the role of full Council is to set the strategic framework for which those decisions are made.

Democratic representation will be influenced by the Boundary Commission’s review and without pre-determining the outcome of a review, it is difficult to find a differentiator between the options on democratic representation by ward or electorate. There are examples from other recently established unitary authorities of enhanced representation of local communities through Area Boards as an example, as well as enhancing the role of town and parish councils and engagement of citizens through digital technology. A summary of the strengths and weaknesses of each of the Heart of Hampshire unitary authority options is summarised in the table below.

Table 21 Summary ranking of the proposed unitary options

In summary	
Six unitary authorities	<ul style="list-style-type: none"> ✓ Members in smaller authorities can arguably be closer to local communities. ✓ Direct lines of accountability could be more achievable than with larger unitary authorities.
Two unitary authorities (Mid and North Hampshire)	<ul style="list-style-type: none"> ✓ Arguably the most coherent balance regarding accountability, without risk of becoming too remote like with a 1 unitary authority. ✓ An opportunity to establish enhanced community representation through arrangements like Area Boards.
One unitary authority	<ul style="list-style-type: none"> ✗ Larger unitary authorities might risk getting disconnected from communities they serve (but there are ways to mitigate this). ✓ Community representation can be established through enhanced governance arrangements such as Area Boards.

6. *Better public services*

6.1. *Introduction*

The Heart of Hampshire has a district and county model of seven principal local authorities, six districts and part of Hampshire County Council, with a number of additional local councils (parish, town and community councils). Most authorities have a general preference for this model at this point in time because it has worked well in the past and because change involves cost and disruption to delivery. However, there is also recognition that the balance of power is skewed and that the variations within the County area in terms of local character, labour and housing markets and social dynamics should be better reflected. There is also an acknowledgement that it is a system that continues to be under stress and dependent on strong working relationships, with a move to unitary working likely at some point in the future.

Local government in the Heart of Hampshire has been successful in finding efficiencies and adapting to a new reality of lower central government funding. While this has not been easy there is less of a burning platform in the relatively successful communities of the Heart of Hampshire to find radical efficiencies than there is in the rest of Hampshire and the Isle of Wight. Instead, the driver for change in the Heart of Hampshire is to achieve a devolution deal which facilitates improved productivity and a realisation of the potential growth of Hampshire and the Isle of Wight, while protecting the competitive advantages that come from its natural environment and liveable communities. That is why the Heart of Hampshire authorities are considering options now that will impact on their future over the next twenty to thirty years.

There is a long history of challenge in local government re-organisation with proposals around every ten years particularly in district and county areas. The review of early 1990s on local government reform took over five years to result in only eight areas being recommended for unitary status, having ‘marginal impact’ despite a clear statutory framework and guidelines from Ministers⁵⁶. The current interest in local government re-organisation has been conflated and often confused with devolution and is operating without such a clear framework or guiding principles. The concern for the Heart of Hampshire authorities therefore is that any reorganisation proposal will be controversial and divert the focus from delivering better public services in what are already challenging circumstances.

Despite the strengths of local working, the current landscape in the Heart of Hampshire includes challenges familiar to many district and county areas including:

- **Multiple points of accountability** – which can result in citizens, businesses, partners and even staff being unsure which authority is responsible for a particular issue. At its worst this can result in the user being passed between authorities without resolution. While such issues can be managed it requires users to work harder to understand organisational responsibilities and causes additional complexity in terms of information sharing and exchange between organisations.
- **Dispersed customer insight** – All authorities want to improve services for residents and businesses but in district and county areas customer interactions are dispersed between local authorities as well as other parts of the public sector. This can make it harder to design earlier interventions and anticipate service demands based on customer insight and feedback.
- **Duplicated support costs** – Simplifying the organisational architecture offers potential to remove duplication in support functions and to eliminate hand-offs between organisational silos. Adopting shared and standard ways of working can be designed around end to end processes. In practice, local authorities are increasingly sharing support functions but this tends to be more common between peers – i.e. district to district – than between tiers - i.e. district and county. Within a single principal authority there is a greater focus on whole system reform within functional geographies.

The districts within Hampshire County Council have no particular desire to challenge the basis of district and county working between principal authorities, but they do wish to change the behaviours and culture. They also

⁵⁶ JRF, 1997, The Work of the Local Government Commission for England

acknowledge that now options have been proposed, and in light of current economic conditions and potential required to enable a combined authority, it is necessary to have started considering what options may be viable.

It should be noted that individual authorities continue to progress their transformation and efficiency plans, with the objective of identifying better service delivery models and identifying cost savings. There is increasing sharing between authorities in the locality, with joint appointments and commissions, and this is likely to become more common irrespective of the changes discussed in this report.

6.2. Current baseline position

The Heart of Hampshire is an artificial boundary currently so we have had to create a planning baseline for the virtual authority area using district and part Hampshire County Council data. By taking a process view across all authorities, using returns from the districts and assumptions on the county activity within the Heart of Hampshire, it is estimated that there are:

- 8,181 FTE in local government, excluding teachers, with a staff budget of £273m working across councils in Heart of Hampshire;
- 54% of this effort (4,423 FTE) relates to actual service delivery and associated support activity such as management and supervision;
- 18% of this effort (1,463 FTE) is focused on supporting customer contact and assessment activities which enable service delivery including customer engagement, assessment and administration; and,
- 13% of effort (1,560 FTE) is related to back office processes and support services such as finance, procurement, HR, ICT etc.

This high level analysis provides an indication of where effort is focused and although further work, involving all partners, would be needed to quantify the activity within these process areas to a greater level of detail. This analysis provides the basis for considering the total local government resource effort in the Heart of Hampshire. If this was a single unitary authority it would be second only to Birmingham and larger than Leeds.

6.3. Future opportunity

The biggest transformational benefit within service delivery will come from new organisations taking the opportunity to do things differently. A new authority may offer the potential for a more fundamental rethinking and redesign of the operating model so as to ensure a much greater strategic focus on prevention, early intervention and emphasis on growth of people, communities and economies. Alternatively there may be a shared commitment to such a change within current structures by working differently. The concern of the Heart of Hampshire authorities is that this would require changes in the culture and behaviour of local authorities across the locality.

As such a transformational change might set out to achieve better public services through principles such as:

- Creating a common customer service layer, with a genuine single front door for public services within a geographical footprint irrespective of provider, utilising digital technologies to simplify access and to data analytics to inform service design. This could be a 'virtual' front door linking organisations through technology, or through a full integration of the point of access;
- Information flows between services, between functions and between authorities, to ensure joined up management, more intelligent service provision and seamless customer experiences;
- A resilient financial model, applying a commercial mind set to maximise cost recovery and target subsidy and investment where it will have the greatest return so that local councils can increasingly raise the money they need locally;
- Organising services and products around agreed, strategic outcomes that residents and businesses value and which make a place distinctive, while continuing to meet statutory responsibilities and duties;
- Pooling back office functions, within separate organisations to increasingly automate transactional and routine processes while releasing specialist expertise to deliver complex professional advice and insight to inform decision making; and,
- Pushing decision making closer to those it impacts and empowering operational staff within a strategic framework that respects local differences and priorities.

Do things differently – an operating model for the digital age

Technological breakthroughs are causing the big changes in the world and disrupting the economy, business and society as a whole. Within local government and the wider public sector this is starting to affect more than just customer contact but also the design and delivery of services as well. Digital will change the way that councils organise themselves and manage their resources. Our assessment assumes that the authorities, irrespective of any reorganisation, will want to adopt additional waves of digital solutions over the next five to ten years. Technology solutions, once developed and implemented are comparatively easier to scale than systems that rely on human interactions with a single digital platform able to operate at a much larger scale.

Beyond channel shift – The first wave of digital in local government focussed on establishing a new channel to access services and has been increasingly successful in shifting contact from face to face and telephony to lower cost and scalable solutions. This has seen councils create ‘MyCouncil’ apps and accounts, supporting digitalisation of transactional interactions for residents wanting to report, request, apply and pay for services.

SOCITM have benchmarked the relative effort taken to deal with customer contact through various channels, and the analysis demonstrates the benefits in encouraging adoption of cheaper channels. As can be seen in the table below, the effort of dealing with customers looking for simple information is very much more when its conducted face to face, than if they access that information themselves, through an online source.

Table 22 SOCITM benchmarking

Customer Demand type	Initial contact / Information Request (Channel)							Service Request (data capture)						
Customer Demand category	White mail	Email	Face to Face	Telephone	Online (Web)	Automated or 'pushed' to customers through social media	Council integrates with other relevant data providers, to provide the information	Self-service through designated 3rd party	Completely manual process	Manual data entry onto system with manual response	Online self service (auto data capture) and manual provisioning	Online self service, automated provisioning and manual troubleshooting	Fully automated provision, data capture and troubleshooting	Self-service through designated 3rd party
Units of effort per transaction	27.06	18.82	35.29	12.35	1.76	4.71	0.00	0.00	41.32	31.40	16.53	8.26	2.48	0.00

Source: SOCITM

Under the current arrangements individual authorities creating solutions can duplicate effort and are developed around the individual organisations need. Organising around the customer would result in a shared platform through which to access services irrespective of the provider. Managing the customer engagement layer in this would benefit the customer by providing a single point of access, while also benefiting by improving co-ordinated data, insight and integration across processes and systems. While encouraging online access, Hampshire County Council includes 19 different telephone numbers on its contact page alone, and there are multiple web sites of councils and other public services across the locality.

If seriously seeking a single front door it would be possible to create a unified point of contact for residents and a business portal that included location specific information tailored to the user and access to all relevant local authorities. This could also include access into the wider public sector over time.

Intelligent information – There are smarter ways for citizens to receive and send information. By making information intelligent there is the potential to enable significant further gains, for example by using social media and SMS technology for out-bound communications to inform residents of changes to service schedules such a waste collections to avoid in-bound communication.

Figure 6 Illustration of intelligent information

It would be entirely possible to achieve such a single front door across the existing local government structures if there was the commitment to joint working and shared development and investment. A unitary solution reduces the complexity, particularly around integration with different enterprise and core application systems within councils. Over time existing authorities could seek to move to converge on common core applications which need not be dependent on reorganisation, and to build multiple integrations between systems.

Online Community Hub – A place that allows citizens to form interest-based connections within localities in an easy and transparent manner and one that reduces council intervention. Such a development could support the integration of local councils and community and neighbourhood organisations within the overall council platform. Providing the digital infrastructure to enable community interactions within an integrated system could further support the development of local councils, as well as community engagement and peer to peer interaction.

Portal and Assessment Hub – These are designed in a way that they require minimum effort from citizens and provide decision makers with real-time data and archived history to make rapid decisions. Robotic process automation (RPA) or “Automation” describes logic driven robots that execute pre-programmed rules on mostly structured and some unstructured data. At the advanced level, robots can learn from prior decisions and data patterns to make decisions by themselves, although would require more effort to deploy and maintain. Developments in RPA are highly relevant in local government services involving case management, such as planning decisions and social care.

The concepts have been around for nearly a decade, and they’ve advanced quickly. In local government RPA and automation offers the potential to reduce costs, provide better service, and even make complex regulatory implementations work more efficiently.

Partner Applications – These allow council partners to create their own applications on the deployed platform. Such access supports better engagement and seamless flow of transactions across partners. This could support enhanced working across county and district services, but also with local councils, community groups and the wider public sector.

Digital Employee – This will ensure that tasks that can be automated are done in a way that encourages channel shift internally and automates routine activity so that staff can focus on adding value by using their professional expertise and training.

Predictive analytics – Real-time dashboards and analytics reports allow members to make the right decisions and prioritise actions. This insight will help to target interventions to specific customers to provide information or support at the correct time. A simple example of this would be to send reading suggestions to registered library users, based on past lending history. Or to suggest to new residents additional services they are likely to request based on experience from previous users.

Future operating model – This use of technology and a digital ambition integrated to an organisational or system redesign will help realise significant benefits including:

- Processes that are simpler, faster and cheaper to deliver, with less need for managerial support.
- IT systems that are easier and more efficient to support.
- A common information set provides “one version of the truth” to support the decision making.
- Insight to customer and user behaviour informs understanding and predictions of customer behaviour and requirements.
- Understanding customer interactions helps to proactively manage demand.
- Managing the customer experience to support increased satisfaction.
- Employees feel empowered to create and shape change, contributing to a positive and efficient working environment.
- Removal of time consuming and repetitive tasks manages employees day-to-day workload.

As organisations look to transform and organise around outcomes our experience is that savings of up to 30% can be achieved in staff costs. But re-organisation is not the only trigger for transformation and given that many authorities are in the process of change already. Each authority will have considered its current digital maturity and challenges, being at different stages of the journey reflecting individual priorities. Our assessment has assumed a significantly lower level of overall transformation savings of 13.5%.

The following sections outline how we have interpreted the better public service ‘test’ against this type of ambition.

6.4. Developing better public service ‘tests’

In assessing whether options will deliver better public services, the DCLG tests whether the reorganisation option will result in improved services. There is limited quantitative guidance to aid assessment of how proposals would improve people-oriented services, place-based services, and back-office services. This discretion has resulted in generalised assumptions being proposed that often bigger is better for strategic services and smaller is better for local services. Unlike the 1990s Local Government Commission there is no clear statutory framework or guidance from Ministers, nor is there a commonly agreed framework by which to objectively test these assumptions.

Therefore, we have built into our overall assessment of whether options would deliver better public services six sub-criteria, including one quantitative test based on DCLG guidance and five more subjective ‘strategic enablers’. These criteria have been based on our work about the future role of public bodies. It is important to note that we have contrasted the two unitary options against the status quo, but have not included in this assessment the potential of enhanced two/three tier working through changes to working practices or behaviours, nor have we included comparison with a combined authority. The criteria we have used are detailed in the table below.

Table 23 Developing the better services tests

Criteria	Rationale	Low score	High score
Scale	DCLG have informally suggested that they would expect any reorganisation to result in authorities with an optimum population size in the range of 300,000 to 700,000. This is not a hard test but any proposal outside of this range would need to have a strong rationale.	Below 300,000 residents both now and after 2032 with population growth OR Over 700,000 residents both now and after population growth	Resident population within the target range both now and after 2032
Citizen centrality	There is no single citizen. What they want will depend on their specific requirements at specific times, both of which will change over time. We have made a judgement on how well the options will be able to provide local leadership, both for services and activities that are under direct control and those activities beyond their control.	Proposals could result in uniform solutions lacking situation and citizen specific responses.	Proposals could result in a council well placed to help develop and create a shared strategic view of a place that is designed around the citizen’s requirement.

Criteria	Rationale	Low score	High score
	Unlike previous local government reorganisations, the current opportunity is being stimulated by devolution. There is a real opportunity is to design and create local services around the specific needs of different communities.		
Connected government	There is a clear benefit from a clear framework of accountability and responsibility for public services. But local government is only part of the complex ecosystem of public service commissioners and delivery bodies. Co-terminosity with other public authorities is recognised as important but our assessment recognises integrated public services are much more complex than is often portrayed. This suggests a need to consider integration at a variety of scales depending on whether alignment is for strategic outcomes, operational delivery or human scale impact.	Strategic scale is the primary driver.	Human scale is the primary driver.
Empowered authorities	A clear identity and ‘offer’ supported by devolution of powers and resources would empower authorities to deliver. Our criteria assume that proposals that use new mechanisms to enable devolution deals to be agreed be better placed. The agreement of a deal would provide the platform for service redesign and the authority and framework to make it happen.	The status quo provides no real mechanism through which to devolve power and responsibility to specific places (beyond a general devolution to local government).	Unitary authorities, combined authorities and a Mayor are all potential mechanisms for supporting devolution of additional powers and resources.
Deliver the promise	A reorganisation of local government would need to demonstrate it could deliver public services better as planned. Our criteria consider both the potential ability to manage transition to new corporate structures and the ability to transform delivery of public services as distinct. To be successful the options will need to demonstrate strong programme and change management capability.	High degree of change required and multiple authorities increasing the co-ordination challenge of the change programme AND Low incentives for adopting shared approaches.	Minimising change AND A framework for adopting shared processes and systems.
Continuously improve and innovate	Any authority should be capable of establishing an innovative culture and striving for continuous improvement. Our criteria considers the <i>likelihood</i> that each option would take bold and imaginative steps to innovate and improve public services.	Limited stimulus to change and seek new ways of doing things.	Strong stimuli for innovation and adaptation.

These assumptions recognise that there is a unique opportunity for the Heart of Hampshire authorities to shape their future by clarifying what they need from Government to create new jobs and increase productivity, support people to have the skills they need to access higher value employment and grow their careers, manage sustainable growth in terms of appropriate infrastructure and homes that people need and provide communities with more say on the services they receive.

6.5. Appropriate scale

DCLG have informally suggested that they would expect any reorganisation to result in authorities with an optimum population size in the range of 300,000 to 700,000. This is not a hard test but any proposal outside of this range would need to have a strong rationale. There is no such clear rationale within the Heart of Hampshire to argue for a unitary authority either below or above this threshold.

The consequence of this optimum population range is that, even with projected population growth over the next 15 years:

- all current authorities, including existing unitaries in Hampshire and the Isle of Wight, sit outside of the population range;
- of the considered options, only a two unitary solution of North and Mid Hampshire – sits in the recommended range.

On this basis only one option would pass the initial test, although the alignment of East Hampshire within Hampshire and the Isle of Wight could make additional options possible. It also means that any unitary authority proposals within Hampshire would need to be at a footprint smaller than the current County boundary.

Table 24 Population per option and unitary authority (UA)

Option	Authority	Population 2015	Population 2032
District and county status quo	Winchester CC	120,696	134,700
	Test Valley BC	120,712	132,400
	Rushmoor BC	95,342	101,000
	New Forest DC	179,023	198,800
	Hart DC	93,912	99,700
	Basingstoke & Deane BC	173,856	198,100
1. Six UA	Individual authorities	Breakdown as above	Breakdown as above
2. Two UA	North Hampshire	363,110	398,800
	Mid Hampshire	420,431	465,900
3. One UA	Heart of Hampshire	783,541	864,700

6.6. Citizen centrality

There is no single citizen. What they want will depend on their specific requirements at specific times, both of which will change over time. We have made a judgement on how well the options will be able to provide local leadership, both for services and activities that are under direct control and those activities beyond their control. Unlike previous local government reorganisations, the current opportunity is being stimulated by devolution. There is a real opportunity to design and create local services around the specific needs of different communities.

In our view, citizen-centricity remains key to delivering better public services. If the citizen is at the heart of developing, planning and delivering services then they become more than a customer but also a partner, collaborator and co-producer of valued outcomes. This implies a new contract with the empowered citizen taking personal responsibility for outcomes, which is increasingly the narrative for local government where authorities are seeking 'a deal' or social contract with their citizens for mutually beneficial activities.

There is little disagreement in policy and practice circles that 'joining up' is desirable in theory. In practice it is notoriously difficult to achieve and there have been multiple national programmes and initiatives that have sought to support joint working both within local government and the wider public sector.

The Institute for Government⁵⁷ have identified five challenges that repeatedly hinder joint working and collaboration:

- Short-term policy and funding cycles can restrict the ability of local actors to invest in the long-term partnerships needed to meet local, citizen needs.
- Misaligned geographies and the patchwork of commissioning, funding and regulatory processes can make it difficult for local actors to design services around a ‘whole person’.
- Cultural differences between professions and organisations can discourage collaboration on the ground.
- Barriers to data sharing can make joint working between distinct teams or organisations practically difficult.
- Limited sharing of ‘what works’ in different circumstances can mean that lessons from effective models and practices are rarely built on

They also recognised that in the current climate of working hard to; maintain business as usual activities, delivering multiple reform agendas and surviving financial challenges, the instinct can be to seek to protect rather than join up shrinking budgets and resources. This instinct can drive behaviours which are not conducive to collaboration and appears to be evident in Hampshire.

In the table below we have undertaken a desk top assessment of how the various options in the Heart of Hampshire might be placed to benefit from the ten insights gained from this review of what works in overcoming the barriers and joining up around local citizen needs. In this assessment we have applied a forced ranking of each insight where 1 is the best option and 5 the least beneficial option, and provided an overall score.

Our assessment suggests that the two unitary authorities in North and Mid-Hampshire is most likely to be able to apply the lessons from trying to join up services around the local citizen. It is less strong on building on existing programmes and structures but benefits from consolidation of teams, potential to engage those responsible in service design from the outset and ability to establish a shared desire and ambition.

The status quo is the least likely option, in our opinion, to result in joined up services around the local citizen. This is because of the challenges of overcoming entrenched positions and established roles and responsibilities.

⁵⁷ IfG, 2014, Joining up public services around local, citizen needs

Table 25 Citizen centrality

Insight	District and county status quo	Six UAs	Two UAs – North & Mid	One UA
Using multi-disciplinary teams can focus attention on complex issues.	1	2	3	4
Agreeing on clear, outcomes-focused goals can help front-line organisations prioritise resources effectively.	1	4	3	2
Using evidence can build consensus and help to draw in resources from a range of organisations.	1	2	3	4
Building on existing programmes and structures can enhance existing good practice and partnerships on the ground.	4	1	3	2
Giving local areas greater flexibility can help local actors form the partnerships needed to deliver cross-cutting outcomes.	2	4	3	1
Balancing this with some central government support can provide the additional resources and political momentum needed to get an initiative off the ground.	1	2	4	3
Building the desire for joined up services into the aims and processes of commissioning can incentivise organisations to collaborate.	1	2	4	3
Engaging a broad range of stakeholders throughout the design process can help to build buy-in and commitment to partnership working.	1	2	4	3
Sharing learning and experiences widely can help to ensure that effective models are built on	1	4	3	2
Physically bringing organisations together can help to overcome entrenched cultural differences and data-sharing challenges.	1	2	3	4
Total	14	25	33	26

Adapted from the insights contained in IFG, 2014, *Joining up public services around the local, citizen*

6.7. Connected government

There is a clear benefit from a clear framework of accountability and responsibility for public services. But local government is only part of the complex ecosystem of public service commissioners and delivery bodies. Co-terminosity with other public authorities is recognised as important but our assessment recognises integrated public services are much more complex than is often portrayed. This suggests a need to consider integration at a variety of scales depending on whether alignment is for strategic outcomes, operational delivery or human scale impact. Simplification of the separation of local government functions established in the district and county model has been a continuing trend since it was introduced in 1974. However, local government is only one small part of a messy landscape of public service delivery.

Across all local areas there are a multitude of public bodies with often overlapping responsibilities and accountability. While unitary authorities do reduce the complexity of this landscape in relation to local authority services there remains a significant challenge to co-ordinate across the wider public sector in every principal outcome. This includes alignment and connections to central government and national delivery bodies.

Increasing scale is heralded by many as the solution for achieving connected government, and it is logical that increasing the boundaries will bring more organisations within scope. However, there is a trade-off between increasing geographical footprints and retaining practical operational delivery areas. The UK already has some of the largest units of local government and is widely recognised as a highly centralised model of local governance. Therefore, in this assessment we suggest co-terminosity is more complex than often portrayed and that more important than aligning the overall organisational boundary is an understanding of how integration works at different scales, including development of a Combined Authority as an intermediary

layer between existing two-tier arrangements where it makes sense to plan and deliver at a level larger than existing districts but smaller than the current County.

The counter argument to scale would be to devolve decision making to the lowest level and support these units of government to collaborate where it makes sense to do so. The French system of local communes, equivalent in scale to an English parish, would be one such example and this type of approach is more in line with current thinking about devolution and the creation of combined authorities across a range of powers and responsibilities. At present the relatively restricted role of local councils (parish / town) and the scale test of DCLG means that the core building blocks are likely to be new unitary councils.

One argument for seeking to operate at a Hampshire and Isle of Wight footprint is that this would increase alignment with the current development of the NHS Sustainability and Transformation Plan which was submitted at the end of October 2016. This appears to be a mis-representation of the purpose of using the Hampshire and the Isle of Wight footprint because STPs are intended to add value to local plans and unlock opportunities that are not available at smaller population levels. They are not intended to replace the place based plans for local populations or reinvent all strategies⁵⁸. Rather than compare STPs to unitary government a better analogy would be combined authority. In this analogy the GP would equate to the parish council or neighbourhood structure. Within health there is a clear recognition of the need to work at different spatial levels and the different roles of localities, CCG, STP and national bodies. A similar settlement is needed in local government to establish trust and working between different councils.

Table 26 Connected government

Tier	Health Footprint		Local government
1	Individuals and families	Local Level	Targeted initiatives e.g. troubled families
2	Natural communities of care	<ul style="list-style-type: none"> • Locality models • Vanguard • Local commissioning • Place based commissioning 	Local level <ul style="list-style-type: none"> • Parish & Town Councils • Community groups • Neighbourhood groups
3	Health & Wellbeing Area e.g. Portsmouth City		District &/or Unitary Councils
4	Acute catchment population		
5	Strategic Health & Care System Hampshire and the Isle of Wight	STP Level <ul style="list-style-type: none"> • System wide principles • Workforce strategy • System interfaces • STP wide commissioning strategy • Acute operating model • Digital inter-operability 	County &/or Unitary Councils Combined authorities
5+	Regional / National Beyond H&IOW – e.g. Wessex / South, England		Sub-Regional partnerships

Beyond co-terminosity, there is merit in seeking to connect services around the citizen at a human scale and to facilitate inter-authority structures and enhanced two-tier working arrangements. This is where the combined authority can add value, and where local public service reform could extend to greater consolidation of responsibilities within local bodies.

By organising around the citizen and customer journey connections that are valuable would be linked to organisational capabilities such as:

- Consolidation to achieve single points of access, integrated customer insight and a digital ‘passport’ for local public services;

⁵⁸ Hampshire & Isle of Wight, STP Socialising the Gap presentation - <http://www.stpsouth.co.uk/wp-content/uploads/2016/06/Socialising-the-gap-final-version.pdf>

- Combining on strategic issues such as strategic planning and development, including areas such as workforce planning;
- Adopting common design principles and technology systems to improve interoperability

Under this approach is it likely unitary options would score higher than retaining the existing complexity but that smaller is better as it allows for collaboration where it makes sense to do so (for example to align to blue light services or for strategic planning) whilst retaining local discretion on distinctive community issues. The ability to go further and expand the role of ‘local councils’ would depend on further enabling legislation and capability building of existing structures.

Table 27 Summary of connected government

	District and County status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Connected government	1	2	4	3

6.8. Empowered to deliver

A clear identity and ‘offer’ supported by devolution of powers and resources would empower authorities to deliver. Our criteria assume that proposals that use new mechanisms to enable devolution deals to be agreed be better placed. The agreement of a deal would provide the platform for service redesign and the authority and framework to make it happen.

Customer experience

The customer experience is increasingly important to all public bodies. In the current operating model there is a heavy reliance on the customer to understand which authority is responsible for the task that they are trying to complete with potential for effort to be wasted in transferring customers between organisations and in running parallel customer operations. At a high level we have captured information on the current effort associated within initial customer contact and assessment.

A unitary solution is arguably easier for citizens to understand in terms of the local authority responsibilities being in one place. It does not on its own deal with the wider complexity of public service delivery. A devolution of powers and responsibilities could help in this regard by further consolidating responsibilities within the influence of local government. A combination of devolution, unitary solutions and Combined Authorities might therefore be the strongest approach to improving the customer experience by allowing for greater co-ordination and alignment of customer journeys around the outcome and action that users are trying to achieve.

Building greater co-operation and alignment of the customer engagement layer between different tiers of local government and between different parts of the public sector might be supported by structural change as it would trigger a fundamental review of current arrangements.

It would also be possible for existing authorities to commit to improving the customer experience through closer joint working and utilising existing and emerging technologies to provide a seamless customer experience. In all options there remain challenges such as information and data sharing between different authorities and the hand-offs and integration of different systems. Individual councils will have already invested in channel shift and digital transaction. Rapid developments in technology are enabling new ways of working with significant potential for further automation, demand management and peer to peer community interaction that further extend the benefits of channel shift and start to change the way that services are accessed and delivered.

For the purposes of assessment we have assumed that a unitary option with devolved powers would be better empowered to improve the customer experience. At this level of analysis it would be premature to quantify differential savings between options other than in terms of general principles where:

- The status quo makes it harder to achieve single points of access and integrated customer insight with additional work on information and data exchange between authorities covering the same geographical footprint;

- Unitary authorities have greater incentive to redesign the customer engagement layer of their operating model. Establishing a point of access for residents and businesses tailored to the locality but built to common design principles and inter-operability would allow for scalable solutions – both to lower localities and to higher geographic footprints. This could allow for a more consistent and tailored user experience.
- Customer insight will be more valuable where it relates to citizen and business segments, such as local labour markets and health economies, but also where it allows comparable analysis between areas and at different scales. It does not naturally follow that scale improves the customer experience or vice versa. More important is the execution of the customer experience strategy.

Service delivery

By designing services around the citizen the focus is on how they achieve the outcome or task desired rather than organisational responsibilities. This may be easier where there is unification across responsibilities within local government to realign resources within organisations. Devolution offers the prospect of additional powers and responsibilities from outside of local government also being brought into the same organisation.

Our opinion is that future authorities will be more empowered to deliver where they have greater influence over the system and redesign service delivery to do different things. It is an area where being able to develop distinctive solutions to different requirements is important for achieving effective outcomes. This may be easier in unitary authorities with devolved powers.

Support services

In enabling activity such as HR, IT and finance, there are benefits from operating shared processes and systems that minimise the cost of transactional activity and provide the capacity for specialist teams and resources to be fully utilised. This is an area where there are often benefits from operating at scale.

Enabling the digital employee within organisations means there is less need for ‘business support’ and greater self-reliance and management, and enhanced integration between systems and functions. This can help with

- Eliminating and automating transactional processes within the organisation;
- Developing functional centres of expertise in complex and specialist functions shared across organisational boundaries;
- Development and utilisation of advanced business intelligence and predictive analytics to inform strategic decision making about the future and management of current performance.

Building on these trends and current work to eliminate unnecessary activity, automate simple processes and release effort to focus on strategic insight and direction offers the potential for further savings. We would expect unitary government to create additional opportunities for removing duplication of roles and responsibilities between authorities and within authorities, releasing staff to focus on higher value strategic work, automating routine information practices and enabling self-serve and stopping unnecessary activities and steps in processes.

Under this approach it is likely unitary options would score higher than retaining the existing complexity and that fewer authorities would be more likely to achieve the level of savings envisaged.

Table 28 Empowered authorities

	District and county status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Empowered authorities	1	2	3	4

6.9. Delivering the promise

A reorganisation of local government would need to demonstrate it could deliver public services better than planned. Our criteria consider both the potential ability to manage transition to new corporate structures and the ability to transform delivery of public services as distinct. To be successful the options will need to demonstrate strong programme and change management capability.

There are two main components to the assessment of different options ability to deliver the promise of benefits from reorganisation:

- How likely is the option to manage successful transition to a new council structure?
- How likely is the option to manage successful transformation of public services?

On transition, the status quo option is likely to be most successful in the short term as there is no change to effectively manage, which reduces risks to continuity of service delivery and disruption to staff and partners. However, this would not deal with the underlying issues and desire to improve public services, so over time a no change is unlikely to be viable. This option would depend on agreement to a form of combined authority working or virtual collaboration. In addition, there are significant changes being considered within partner organisations that will impact on the status quo.

The timetable for local government reorganisation is also driven by legislative requirements and governance of the process, so is not a quick solution or one that councils or government would wish to revisit again for a generation or more. As authorities work toward increasing devolution they will want to ensure the constituent authorities are well placed to deliver. By considering and planning for transition now the other options may be more successful over the longer term. This will reduce the risk in the future of external drivers forcing rapid change to local government structures. If there is to be change the ability to manage transition is likely to be stronger in a more co-ordinated programme of willing partners, suggesting fewer authorities emerging as a result would be beneficial and less likely to be seen as one authority ‘taking over’ another.

On transformation, we have assumed that any new councils, being created in parallel, would seek to design and build future councils around shared operating model components – for example through shared processes, systems, people capabilities and governance. Particularly in the front and back office this would maximise the potential efficiencies and future inter-operability between authorities, while allowing for distinctive local service delivery activity. Adopting such an approach would help strengthen the design management and co-ordination of change. It could also result in shared investment and support costs.

Our experience of major change programmes suggests that in each of the options there are 12 core elements of programme and project management excellence that will need to be in place. The assessment below considers the options in terms of their ability to deliver transformation across the locality as a whole. There is no assessment of the capability of the constituent authorities / programme teams to deliver this change.

Table 29 Delivering the promise

Element	Rationale	County and district status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Engaged stakeholders	This is about identifying, evaluating, informing and influencing the individuals and groups who are affected by, or who influence, the project. This is stronger where those involved have a shared ambition and vision, which may be easier with fewer groupings co-ordinating change and fewer change programmes.	1	2	3	4
Clear Scope	The scope should be realistic, managed and defined in terms of key deliverables and associated cost, time and quality constraints. The business case must be clear and have ongoing validity, both over the next five years but also beyond so that any change is sustainable, which the status quo would be unlikely to address.	1	2	4	3
Managed risks and opportunities	It is important that risks are defined, understood and managed throughout the lifecycle of a project. Across the locality as a whole this is likely to be stronger with fewer programmes.	1	2	3	4

Element	Rationale	County and district status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Delivery-enabling plans	Plans show who does what, when, and how much resource is needed to reach each of the project milestones. It is essential that milestones are clearly defined and that detailed, realistic planning is in place in order that the whole project team can work together to deliver. Again, this is likely to be stronger across the locality as a whole with fewer programmes.	1	2	4	3
Focused benefits management	This is about estimating, measuring and monitoring the benefits the organisation will gain from the project and the rationale behind the project. Again, this is likely to be stronger across the locality as a whole with fewer programmes.	1	2	4	3
High-performing teams	It is essential that everyone involved in a project, at every level, understands who is doing what, how, why and when. To develop a high performing team, good project management, clear roles and responsibilities and shared ownership of the project vision are essential. This may be easier if there is a single shared objective, which may be more certain in existing structures.	4	3	2	1
Smart financing	This is about efficient and effective management of the project budget, making the most of the money available. Reducing the number of change programmes increases the potential for sharing costs of change between them and removing duplication.	1	2	3	4
Integrated suppliers	It is important to liaise with suppliers, understand and plan for dependencies on supplier products or activity, and bring them into project management plans and processes. Suppliers are likely to welcome greater co-ordination and consistency between authorities.	1	2	3	4
Active quality management	It is critical to define and track quality considerations from the outset of a project. There must be a shared understanding of what outputs the project will deliver and how these will be monitored and judged, taking into consideration the wider context of the work. This may be considered easier within the status quo.	4	3	1	2
Embedded life-cycle assurance and learning	Project assurance is designed to check that a project is well-founded and being conducted appropriately. In addition, lessons learnt should be recorded and shared on a regular basis. There would be less of a drive to change within the status quo.	1	2	3	4
Agile change control	All projects experience changes -in scope, timeline, budget, quality or purpose. This might be easier with fewer programmes.	1	2	3	4
	Delivering transformation	17	24	33	36

Table 30 Summary of delivering the promise

	District and county status quo	Six UAs	Two UAs – North & Mid	One UA
Delivering transition	4	1	2	3
Delivering transformation	1	2	3	4
	5	3	5	7

6.10. Continuously Innovative

Any authority should be capable of establishing an innovative culture and striving for continuous improvement. Our criteria considers the *likelihood* that each option would take bold and imaginative steps to innovate and improve public services.

An innovative culture and striving for continuous improvement will be fundamental to drive public service reform as organisations look to do different things and find ways to intervene earlier and more effectively in supporting positive changes.

In our criteria we have considered the likelihood that different options will encourage local leaders to step out of the mould and try different things. Local government is not known for a culture of innovation, despite significant front line changes over recent years. The difficulties in innovating in councils explain why a ‘culture of innovation’ is not embedded in local government. A large proportion of spend is not discretionary and many of the drivers of private sector innovation are absent from the public sector, with an emphasis on compliance and procedure often resulting in an aversion to the development of new approaches. Faced with the increasing prospect of financial challenge more radical changes are being considered by local government as innovative solutions are sought.

Although many councils want to develop a ‘culture of innovation’ in their organisations, top-down innovation initiatives can often have the counterproductive effect of stifling staff engagement and imagination whereas frontline staff in a supportive environment have demonstrated an ability to innovate.

There is some evidence that innovation can be achieved in local government, led by frontline staff but that starting relatively small can be a great advantage. A stronger culture of innovation can be developed from the ground-up, project-by project, and the benefits and experience of doing so can build over time.

In ‘Small is Beautiful’ Nesta⁵⁹ identified the common features of successful innovations being projects that:

- Had fewer than 30 staff.
- Were composed of a team of permanent council employees
- Some assistance from volunteers and external support
- Had a budget of less than fifty thousand pounds a year
- Had been running between three and five years.

Each option could stimulate innovations taking these criteria into account, particularly through changes to operational delivery. Our assessment is that the six unitary option would be more likely to stimulate different thinking both because of the creative disruption caused by a move to unitary government and because of the increased number of authorities resulting and testing different approaches.

⁵⁹ Nesta, 2010, Small is beautiful, <http://www.nesta.org.uk/publications/small-beautiful>

Table 31 Summary of innovation

	District and county status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Innovate	1	4	3	2

6.11. Summary and conclusions

Across the sub-criteria our overall assessment suggests that Option 2 – a two unitary authority solution would be strongest, although not on every criteria. This a subjective assessment and there could be significant opportunity within the status quo to achieve similar benefits without the cost and disruption of re-organisation.

However, our opinion is that this is complicated by a mix of unitary, district and county working where Hampshire County Council are not currently engaged in the discussions. Rebuilding this trust and working relationship would be fundamental to shifting the assessment of this test.

Table 32 Summary of better public services

Criteria	District and county status quo	Option 1 – Six UAs	Option 2 – Two UAs	Option 3 – One UA
Scale	1	2	4	3
Citizen centricity	1	2	4	3
Connected government	1	2	4	3
Empowered authorities	1	2	3	4
Deliver the promise	3	1	2	4
Innovate	1	4	3	2
Better public services	8	13	20	19

7. *Summary of findings*

In this report we have provided an independent assessment of various options for unitary and combined authority solutions across the Heart of Hampshire and considered possible options for enhancing the current status quo arrangement between the Districts and Hampshire County Council.

The analysis within this report supports the following conclusions:

- i. The current district and county relationship needs to be recalibrated to better reflect the aspirations and ambitions of the Heart of Hampshire authorities surrounding delivery of better services for their residents. This is unlikely to be achieved through maintaining the status quo (as it stands);
- ii. The prospects for devolution to the Heart of Hampshire are limited without changes to the status quo. The establishment of a combined authority supported by enhanced two-tier working arrangements would provide a mechanism to address current challenges around dispersed and disconnected services;
- iii. While a combined authority with enhanced two-tier working is the preferred option for the Heart of Hampshire, if this cannot be agreed locally and the only route to establishing such a mechanism was local government reorganisation then preferred option would be to establish two unitary authorities. A Northern and a Mid Hampshire Unitary covering the area administered by the District councils in the Heart of Hampshire would be most aligned to the DCLG tests (value for money, including transition costs and efficiency savings; strong local leadership; and better public services).
- iv. Enhanced two-tier working arrangements between all principal authorities, and with local councils, utilising a combined authority, for Heart of Hampshire would be an attractive outcome. It would allow the authorities to seek devolved responsibilities for local government without the delays, cost and instability often associated with large scale reorganisation. This would also provide a strong foundation for joint working and accountability to improve the design and delivery of services for residents, and provide strong strategic leadership for the Heart of Hampshire.
- v. Achieving a commitment to joint working and genuine partnership to unify service delivery could help to release significant financial benefits for all authorities and avoid the costs associated with transition to unitary structures, which no authority is keen on pursuing at this point in time.

On the basis of this analysis the Heart of Hampshire authorities are united in seeking a combined authority arrangement while retaining existing principal councils and focussing on enhanced working arrangements, as the mechanism for devolved powers, responsibility and resources from national to local bodies. A unitary solution would only be considered if this was deemed essential to unlock devolution or in response to alternative proposals. If pressed the authorities could recommend assessment of a two-unitary option covering central and north Hampshire.

As it appears unlikely that the status quo would find favour with Government in relation to local devolution proposals, the preferred option is to develop the case based on enhanced two-tier arrangements and a combined authority. This has the attraction of complementing the proposals in the Solent, providing a coherent solution across Hampshire and the Isle of Wight and avoiding the need for re-organisation. It would require all authorities to seek to work in new ways and potentially offers Government a pioneering solution for other two tier areas. Taken together these proposals would still provide a model for the whole of the county area, as required in previous calls for two-tier pathfinders, but would utilise the new legislation for combined authorities resulting in two authorities each with their own specific focus. The Local Economic Partnerships in and around Hampshire and the Isle of Wight set a precedent for this type of arrangement which would be enhanced through the combined authorities.

Table 33 Main options for local governance changes in the Heart of Hampshire

Option	Key features
Heart of Hampshire Combined Authority with enhanced two-tier working between all principal authorities	<ul style="list-style-type: none"> • Establishes a mechanism for devolution discussions with Government • Facilitates enhanced two-tier working through the combined authority • Maintains all existing authorities • Can flex according to locally agreed priorities
Heart of Hampshire Combined Authority with two unitary authorities	<ul style="list-style-type: none"> • Establishes a mechanism for devolution discussions with Government • Disruption to all authorities resulting from abolition and creation of new bodies • Creates dependency with Solent authorities in relation to future Hampshire County Council role
Status Quo	<ul style="list-style-type: none"> • Provides no stimulus for devolution discussion • Provides no stimulus for changes to joint working • If Solent Combined Authority progresses, this option may result in Hampshire County Council focusing more on outside of the Heart of Hampshire as it responds to new arrangements.

7.1. Overall conclusion

The purpose of this report was to support development of local devolution proposals to Government that could result in the delivery of better services, through improved governance, for residents, by considering the options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitarisation.

The resulting preferred option of the Heart of Hampshire authorities is to seek enhanced working with Hampshire County Council and agreement to establish a combined authority. Therefore, any devolution proposal requires first an agreement to work with Hampshire County Council on a mutually acceptable basis for developing a proposal that could result in the Heart of Hampshire being a pioneering model of enhanced two tier working with a combined authority as the mechanism for progressively devolving powers, responsibility and resources from national bodies.

Over the next two months there will be less uncertainty about the Government’s Autumn Statement and an opportunity for the principal authorities within the Heart of Hampshire to agree a way forward on local government structures that support devolution proposals.

We recommend that the Heart of Hampshire seek to engage with Hampshire County Council and make time for facilitated discussions on how their respective proposals and the potential to reach an agreed position. However, should there be no prospect of an agreed position by early 2017, the Heart of Hampshire authorities may wish to consider resolving whether or not an application for a combined authority should be worked up without Hampshire County Council involvement, recognising the potential further damage this could do to working relationships.

Appendix A Technical financial annex

The sections below present further financial analysis to that presented in section 4 of the main report. For each unitary option considered, a more comprehensive financial assessment has been presented that includes;

- Discussion as to each unitary's ability to generate a baseline budget surplus/deficit, including analysis of any funding gaps anticipated as per completed budget book projections;
- Detailed analysis of the potential savings to be achieved through re-organisation; and
- Presentation of alternative approaches to council tax harmonisation and the results thereon.

A.1. Six unitary option

The detailed financial analysis for the six unitary authority option is presented below. It is important to note that the disaggregation of Hampshire County Council data undertaken (i.e. to the six Heart of Hampshire authorities) has been limited to its Revenue Account income and expenditure line items only. An assessment would have to be made as to how best to apportion Hampshire County Council's reserves were unitarisation to proceed, though this has not been included as part of this analysis.

Appendix table 1 – Six unitary option financial analysis

	Surplus/deficit 2016/17 (£ '000)	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
Six unitary authority option			
Basingstoke and Deane Unitary	137	(1,693)	5,020
Hart Unitary	15,412	12,487	14,011
New Forest Unitary	(3,973)	(2,612)	5,510
Rushmoor Unitary	(311)	(348)	2,186
Test Valley Unitary	(124)	(4,148)	317
Winchester Unitary	12,062	10,116	14,538

The analysis suggests that there is a financial mismatch between the six authorities. Hart and Winchester would generate a financial surplus in both 2016/17 and in 2021/22 pre and post re-organisation, indicating their apparent viability as stand-alone authorities. All other authorities would generate financial deficits before the effects of re-organisation, and the savings and efficiencies associated with it, are taken into account. Such savings would see Hart and Winchester's financial position further strengthened whilst all other unitaries would see their recorded deficits become surpluses, though only marginally in the case of Test Valley (a surplus of just £0.3m would be generated).

It is important to note however, that Basingstoke and Deane, Test Valley and Winchester all anticipate funding gaps as per their 2021/22 budget book projections of £4.9m, £2.8m and £1.7m respectively. The table below indicates the financial impact on the respective budget surplus/deficit positions were these funding gaps to be closed.

Appendix table 2 – Six unitary option financial analysis – closure of funding gaps

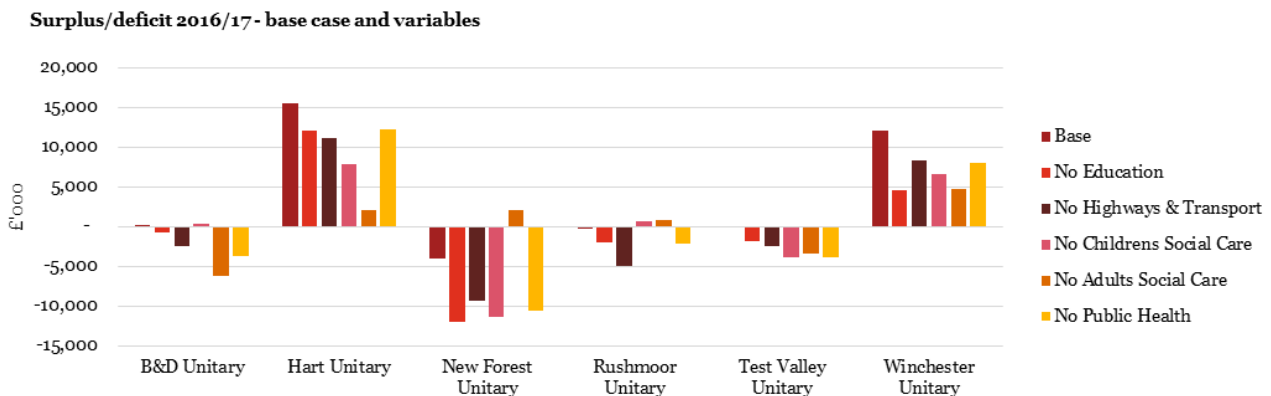
	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 assuming funding gap is closed (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
Basingstoke and Deane Unitary	(1,693)	3,235	9,948
Test Valley Unitary	(4,148)	(1,374)	3,091
Winchester Unitary	10,116	11,788	16,030

Even if Basingstoke and Deane’s and Test Valley’s funding gaps were not closed, their pre re-organisation deficits of £1.7m and £4.1m would represent 0.67% and 2.38% of their respective total net current expenditures.

Drivers of the surplus/deficit

In order to better understand the drivers behind the projected surplus/deficit position of each proposed unitary authority we have examined the effect on the 2016/17 baseline of removing certain services, currently provided by Hampshire County Council, from their control.

Appendix graph 1 – Six unitary option base case and variables



Appendix table 3 – Six unitary option – drivers behind the projected surplus/deficit position

	B&D Unitary	Hart Unitary	New Forest Unitary	Rushmoor Unitary	Test Valley Unitary	Winchester Unitary
Base Position	137	15,412	(3,973)	(311)	(124)	12,062
No Education	(763)	12,000	(12,034)	(2,021)	(1,802)	4,622
No Highways & Transport	(2,445)	11,036	(9,375)	(4,990)	(2,526)	8,302
No Children’s Social Care	257	7,877	(11,452)	580	(3,909)	6,648
No Adults Social Care	(6,210)	2,040	1,969	853	(3,352)	4,700
No Public Health	(3,708)	12,269	(10,559)	(2,130)	(3,872)	8,000

As the graph and table above indicate, the removal of Education services, Children’s social care and Adult’s social care have a marked impact on the majority of the proposed unitary authorities.

The removal of Adults social care would have the most marked impact on Basingstoke and Deane and its base case surplus position (£0.1m) would become a budget deficit of £6.2m indicating that the funding it receives for these services exceeds the expenditure it incurs providing them. Similarly, the removal of Adult’s social care has the most marked financial impact on the Hart unitary, seeing a significant budget surplus of £15.4m much reduced to £2.0m. Conversely, New Forest’s and Rushmoor’s deficit positions would improve, and become financial surpluses, once adults social care services is removed from their control, indicating that the expenditure it incurs providing these services exceeds associated income it receives for these services. The

removal of children's social care has the most marked impact on the Test Valley unitary, seeing a budget deficit of £0.1m become a deficit of £3.9m whilst the removal of education would see Winchester's base case surplus of £12.1m reduced to £4.6m, again indicating that the funding these authorities receive for these services exceeds the expenditure they incur providing them.

Cost of re-organisation

Re-organising to form six unitary authorities would see total net savings of £77.4m achieved over the five period to 2021/22. This level of net savings is the lowest of all options considered and this is mainly due to the costs associated with implementing new senior management structures for the six authorities. Whereas savings of £21.3m and £10.7m can be made when re-organising to form a one unitary or two unitary structure respectively, a move to six unitary authorities would actually incur costs totalling £31.6m over a five year period with annual costs of £7.9m incurred from year three onwards. As for all options considered, the potential net savings attainable under a six unitary structure are largely driven by the transformation programmes and the savings achievable through a reduction in FTE count associated with them. A steady state, annualised saving of £27.7m is achievable from year four onwards; though this is 33.2% and 28.4% lower than when compared to the single and two unitary authority options respectively.

Appendix table 4 – Six unitary option – reorganisation and transformation

Six unitary authorities	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Transition costs						
Employee severance costs	8.3	8.3	8.3	0.0	0.0	24.9
Member costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Other transition costs	3.3	3.3	3.3	0.0	0.0	9.8
Total costs	11.5	11.5	11.5	(0.1)	(0.1)	34.2
Savings						
Member savings	0.4	0.4	0.4	0.4	0.4	2.0
Election savings	0.5	0.5	0.5	0.5	0.5	2.3
Senior management savings	(2.6)	(5.3)	(7.9)	(7.9)	(7.9)	(31.6)
Asset disaggregation	0.5	1.0	1.5	1.5	1.5	6.1
Transformation savings	11.1	22.1	33.2	33.2	33.2	132.8
Total savings	9.8	18.7	27.7	27.7	27.7	111.6
Net (costs)/savings	(1.7)	7.3	16.2	27.8	27.8	77.4

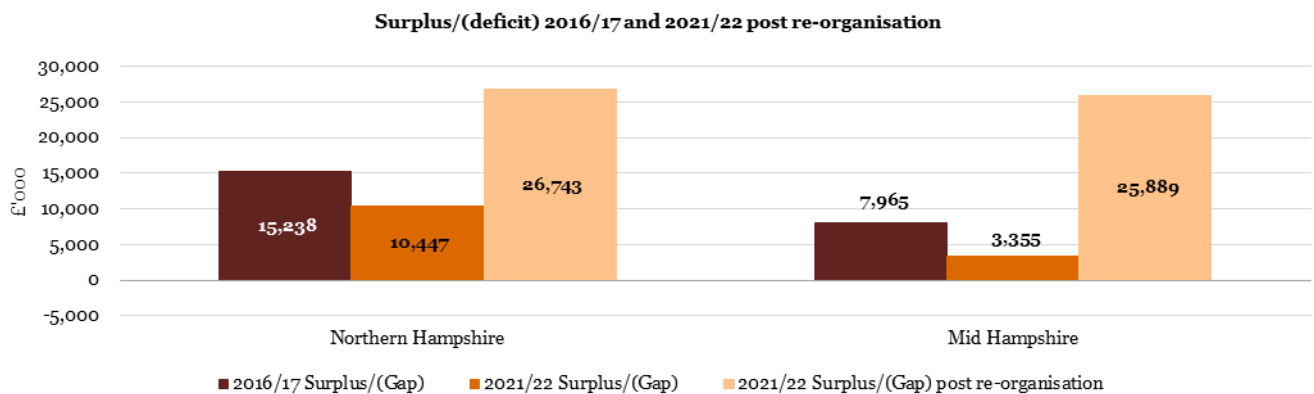
A.2. Two unitary option

The financial analysis for the two unitary authority option is presented below:

Appendix table 5 – Two unitary option – financial analysis

	Surplus/deficit 2016/17 (£'000)	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
Two UA Option			
Northern Hampshire Unitary	15,238	10,447	26,743
Mid Hampshire Unitary	7,965	3,355	25,889

Appendix graph 2 – Two unitary option financial analysis



Whilst both unitary options generate a financial surplus in 2016/17, Northern Hampshire does to a greater extent (£15.2m vs £8.0m). Though the financial position worsens over the five year period to 2021/22 both unitary authorities still report financial surpluses at this point (£10.4m and £3.4m respectively). These reductions are attributable to the fact that three of the six district councils (Basingstoke and Deane, Test Valley and Winchester) have reported expected revenue shortfalls in their budget book projection. When the net savings associated with re-organisation are taken into account (£16.3m and £22.5m for Northern and Mid Hampshire respectively) both proposed unitary authorities have the potential to generate significant surpluses and indeed at comparable levels.

Again, were the funding gaps reported by the Basingstoke, Test Valley and Winchester for 2021/22 to close, then the financial position of each authority would be as follows:

Appendix table 6 – Two unitary option financial analysis –closure of funding gaps

	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 assuming funding gap is closed (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
Northern Hampshire Unitary	10,447	15,375	31,671
Mid Hampshire Unitary	3,355	7,801	30,335

Cost of re-organisation

Creating two unitary authorities for the Heart of Hampshire would generate potential net savings of £122.1m over the five year period to 2021/22, with annual net savings of £38.8m achievable from year four onwards. This is the second greatest amount, second only to the single unitary option. Given that employee severance and other transition costs, member, election, asset disaggregation and transformation savings are consistent regardless of which unitary option is pursued, the differentiator compared to the six unitary option is senior management savings achievable. Re-organising in this manner would require just two senior management structures to be implemented and so offer scope for considerable savings (£2.7m annually from year four onwards) to be achieved.

Appendix table 7 – Two unitary authority (UA) option – reorganisation and transformation

Two UAs (Three districts in each)	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Transition costs						
Employee severance costs	8.3	8.3	8.3	0.0	0.0	24.9
Member costs	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(2.9)
Other transition costs	3.3	3.3	3.3	0.0	0.0	9.8
Total costs	11.0	11.0	11.0	(0.6)	(0.6)	31.8
Savings						
Member savings	0.4	0.4	0.4	0.4	0.4	2.0
Election savings	0.5	0.5	0.5	0.5	0.5	2.3
Senior management savings	0.9	1.8	2.7	2.7	2.7	10.7
Asset disaggregation	0.5	1.0	1.5	1.5	1.5	6.1
Transformation savings	11.1	22.1	33.2	33.2	33.2	132.8
Total savings	13.3	25.8	38.2	38.2	38.2	153.9
Net (costs)/savings	2.3	14.8	27.3	38.8	38.8	122.1

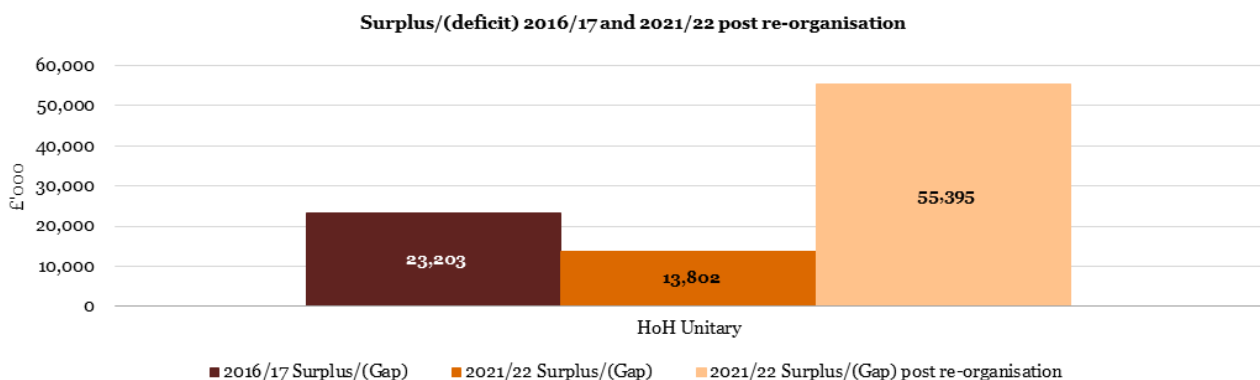
A.3. One unitary option

The financial analysis for the single Heart of Hampshire unitary authority option is presented below:

Appendix table 8 – One unitary option – financial analysis

	Surplus/deficit 2016/17 (£'000)	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
One unitary authority option			
Heart of Hampshire Unitary	23,303	13,802	55,395

Appendix graph 3 – One unitary option financial analysis



The analysis indicates that a Heart of Hampshire unitary authority would generate a financial surplus (£23.2m) in the baseline year (2016/17) suggesting that the Heart of Hampshire geography is currently a net contributor to the County and that it subsidises the Solent District Councils. Whilst the financial position deteriorates over the period to 2021/22, again, this is due to the fact that three of the six Heart of Hampshire authorities reported deficits (totalling £9.4m) as part of their budget book projections. Perhaps unsurprisingly, the single unitary option has the potential, largely driven by economies of scale, to generate the greatest level of net savings from

re-organisation (£41.6m per annum from year four onwards) of any proposed option. As such, the financial surplus post re-organisation (£55.4m) of any of the options considered is the greatest under this case.

Were the funding £9.4m funding gap anticipated in 2021/22 across the Heart of Hampshire authorities to be closed then the single unitary's budget surplus position would be as follows:

Appendix table 9 – One unitary option – financial analysis – closure of funding gaps

	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 assuming funding gap is closed (£'000)	Surplus/deficit 2021/22 after transformation (£'000)
Heart of Hampshire Unitary	13,802	23,176	64,769

Cost of re-organisation

Re-organising to form a single Heart of Hampshire unitary presents the opportunity for the greatest level of net savings both over the five year period to 2021/22 (£133.2m) and on an annualised steady state basis (£41.6m per annum from year four onwards). Whilst the costs (£31.2m) associated with establishing a single unitary authority for the Heart of Hampshire are broadly similar to those incurred establishing two unitary (£31.8m) and six unitary (£34.2m) structures, total potential savings (£164.4m) are much greater under this option. Again, the main differentiator between this and other unitary structures considered is the savings achievable through the reduction in senior management numbers. Under this option, the requirement for just one senior management structure offers the potential for annual savings of £5.3m from year four onwards and total savings of £21.3m over the five year period to 2021/22.

Appendix table 10 – One unitary option – reorganisation and transformation

Single unitary authority	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Transition costs						
Employee Severance costs	8.3	8.3	8.3	0.0	0.0	24.9
Member costs	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(3.5)
Other transition costs	3.3	3.3	3.3	0.0	0.0	9.8
Total costs	10.9	10.9	10.9	(0.7)	(0.7)	31.2
Savings						
Member savings	0.4	0.4	0.4	0.4	0.4	2.0
Election savings	0.5	0.5	0.5	0.5	0.5	2.3
Senior management savings	1.8	3.5	5.3	5.3	5.3	21.3
Asset Disaggregation	0.5	1.0	1.5	1.5	1.5	6.1
Transformation savings	11.1	22.1	33.2	33.2	33.2	132.8
Total savings	14.2	27.5	40.9	40.9	40.9	164.4
Net (costs)/savings	3.3	16.7	30.0	41.6	41.6	133.2

A.4. Council tax harmonisation

Combining district authorities into unitary authorities will require the converging of council tax rates. We have adopted the approach that the lowest rate inherited within the configuration should be increased at the highest annual percentage increase available for a unitary authority and that all other rates should be increased by the required percentages so that council tax rates are identical at the end of a specific convergence period⁶⁰.

The Spending Review of November 2015 announced that for the rest of the current Parliament, local authorities responsible for adult social care will be given an additional 2% on the threshold annual increase. A statistical release from DCLG in March 2016 on council tax levels⁶¹, showed that unitary authorities and county councils have increased their average Band D rates by approximately the maximum of 3.99%, as most have opted to increase council tax close to referendum principles. Districts have rate increases at just above 2%, which reflects the referendum principles of a 1.99% or £5 increase.

For the purposes of the baseline study we have assumed a convergence period of 20 years, as this was the timeframe adopted by Local Partnerships in their analysis of potential options for the reconfiguration of local authorities in Dorset⁶², although it is up to the new unitary authorities to determine an appropriate time period of convergence. An alternative 5 year convergence period has been assessed for the purposes of comparison which shows that altering the time period of convergence can significantly alter the level of council tax that could be collected following transition.

We have calculated the base level of council tax income in the existing two tier structure by increasing district and county council tax rates by 1.99% and 3.99% respectively and multiplying this by the tax base in each district. This baseline has then been used to determine the financial impact of transitioning to a single tier unitary system under the different options.

In the scenarios where no convergence is required i.e. the six unitary option, there is a possibility to generate further council tax by increasing what was previously the district portion of council tax by 3.99%. In all periods of convergence this would result in additional council tax income. The table below highlights the financial impact of council tax harmonisation over the first five years of harmonisation assuming a 20 year convergence period. This approach sees the lowest inherited council tax rate increased at a rate of 3.99% per annum and converging all other inherited rates.

The results indicate that from year 2 onwards, all of the proposed unitary options could in fact generate additional council tax income following the harmonisation process. Mid Hampshire and the Heart of Hampshire unitary authorities would generate the greatest additional income, on an individual unitary basis, over the five year period, with amounts totalling £1.8m in year five for both authorities. However, the six unitary option would see the most additional council tax generated for the Heart of Hampshire as a whole, with additional income in year totalling £4.5m in year five and £10.5m over the first five years of harmonisation.

It should be noted that the figures in the table below are an indication as to the maximum additional council tax that could be raised by each new authority following a move to unitary structures. The extent to which the maximum permitted 3.99% increase is implemented will be a matter for each authority to determine bearing in mind their aspirations with regards to council tax levels.

⁶⁰ Dorset Councils – Potential Options for the reconfiguration of local authorities

⁶¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/512402/Council_tax_levels_set_by_local_authorities_in_England_2016-17.pdf

⁶² Dorset Councils – Potential options for the reconfiguration of local authorities – Local Partnerships

Appendix table 11 Council Tax Harmonisation (20 year convergence period)

First 5 years of harmonisation	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single UA					
Heart of Hampshire:	-	343,036	707,022	1,222,008	1,772,458
Two UAs (3 districts in each)					
Northern Hampshire	-	221,941	455,110	697,147	961,586
Mid Hampshire	-	342,384	713,293	1,246,327	1,813,679
Six UAs					
Basingstoke and Deane	-	269,674	556,605	861,613	1,195,360
Hart	-	86,516	179,948	277,985	384,105
New Forest	-	92,090	202,394	331,779	481,151
Rushmoor	-	113,986	236,990	369,619	512,826
Test Valley	-	129,630	266,204	542,478	829,775
Winchester	-	246,154	506,220	780,836	1,070,670

Clearly, any additional income to be received following harmonisation will improve the budget surplus/deficits of the proposed unitary authorities. The table below presents the year five financial position of each unitary authority once the effects of re-organisation and council tax harmonisation have been considered.

Appendix table 12 Financial surplus/ (deficit) post re-organisation and council tax harmonisation

	Surplus/deficit 2021/22 (£'000)	Surplus/deficit 2021/22 assuming funding gap is closed (£'000)	Surplus/deficit 2021/22 post re- organisation (£'000)*	Surplus/deficit 2021/22 post re- organisation and CT harmonisation (£'000)*
Six Unitary Option				
Basingstoke and Deane	(1,693)	3,235	9,948	11,143
Hart	12,487	12,487	14,011	14,395
New Forest	(2,612)	(2,612)	5,510	5,991
Rushmoor	(348)	(348)	2,186	2,669
Test Valley	(4,148)	(1,374)	3,091	3,921
Winchester	10,116	11,788	16,030	17,101
Two Unitary Option				
Northern Hampshire	10,447	15,375	31,671	32,633
Mid Hampshire	3,355	7,801	30,335	32,149
Single Unitary Option				
Heart of Hampshire	13,802	23,176	64,769	66,541

*Presents position assuming funding gaps are closed

As can be seen from the table above, the financial position of each unitary authority is strengthened once the effects of council tax harmonisation are considered.

It is important to consider the effects of council tax harmonisation not only in terms of additional/foregone income for each authority but also in terms of the impact on individual tax payers. The table below illustrates how tax payers' council tax bills can be expected to change following the effects of council tax harmonisation. It is important to note that the changes quoted below relate only to the difference between the current District Band D and Hampshire County Council charges and their equivalent under the new unitary structure. Amounts

payable to Hampshire Fire and Rescue Authority, the Police and Crime Commissioner for Hampshire and to Parish Councils, where applicable, have not been included as part of the analysis.

Appendix table 13 Change in council tax per Band D property (20 year convergence period)

20 year convergence period	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single unitary authority option					
Heart of Hampshire					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	(0.57)	(1.17)	(1.89)	(2.64)
New Forest	-	(1.58)	(3.14)	(4.67)	(6.18)
Rushmoor	-	(0.85)	(1.83)	(2.95)	(4.21)
Test Valley	-	1.05	2.11	6.03	10.04
Winchester	-	3.87	7.85	11.93	16.12
Two unitary authority option (3 districts in each)					
Northern Hampshire					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	(0.57)	(1.17)	(1.89)	(2.64)
Rushmoor	-	(0.85)	(1.83)	(2.95)	(4.21)
Mid Hampshire					
New Forest	-	(0.21)	(0.30)	(0.25)	(0.06)
Test Valley	-	2.39	4.91	10.39	16.08
Winchester	-	5.21	10.63	16.27	22.12
Six unitary authority option					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	2.25	4.68	7.22	9.98
New Forest	-	1.32	2.89	4.72	6.83
Rushmoor	-	3.74	7.70	11.89	16.33
Test Valley	-	2.79	5.73	11.68	17.87
Winchester	-	5.21	10.63	16.27	22.12

As the table above indicates, there would be varying impacts on the council tax payers in the single and two unitary options, depending on the districts in which they are located. Council tax payers in Basingstoke and Deane, Test Valley and Winchester would see a greater council tax charge under a new single or two unitary structure, as additional council tax income can be generated by the unitary authorities. Conversely, council tax payers in Hart, New Forest and Rushmoor would pay lower council tax rates under the new structures, as rate increases lower in order to achieve convergence over the 20 year period.

Under a six unitary structure, all council tax payers would pay higher council tax rates as the transition to the new structure would allow for annual 3.99% rate increases on what was previously the district portion of council tax.

Clearly, there are a number of approaches to harmonising council tax that could be adopted. For example, the approach that sees the lowest inherited council tax rate increased at a rate of 3.99% per annum and converging all other inherited rates could be maintained but the period over which convergence occurs shortened. An assessment of the effect of reducing the convergence period from 20 to five years for example has been considered, full details of which can be found below. Alternatively, the highest inherited rate within a unitary structure could be fixed and a percentage increase applied to all other authorities so that the council tax rates of

all combining district authorities are the same at the end of the convergence period, however long that may be. Again, the impact of adopting this alternative approach, both in terms of additional/foregone income for the authorities and the effect on residents has been considered below.

Five year convergence period

Appendix table 14 below highlights the effect, from the perspective of the unitary authorities, of reducing the convergence period from 20 to five years, whilst still maintaining the approach of increasing the lowest inherited council tax rate at a rate of 3.99% per annum and converging all other inherited rates. Appendix table 14 below demonstrates the impact a five year convergence period would have on council tax payers.

Appendix table 14 – Additional/foregone council tax following harmonisation (5 year convergence period)

First 5 years of harmonisation	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single UA option					
Heart of Hampshire	-	(1,876,183)	(3,897,717)	(5,943,974)	(8,140,383)
Two UA option (3 districts in each)					
Northern Hampshire	-	(702,504)	(1,462,218)	(2,285,358)	(3,162,443)
Mid Hampshire	-	(127,020)	(262,488)	(274,989)	(294,632)
Six UA option					
Basingstoke and Deane	-	269,674	556,605	861,613	1,195,360
Hart	-	86,516	179,948	277,985	384,105
New Forest	-	92,090	202,394	331,779	481,151
Rushmoor	-	113,986	236,990	369,619	512,826
Test Valley	-	129,630	266,204	542,478	829,775
Winchester	-	246,154	506,220	780,836	1,070,670

Whereas a 20 year convergence period could see all unitary authorities generate additional council tax income, a five year convergence period would actually see some authorities forego council tax income. Of the unitary authorities proposed, the Heart of Hampshire option would see the greatest level of council tax foregone, with year five amounts totalling £8.1m. Both authorities under the two unitary option would also see council tax foregone with the year five amounts totalling £3.2m and £0.3m for Northern and Mid Hampshire respectively. Whilst, such amounts would clearly negatively impact the surplus position of the unitaries, none would be effected to the extent that a deficit position would be returned.

Heart of Hampshire would see its post re-organisation, pre council tax harmonisation surplus fall from £64.8m to £56.7m once the effects of harmonisation are taken into account, whilst Northern and Mid Hampshire's would fall from £31.7m and £30.3m to £28.5m and £30.0m respectively. On the other hand, were a six unitary option adopted then each would see additional council tax income generated through harmonisation, with Basingstoke and Deane and Winchester seeing the greatest additional amounts in year five, totalling £1.2m and £1.1m respectively.

Appendix table 15 – Change in council tax per Band D property (5 year convergence period)

5 year convergence period	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single unitary authority option					
Heart of Hampshire					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	(11.07)	(22.87)	(35.52)	(48.98)
New Forest	-	(12.40)	(25.50)	(39.32)	(53.91)
Rushmoor	-	(17.93)	(36.99)	(57.25)	(78.75)
Test Valley	-	(5.47)	(11.39)	(14.94)	(18.92)
Winchester	-	(1.13)	(2.53)	(4.22)	(6.20)
Two unitary authority option (3 districts in each)					
Northern Hampshire					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	(11.07)	(22.87)	(35.52)	(48.98)
Rushmoor	-	(17.93)	(36.99)	(57.25)	(78.75)
Mid Hampshire					
New Forest	-	(5.95)	(12.18)	(18.71)	(25.58)
Test Valley	-	0.91	1.82	5.58	9.41
Winchester	-	5.21	10.63	16.27	22.13
Six unitary authority option					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	2.25	4.68	7.22	9.98
New Forest	-	1.32	2.89	4.72	6.83
Rushmoor	-	3.74	7.70	11.89	16.33
Test Valley	-	2.79	5.73	11.68	17.87
Winchester	-	5.21	10.63	16.27	22.13

As with the 20 year convergence period, there would be varying impacts on the council tax payers in the single unitary authority and two unitary authority options under a five year convergence period, depending on the districts in which they are located. Council tax payers in Basingstoke and Deane would pay a greater council tax charge under the single unitary authority and two unitary authority option, as additional council tax income is generated by the unitary authorities. Council tax payers in Winchester and Test Valley would pay lower rates of council tax in the single unitary authority option but more under the two unitary authority structure. Council tax payers in Hart, New Forest and Rushmoor would pay lower council tax rates under both a single and two tier structure, as rate increases are lower in order to achieve convergence. Tax payers across the Heart of Hampshire geography would be required to pay increased levels of council tax were a six unitary structure to be adopted.

Converging to highest inherited rate

An alternative approach that could be adopted would see council tax harmonised by fixing the highest rate inherited within a unitary configuration and applying the percentage increase to the other authorities so that the council tax rates of all combining district authorities are the same at the end of a designated convergence period. As Appendix table 16 below indicates, this would likely lead to significant levels of foregone council tax were a single or two unitary structure to be adopted.

Appendix table 16 – Alternative approach (20 year convergence period)

First 5 years of harmonisation (£)	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single unitary authority option					
Heart of Hampshire	-	(12,798,913)	(26,253,178)	(40,262,713)	(55,074,473)
Two unitary authority option (3 districts in each)					
Northern Hampshire	-	(5,648,085)	(11,616,673)	(17,923,600)	(24,671,666)
Mid Hampshire	-	(7,398,122)	(15,133,483)	(23,088,179)	(31,406,375)
Six unitary authority option					
Basingstoke and Deane	-	269,674	556,605	861,613	1,195,360
Hart	-	86,516	179,948	277,985	384,105
New Forest	-	92,090	202,394	331,779	481,151
Rushmoor	-	113,986	236,990	369,619	512,826
Test Valley	-	129,630	266,204	542,478	829,775
Winchester	-	246,154	506,220	780,836	1,070,670

Appendix table 16 above indicates that adopting a single unitary would result in the greatest level of foregone council tax with £55.1m less to be collected in year five. This would see the surplus position (post re-organisation) for the Heart of Hampshire unitary markedly reduced; falling from £64.8m to £9.7m once the effects of harmonisation are considered. Significant levels of council tax would also be foregone under a two unitary structure with North and Mid Hampshire expected to generate £24.7m and £31.4m less in council tax income in the fifth year after harmonisation. This would result in a marked reduction in North Hampshire's post re-organisation surplus £31.7m, which following harmonisation would fall to £7.0m. The impact would be more significant for Mid Hampshire which would see its surplus of £30.3m become a deficit of £1.1m once the effects of council tax harmonisation are considered. However, this deficit position would represent just 0.18% of total net current expenditure.

Appendix table 17 – Change in council tax per Band property (alternative approach)

20 year convergence period	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Single unitary authority option					
Heart of Hampshire					
Basingstoke and Deane	-	(38.92)	(79.54)	(121.93)	(166.17)
Hart	-	(45.47)	(92.72)	(141.90)	(192.99)
New Forest	-	(46.53)	(94.79)	(144.82)	(196.71)
Rushmoor	-	(46.81)	(95.42)	(145.90)	(198.31)
Test Valley	-	(43.20)	(88.18)	(132.16)	(178.00)
Winchester	-	(40.12)	(81.96)	(125.57)	(171.04)
Two unitary authority option (3 districts in each)					
Northern Hampshire					
Basingstoke and Deane	-	(38.92)	(79.54)	(121.93)	(166.17)
Hart	-	(45.47)	(92.72)	(141.90)	(192.99)
Rushmoor	-	(46.81)	(95.42)	(145.90)	(198.31)
Mid Hampshire					
New Forest	-	(48.06)	(97.84)	(149.41)	(202.84)
Test Valley	-	(44.70)	(91.20)	(136.69)	(184.05)

20 year convergence period	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Winchester	-	(41.62)	(84.96)	(130.08)	(177.06)
Six unitary authority option					
Basingstoke and Deane	-	4.25	8.66	13.25	18.03
Hart	-	2.25	4.68	7.22	9.98
New Forest	-	1.32	2.89	4.72	6.83
Rushmoor	-	3.74	7.70	11.89	16.33
Test Valley	-	2.79	5.73	11.68	17.87
Winchester	-	5.21	10.63	16.27	22.13

Adoption of the alternative approach would mean that all council tax payers would pay lower rates of council tax over the convergence period in the single unitary authority and two unitary authority options. Council tax payers would pay higher council tax rates under the six unitary structure however, as transition to a unitary structure would enable annual 3.99% rate increases on what was previously the district portion of council tax.

A.5. Disaggregation of Revenue Support Grant (RSG)

As part of the disaggregation process outlined in section 4.3 of the main report c.£81m of County Council RSG has been disaggregated across the districts for 2016/17. It is recognised that complex formulae such as RSG (which is calculated on a 'needs' basis) cannot easily be disaggregated. However, in the absence of publicly available data of the granularity and accuracy that would allow for such a formula to be recalculated, a broader high level disaggregation factor 'population' has been selected.

We have run several sensitivities on the RSG disaggregation calculation to test the robustness of our use of population as the key driver. Appendix table 15 below sets out three alternative disaggregation factors (A to C).

Appendix table 15 – Alternative RSG disaggregation

(£'000)	Basingstoke & Deane	Hart	New Forest	Rushmoor	Test Valley	Winchester
RSG allocation using 'Population'	(10,378)	(5,606)	(10,686)	(5,691)	(7,205)	(7,204)
Impact of using alternative disaggregation						
A. Service Use	352	(503)	(193)	(72)	236	(171)
B. Tax Base	370	510	546	(652)	174	483
C. Relative Need	(20)	(778)	589	261	(130)	206
Maximum Impact	370	(778)	589	(652)	236	483
Maximum Impact as a % of Net Current Expenditure 16/17	0.1%	(0.6)%	0.2%	(0.4)%	0.1%	0.3%

Using the Districts current use of the county services (A. Service Use) and Tax base as a proxy for service demand (B. Tax Base) produces no material impact on the model. The impact in 2016/17 is less than 1% of net current expenditure for all districts. No Hampshire County Council RSG is disaggregated in the analysis post 2016/17.

Appendix B The Brief

B.1. Unitary options analysis and devolution study May 2016

In support of local devolution proposals to Government and the delivery of better services, through improved governance, for our residents, advice is required in relation to the options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitarisation.

This study, conducted across two stages, will examine the quantitative and qualitative implications of the options for change against a range of criteria including the opportunities for savings and efficiencies, opportunities for enhanced democratic accountability and local leadership, together with opportunities to improve service performance and resident satisfaction through new approaches. These opportunities need to be compared with less radical options, including the status quo and enhanced conventional shared services.

This commission will provide an objective and independent appraisal of the options for unitary local government and the grouping of unitary authorities to take advantage of the opportunity for devolution under combined authority arrangements.

Stage 1 client group:

Basingstoke and Deane Borough Council (Lead Client)
Hart District Council
New Forest District Council
Rushmoor Borough Council
Test Valley Borough Council
Winchester City Council

Contact: Mel Barrett
Chief Executive, Basingstoke and Deane Borough Council
Mel.Barrett@basingstoke.gov.uk

Background Context

Local government within Hampshire and the Isle of Wight (HIOW) comprises 11 district and borough councils, three unitary authorities and 1 county council. Local authorities within the HIOW geography have been discussing the devolution of powers and responsibilities from Government since early 2015.

District and unitary colleagues across HIOW view the devolution agenda as an opportunity to collectively secure greater resources from Government, engage with Government on issues and functions that cross existing local authority boundaries (such as transport, economic development, skills, business support, inward investment and employment) and be consulted on and ultimately influence the delivery of national programmes to better address local need.

Discussions on a pan HIOW combined authority and devolution deal broke down in February 2016 when it became clear that unanimous support for a directly elected Mayor across the entire HIOW geography could not be achieved.

Following this development, alternative proposals were submitted to Government by Southampton, Portsmouth, Isle of Wight, Fareham, Gosport, Havant, Eastleigh and East Hampshire for a “Solent Combined Authority”.

To secure similar arrangements and benefits for residents the remaining local authorities comprising the area covered by Basingstoke and Deane Borough Council, Winchester City Council, Hart District Council, Rushmoor Borough Council, New Forest District Council and Test Valley Borough Council continued to explore the potential for, with support from Enterprise M3 Local Enterprise Partnership, the establishment of a combined authority and devolution deal with Government. These discussions progressed under the guise of a proposed

“Heart of Hampshire Combined Authority” and culminated in a letter to the Secretary of State for Communities and Local Government and the Chancellor of the Exchequer dated 4th May 2016, to illicit a response from government and to gauge the level of interest in this initiative.

Hampshire County Council (HCC) has been engaged on an open and transparent basis throughout these discussions, despite stating that they are unlikely to support any proposals that result in what could be perceived as a “split of the county”.

On Friday 13th May HCC announced its intention to consider options to pursue unitary local government across HIOW. This announcement was supported by an Executive Summary of a report by Deloitte LLP entitled, “Hampshire County Council, Initial analysis of options for local government in Hampshire and the Isle of Wight”.

The client group has progressed devolution discussions with a shared understanding that should a satisfactory combined authority deal be unable to be concluded, or if HCC is unwilling to support the establishment of the proposed combined authorities, then a fundamental review of local government structural reform would need to be considered to provide a basis for the future delivery of efficient and effective public services.

Brief

In support of local devolution proposals to Government¹ and the delivery of public services more effectively through improved governance the client group is currently considering options for the future of local government, including appropriate local government structural reform and unitarisation.

To assist with councils’ considerations about the most appropriate unitary authority model, a leading consultancy is to be appointed to undertake an independent analysis of the possible unitary authority (UA) options.

This analysis should include options for the grouping of UAs to take advantage of the opportunity for devolution under combined authority arrangements and be compared with the progress made to date within the HIOW geography.

Any options appraisal should not be predicated on assumptions that services cannot continue to be delivered by groups of authorities crossing multiple local authority boundaries. Innovative thinking is required in respect of how different services can be effectively delivered at different levels of scale and differing levels of democratic accountability.

This open and transparent study will be undertaken with an understanding that, given the broad range of views locally, information used within the analysis should be available to inform the thinking of all parties affected. Similarly, to save time and public money, it is the intention that the yet to be appointed advisors will be granted legitimate access to any existing work already undertaken by the 15 district, unitary and county councils within HIOW.

The independent analysis and advisory support will be split into two stages as detailed on the following pages.

Stage 1 - Stakeholder engagement

The first stage will initially seek clarity from the leaders and chief executives of the six “Heart of Hampshire” authorities on existing work and discussions to date on devolution options and local government structural reform, and will subsequently include:

- engagement with leaders and chief executives of the district, unitary and county councils within HIOW to understand first hand their views on the opportunities and risks of local government structural reform and devolution;
- engagement with other public bodies, including Local Enterprise Partnerships, that would be impacted by local government structural reform and devolution, to understand the extent of the impact, the risks and opportunities on the wider public sector;
- engagement with DCLG and other Government departments as a major stakeholder in local government accountability and devolution opportunities;
- agreeing the UA options to be reviewed (Stage 1a sign off); and,
- developing a set of criteria to test each UA option against (quantitative and qualitative) (Stage 1b sign off).

Key deliverables

- A first hand understanding of the views held by all local authorities on the opportunities and risks of local government structural reform and devolution.
- A wider understanding of the impact, risk and opportunities presented by local government structural reform and devolution on the wider public sector.
- In so far as possible, establish a broad consensus across local authorities on the options to be considered under the study and the criteria to assess the options against.

Stage 2 - Options appraisal and analysis

[Exact scope will be dependent on the outcome of stage 1. In essence, agreement to the options to be considered under the study and the criteria to assess the options against]

Assess each UA and the existing two tier status quo against the agreed criteria by undertaking analysis on:

- Income and expenditure;
- Impact from demographic and economic growth;
- Saving and efficiency opportunities;
- Establishment costs, transition costs and payback periods;
- Options for enhanced governance through Combined Authorities, as appropriate;
- Options for enhanced engagement, democratic accountability and leadership at the local level;
- Opportunities for service redesign/transformation, and alternative delivery models for delivering devolution and the provision of services across public sector organisation boundaries;
- Opportunities for service performance improvements through new approaches;
- Findings compared against shared service approaches not requiring structural reform; and

Draft analysis presented for checking (Stage 2 sign off).

Key deliverables - Outcome A

A written report providing independent analysis of each UA option and the existing two tier status quo against the agreed criteria, to be used to assist the Councils' consideration of the preferred UA option and suitable arrangements for a combined authority.

Key deliverables - Outcome B

Specific advice to Basingstoke and Deane Borough Council on next steps to maximise the likelihood of a successful application for unitary status which is most closely aligned with the council's expressed priority to localise services shaped by communities, whilst maintaining service resilience.

Notes

1 The Chief Executive of Basingstoke and Deane Borough Council will act as lead client for the work on behalf of the Heart of Hampshire local authorities.

2 A steering group comprising the chief executives from Basingstoke and Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council will be established to provide a sounding board and guidance to the consultants.

3 Hampshire County Council will be approached in due course for the agreement to an information sharing protocol between the appointed consultant and Deloitte to facilitate mutual understanding and cost saving in relation to the use of public money.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

If, pursuant to a request which you have received under the Freedom of Information Act, you are required to disclose any information (including any part of our bid) which we have provided to you, we request that you notify and consult with us promptly prior to disclosing such information. We ask that you pay due regard to any representations we may make in connection with such disclosure and apply any relevant exemptions which may exist under the Act to such information. If, following consultation with us, you disclose any such information, we ask that you ensure that any disclaimer we have included in the information is reproduced in any copies which you disclose.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

161117-162312-HK-UK