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# *Devolution and the future of local government*

## Hampshire & the Isle of Wight

*Confidential*

*November 2016*

Supplementary report for the Heart of  
Hampshire and Solent local authorities



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# *Contents*

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<b>Important notice.....</b>	<b>3</b>
<b>1. Introduction .....</b>	<b>4</b>
<b>2. The case for change .....</b>	<b>6</b>
<b>3. Combined Authorities as the mechanism to pursue devolution .....</b>	<b>7</b>
<b>4. The opportunity to recalibrate arrangements and relationships .....</b>	<b>8</b>
<b>5. The unitary authority options analysed .....</b>	<b>9</b>
<b>6. Our conclusions .....</b>	<b>11</b>
<b>7. Closing remarks .....</b>	<b>14</b>

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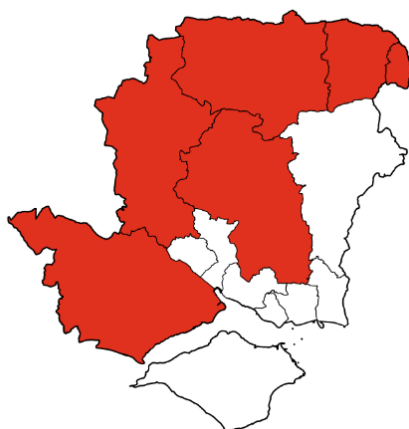
# 1. Introduction

**All local authorities in the Hampshire & the Isle of Wight (H&IOW) share an ambition to achieve progressive devolution of power, control and resources from Government to enable decision making to be 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.**

Devolution is dependent on agreement from the Government. All authorities came together to develop an H&IOW wide prospectus in response to a national call from Government to submit proposals, against an accelerated timetable, during Autumn 2015. At the time, this was believed to be the best way, given the legislation at the time, of starting the devolution process. Having been unsuccessful in reaching a consensus locally, those involved have evolved into three distinct groupings:



- Hampshire County Council who have developed and consulted on unitary authority options for Hampshire and the Isle of Wight geography;
- Solent authorities<sup>1</sup> who are focussed on securing a Solent Combined Authority and devolution deal with the Portsmouth City, Southampton City and the Isle of Wight Councils as constituent members, and with an invitation to the Solent Districts, the County Council and the Solent LEP to join as non-constituent members, as the first step on their devolution journey; and
- Heart of Hampshire' authorities<sup>2</sup> who want to establish a Combined Authority as a mechanism for the Heart of Hampshire authorities and the County Council to secure a devolution deal from Government and enable enhanced and effective working arrangements to benefit their residents and businesses.



**Heart of Hampshire** (comprises Basingstoke and Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council)



**Solent** (comprises East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Havant Borough Council, Isle of Wight Council, Portsmouth City Council and Southampton City Council).

<sup>1</sup> Portsmouth City Council, Southampton City Council, Isle of Wight Council, East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Havant Borough Council

<sup>2</sup> Basingstoke & Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council

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In this report we set out the overarching conclusions from our independent assessments of various options for the future of local government in Hampshire and the Isle of Wight based on two reports prepared for the Heart of Hampshire and the Solent authorities respectively. This report should be read in the context of the full analysis contained within those full ‘Devolution and the future of local government’ reports.

This report has been prepared for the Heart of Hampshire and Solent authorities to help identify a joint way forward to bring together all the local authorities in the H&IOW, to achieve a consensus on the best approach to pursue devolution for the benefit of residents and businesses in the H&IOW area.

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## ***2. The case for change***

All local authorities across Hampshire & the Isle of the Wight (H&IOW) 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 H&IOW.

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.

### ***3. Combined Authorities as the mechanism to pursue devolution***

The Heart of Hampshire authorities, Solent authorities and Hampshire County Council, with partners, would be stronger working together on a local consensus to secure devolved powers, control and resources from Government, whilst taking advantage of and respecting the differences in community identities and economies within H&IOW.

The Heart of Hampshire authorities and the Solent authorities pursuing two devolution deals provides an opportunity for bespoke deals with Government that reflect the differing priorities, needs and opportunities for economic growth and prosperity in each area.

The preferred solution for the authorities in both the Heart of Hampshire and Solent would be for:

- A Combined Authority for the Solent which brings together the three unitary authorities of the Isle of Wight, Portsmouth City and Southampton City Councils as founding members, with non-constituent membership open to the County Council, the Districts Councils (who are members of the Solent Local Enterprise Partnership<sup>3</sup>) and the Solent Local Enterprise Partnership, whom overtime may choose to apply to join as full voting members of the Combined Authority. This proposal is well advanced and has received support from the public consultation.
- A Combined Authority for the Heart of Hampshire which brings together the County Council and the Heart of Hampshire district authorities as founding members, with active participation of the Enterprise M3 Local Economic Partnership<sup>4</sup> as a non-constituent member. This proposal has not progressed further because at the time of our analysis, Hampshire County Council had reserved its position to support the formation of the Combined Authority pending the outcome of their public consultation<sup>5</sup>.

The Combined Authorities will allow existing authorities in each area individually and collectively to play to its strengths. Achieving agreement on these two elements would provide a clear governance mechanism across the Hampshire and the Isle of Wight through which to pursue the devolution of additional powers, control and resources, reflective of their distinct priorities. Over time, by demonstrating credibility each Combined Authority will create the confidence that helps them to secure greater devolution over areas that are important to them such as health.

In pursuing shared priorities through the Combined Authorities, the respective Heart of Hampshire and Solent authorities do so as equal parties, recognising and respecting individual sovereignty but also with collective accountability. In doing so, it could build on the strengths of the current arrangement and enhance outcomes for local people and businesses without disrupting the current structure of local government.

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<sup>3</sup> East Hampshire DC is a members of both the Solent and M3 LEPS.

<sup>4</sup> Test Valley BC and Winchester CC are members of both the Solent and M3 LEPS.

<sup>5</sup> We completed our analysis on 4 November 2016, however since then the county has published its response to its consultation exercise.

## ***4. The opportunity to recalibrate arrangements and relationships***

In addition, the creation of the Combined Authorities is viewed as the vehicle to facilitate change and 'recalibrate' arrangements and relationships between the Hampshire and Isle of Wight authorities across all tiers of local government. 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, with an underlying commitment to improve cultures and behaviours around joint working.

The first two principles are particularly relevant to two tier organisation, whereas the latter points are relevant to both two tier and unitary authority arrangements.

- 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;
- Allow different levels of service depending on need and where residents wish to pay more for enhanced services;
- Build services to become more citizen-centric, and restructure services to fit around the customer; 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 and Solent authorities believe strongly that any enhanced working arrangements between districts and the county should not only focus on service delivery but also on relationships. 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 customers and planning and managing delivery at the appropriate scale as part of an integrated approach.

Our original brief was to consider unitary authority options within Hampshire & the Isle of Wight in response to the options consulted on by Hampshire County Council. Our work with the Heart of Hampshire and Solent authorities has found that in the immediate term, there is limited appetite for local government reorganisation into unitary authorities, although both parties are keen to understand the evidence base that exists to support them.

Further development of an enhanced two tier arrangement would be the preferred approach for many of the Heart of Hampshire and Solent districts in the immediate future. This is more within the control of councils in Hampshire to make it happen, would avoid the upheaval of unnecessary reorganizational change, along with its associated costs and disruption, and could translate into tangible benefits for local residents and businesses more quickly. By working together there is more chance of making the first steps toward a devolved settlement for local government which evolves over time, rather than delaying decisions by seeking to identify a 'perfect' solution now.



## 5. The unitary authority options analysed




All authorities recognise that different areas may require different solutions that will evolve over time. There is also a recognition that in the medium to long term, unitary authorities within the Heart of Hampshire and Solent geographies may need to be considered and become necessary in the future due to the ongoing budget pressures experienced by local government. Our analysis finds that there could be potential savings from a transformation programme across local government in Hampshire & the Isle of Wight. But it has also identified issues and challenges with each option.




If a unitary authority solution was required, for example because of a change in government policy or to adapt to future funding pressures, then this analysis will be valuable in framing some initial options and discounting others. What is clear from our analysis is that any solution for Hampshire and the Isle of Wight is highly unlikely to be either at the scale of Hampshire or its individual districts, but somewhere in between.

For the reasons set out above, the Heart of Hampshire and Solent authorities have commissioned the analysis of different unitary authority options, recognising that:

- The options contained within the Hampshire County Council consultation were limited, specifically in relation to the Heart of Hampshire, and further options warrant consideration; and
- Options considered are based on combining existing authority boundaries.

The options analysed in the reports are as depicted in the table below. Please note that the ‘status quo’ option for both groups is not depicted here, but is also an option on the table.

Heart of Hampshire		Solent	
<p><b>1 UA</b></p> 	<p>Heart of Hampshire (comprises Basingstoke and Deane Borough Council, Hart District Council, New Forest District Council, Rushmoor Borough Council, Test Valley Borough Council and Winchester City Council)</p>	<p><b>3 UAs</b></p> 	<p>Greater Portsmouth (comprises Portsmouth City Council, East Hampshire District Council, Fareham Borough Council, Gosport Borough Council and Havant Borough Council)</p> <p>Greater Southampton (comprises Southampton City Council and Eastleigh Borough Council)</p> <p>Isle of Wight (no change from the existing Isle of Wight unitary)</p>
<p><b>2 UAs</b></p> 	<p>Northern Hampshire (comprises Basingstoke and Deane Borough Council, Hart District Council and Rushmoor Borough Council)</p> <p>Mid Hampshire (comprises New Forest District Council, Test Valley Borough Council and Winchester City Council)</p>		

Heart of Hampshire		Solent	
<p><b>6 UAs</b></p> 	<p>Basingstoke and Deane, Hart, New Forest, Rushmoor, Test Valley, Winchester</p>	<p><b>5 UAs</b></p> 	<p>Gosport &amp; Portsmouth (comprises Gosport Borough Council and Portsmouth City Council)</p> <p>Southampton (no change to the existing Southampton City Council unitary)</p> <p>Isle of Wight (no change to the existing Isle of Wight Council unitary)</p>
<p><b>Basingstoke &amp; Deane only UA</b></p> 	<p>Basingstoke and Deane The other Heart of Hampshire Districts remain in the two tier arrangement</p>		<p>East Hampshire &amp; Havant (comprises East Hampshire District Council and Havant Borough Council)</p> <p>Eastleigh &amp; Fareham (comprises Eastleigh Borough Council and Fareham Borough Council)</p>

The unitary authority options outlined above for both Solent and Heart of Hampshire were analysed individually against a status quo baseline according to a set of DCLG criteria as below. The first two tests were analysed quantitatively using analysis of the current and forecast unitary budgets under the disaggregation of county spend. Costs and savings from reorganisation and transformation were then factored in, along with impact from council tax harmonisation. The latter two tests were analysed qualitatively according to a pre-agreed set of criteria.

- Providing value for money.
- Delivering positive outcomes in terms of the costs of transition against the efficiency savings the change will generate.
- Ensuring strong and accountable local leadership and governance.
- Delivering better public services.

## 6. Our conclusions


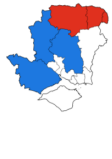

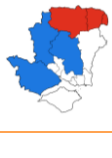





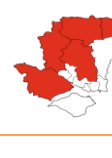






The individual unitary authority options presented above create a range of possible solutions for Hampshire & Isle of Wight but a joint solution that works for all areas needs due consideration. Although the Solent and Heart of Hampshire groups both have their individual characteristics and individual identity, they share many borders, with some individuals, businesses and commuters moving daily between the two areas (and wider) - irrespective of borders - so any preferred solution in one half needs to ensure it is complementary with the other.

Taking into account the results of the individual reports the table below outlines the indicative RAG (red/amber/green) status of the joint options.

*\* Please note that, although the colour schemes are similar in the maps below, there is no suggestion that any Solent and Heart of Hampshire authorities would merge in the analysis. They should be viewed as separate.*

There are several important factors to consider in determining a favourable joint solution:

- The financial position of individual options in their own right is important. By 'individual options' we mean the overall solution for either Solent or Heart of Hampshire (as depicted in the table above). When creating a joint solution any individual option is not going to change its potential viability by simply being combined with another option. They are separate and should be interpreted so. For example, the financial weaknesses of the Heart of Hampshire 6UA option will not be affected if you put it with either the Solent 3UA option or the Solent 5UA option. Therefore each configuration for either Solent or Heart needs to stand by its own merit.
- Both Heart of Hampshire and Solent authorities (particularly Heart) have joint boundaries with other neighbouring authorities. It is therefore important that any joint solution considers the impact on them. This report does not consider this in detail but does make some emerging conclusions. In Solent, only Havant and East Hampshire are affected as they share borders with neighbouring authorities. East Hampshire shares very long borders with Surrey and West Sussex, whilst Havant shares a border with West Sussex. In Heart of Hampshire the authorities have multiple neighbours in Dorset, Wiltshire, West Berkshire and Surrey. Therefore any options which create geographic 'anomalies' have been flagged. For example, in the Basingstoke & Deane 1UA option, the authorities of Hart and Rushmoor risk being cut off from the rest of the Heart of Hampshire authorities if a Heart of Hampshire Combined Authority is not established. Also within many options the position of some districts such as East Hampshire means they have boundaries and economic connectivity with Heart of Hampshire authorities as well as Solent, which might put them in a position where in reality they align with both.
- Isle of Wight remains separate in all options, and presents its own budgetary challenges which need to be considered in any reorganisation. The position of this option does not flex in the analysis, but it is worth bearing in mind when considering the Solent 3UA option versus the 5UA option as the 3UA option essentially covers much greater and potentially more viable geographies. We are essentially discussing either a 2UA or 4UA option for Solent on the mainland.

Joint Option	Solent Option	Heart of Hampshire Option	Commentary
<b>Solent 3UA + HoH 2UA</b>			<p>This is the combination of options that present the strongest, most viable case for unitary authorities across both geographies according to our analysis.</p> <p>Large enough geographies for all UAs to warrant and facilitate change</p> <p>HoH northern UA arguably displays coherent economic geography by being split from its south-western neighbours so can align more to the north.</p> <p>Recognises city centric growth opportunities in the Solent.</p>
<b>Solent 5UA + HoH 2UA</b>			<p>Solent 5UAs arguably too small a geography to warrant and facilitate viable change.</p> <p>HoH northern UA arguably displays coherent economic geography by being split from its south-western neighbours so can align more to the north.</p>
<b>Solent 3UA + HoH 1UA (B&amp;D)</b>			<p>Solent 3UA is the most viable UA option for Solent.</p> <p>Recognises unique characteristics of Basingstoke &amp; Deane and all UAs are large enough to be functional.</p> <p>Risk that Hart and Rushmoor could be cut off from rest of Heart of Hampshire which could create a disconnect.</p>
<b>Solent 5UA + HoH 1UA (B&amp;D)</b>			<p>Recognises unique characteristics of Basingstoke &amp; Deane.</p> <p>Solent 5UAs may not be large enough to be functional.</p> <p>Risk that Hart and Rushmoor could be cut off from rest of Heart of Hampshire, if no Heart of Hampshire combined authority is established which could create a disconnect.</p>
<b>Solent 5UA + HoH 1UA</b>			<p>Solent 5UAs may not be large enough to be functional.</p> <p>A single UA for HoH might risk disconnect from its citizens and being too large to be functional.</p>
<b>Solent 3UA + HoH 1UA</b>			<p>Solent 3UA is the most viable UA option for Solent.</p> <p>A single UA for HoH might risk disconnect from its citizens and being too large to be functional.</p>
<b>Solent 3UA + HoH 6UA</b>			<p>Solent 3UA is the most viable UA option for Solent.</p> <p>6UA option for HoH has many weaknesses in population and financial viability.</p>
<b>Solent 5UA + HoH 6UA</b>			<p>This option presents too many small UAs that reflect current boundaries, therefore presenting little scope or opportunity for change</p> <p>Solent 5UA may not be large enough to be functional.</p> <p>6UA option for HoH has many weaknesses in population and financial viability.</p>

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**The analysis above shows that the most compatible joint unitary authority option is the Solent 3UA option combined with the Heart of Hampshire 2UA option.** This combines the most viable unitary options from both reports (relative to the DCLG tests), and when combined together they appear complementary from a geography viewpoint (i.e. no outliers) and contain functional economic geography based on current flows such as Travel To Work Areas.

This analysis is however partial as political considerations will also be important, as well as the desire to move to unitary status rather than remain in an 'enhanced' two tier, i.e. enhanced by a Combined Authority ambition. Both reports concluded that an enhancement of the current two tier arrangement would be the immediate preferred option, and that the Combined Authority could be an effective vehicle for achieving this. But in case unitary authorities need to be explored in the future (especially with regard financial pressures) the above configurations displays the strengths and weaknesses of the joint options.

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## 7. *Closing remarks*

All authorities in Hampshire & the Isle of Wight want devolution to obtain greater powers and funding to deliver sustainable economic growth and prosperity for the benefit of residents and businesses. To achieve this on a Hampshire & Isle of Wight basis the Heart of Hampshire and Solent authorities recognise that it is beneficial for all authorities to work together to build consensus on the arrangements for the Combined Authorities. In addition, it would be beneficial to further discuss a recalibration of local authority arrangements to improve services and outcomes for citizens, recognising there is a need for cultural change in the recalibrated arrangements between the County Council and District Councils. But to get to this, the authorities need to find a way to work together that respects different priorities and recognises the benefits of coordinated action.

For the two parties the first steps on that journey would be:

- The pursuit of a unitary based Solent Combined Authority delivering a strategic ambition supported by cross-authority working and with the districts having a recalibrated two-tier arrangement; and
- In the Heart of Hampshire, devolution to a ‘recalibrated’ two-tier, with a Combined Authority.

A positive and open dialogue between the Unitary Authorities, the Districts and the County about the best configuration of the future of local government would help ensure the best outcomes for citizens and businesses are achieved in the options outlined above.

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