
Heart of Hampshire

Devolution and the future of local government

Confidential

November 2016





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.