

Appendix G

HCC Cabinet Report July 2025

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	18 July 2025
Title:	English Devolution White Paper – Local Government Reorganisation
Report From:	Chief Executive

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Purpose of this Report

1. The purpose of this report is to outline the work undertaken to date and to share the outcomes of the assessment of options for Local Government Reorganisation in Hampshire and the Solent area (Area). It also sets out the preferred option, which is proposed to be subject to public and wider stakeholder engagement, prior to further consideration by Cabinet and submission to government in September 2025.

Recommendation(s)

It is recommended that Cabinet:

2. Agrees, that based on the work completed to-date, the County Council's proposed preferred option is B2: 4 Unitary Authorities for Hampshire and the Solent Area (as set out in more detail at Appendix A).
3. Agrees to further engage with key stakeholders, residents and members to ensure the proposed preferred option is informed by local views and meets local needs (according to the Engagement Plan set out in paragraph 227), prior to finalisation for agreement and submission to Government in September 2025.

Executive Summary

4. Local Government in the Hampshire and Solent Area is entering a defining moment. In response to the Government's English Devolution White Paper (December 2024), which calls for a streamlined, single-tier system of governance, this report presents Hampshire County Council's ('County Council') preferred approach to Local Government Reorganisation ('LGR') in the Hampshire and Solent Area ('the Area').

5. In March 2025, the County Council – alongside 14 other authorities in the Area – submitted an Interim Plan to Government. Since then, extensive work has been undertaken, in partnership with East Hampshire District Council ('EHDC'), to assess options against the Government criteria and to develop a robust, evidence-based proposal for submission to Government in September 2025.

A Vision for the Future

6. LGR presents a rare and significant opportunity to reshape and transform how local services are delivered and to improve outcomes for residents. Guided by the aspirations of local people, organisations and businesses, the vision is to seek to ensure organisations of the future have the best chance of being financially resilient, sustainable, and trusted authorities that deliver high-quality services across the Area and can provide a platform to continue to unlock significant transformation across the public service system.
7. The County Council's Vision for LGR is to achieve a **Simpler, Stronger, Secure** model of public service delivery. This means making services easier to find and use; better integrating services across the tiers of Local Government and with Partner organisations, making good decisions informed or taken by local people; and protecting vulnerable residents with joined up and targeted support. Local Government and, in particular, the County Council has responsibility for many critical services to the most vulnerable in our communities. The effective delivery of these critical responsibilities sits at the forefront of our vision. District councils play an important role in addressing the wider determinants of health and have significant impact on issues such as housing, environmental health, spatial planning and active lifestyles. The effective delivery of these services supports the public health agenda and shapes healthy and prosperous places. Within the lower tier of Local Government, authorities like EHDC have an integral place-shaping role and deliver important services ranging from statutory services within Planning and Regulatory services to council tax collections and elections. Grasping the opportunity of LGR as a catalyst to better integrate and transform these services across a wider public, private and voluntary sector system, alongside managing transition to new organisations safely and effectively to new arrangements, is imperative.
8. The new councils will be rooted in local identity, responsive to community needs, and empowered to drive inclusive growth, innovation, and collaboration. New Unitary Authorities of the future will be bigger than existing District Councils, and therefore it is essential to think differently and hardwire neighbourhood empowerment into future unitary structures, to ensure improved connections to communities, strengthening local relationships and enabling a prosperous future for the Area.

The Role of County Councillors

9. County Councillors will play a pivotal role in shaping the future of local government services. As the democratic representatives of the current Upper Tier Local Authority (UTLA), they are responsible for ensuring that

any future unitary arrangements can deliver high-quality, sustainable services for residents, communities, and businesses, particularly in relation to the County Council's key statutory responsibilities and the residents and communities they represent.

10. In March 2025, County Council and Cabinet agreed a set of guiding principles (as set out in Appendix E) to underpin the development of Hampshire's proposals. These principles reflect the County Council's unique scale and responsibility for the majority of service delivery, cost, and risk across the Area.
11. Members will note their dual responsibility in coming to a decision on the options contained within this report: to both ensure the long-term effectiveness of public services and to also carefully consider the risks associated with transitioning to new structures. Particular attention must be given to safeguarding vulnerable residents who depend on critical services, such as adult and children's social care, where disruption could have serious consequences. Crucially, Members must consider what option most strongly positions the future unitary authorities to build from a position of stability and strength to deliver long-term transformation and most effectively seize the opportunities and ambitious vision afforded by LGR.
12. It is vital that the County Council leaves a positive and sustainable legacy – one that successor bodies can inherit with confidence. This includes maintaining robust governance frameworks, sound financial management, and a clear strategic direction that supports continuity and resilience. The decision now before Members is both significant and far-reaching; achieving the right outcome is essential to securing resilient, high-performing public services in the Area for the next 50 years.

Approach, Evidence and Assessment

13. Options considered as part of the assessment included¹:

OPTION A - THREE UNITARY AUTHORITIES (3 UA).
(1) North: Basingstoke and Deane, East Hampshire, Hart, New Forest, Rushmoor, Test Valley, Winchester.
(2) South: Eastleigh, Fareham, Gosport, Havant, Portsmouth, Southampton.
(3) Isle of Wight.
OPTION B1 - FOUR UNITARY AUTHORITIES (4 UA).
(1) North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Test Valley, Winchester.

¹ The 3UA, 4UA and 5UA options refer to the number of proposed unitary authorities across the whole Hampshire and Solent Area including the Isle of Wight. This differs to the naming convention used in the March 2025 report which referred to only the number of Unitaries on the mainland.

(2) South-West: Eastleigh, New Forest, Southampton.

(3) South-East: Fareham, Gosport, Havant, Portsmouth.

(4) Isle of Wight

OPTION B2 - FOUR UNITARY AUTHORITIES (4 UA).

(1) North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Winchester.

(2) South-West: Eastleigh, New Forest, Southampton, Test Valley.

(3) South-East: Fareham, Gosport, Havant, Portsmouth.

(4) Isle of Wight.

OPTION C - FIVE UNITARY AUTHORITIES (5 UA).

(1) North-East: Basingstoke and Deane, Hart, Rushmoor.

(2) Central: Test Valley, Winchester, East Hampshire.

(3) South-West: Eastleigh, New Forest, Southampton.

(4) South-East: Fareham, Gosport, Havant, Portsmouth.

(5) Isle of Wight.

14. In each of the options the Isle of Wight is retained as a standalone authority due to its unique characteristics. These options were deemed appropriate to evaluate as it is important for all Members to make an informed and evidence-based decision on the future of Local Government for the Area and built on the Government's criteria – the rationale for each is set out below.
15. Option A (3 UA) is in line with the Government's clear criteria and was developed based on the long-established narrative, identity, and economic footprint of the urban Solent region, as well as the distinct characteristics of the northern and southern parts of the geographical county.
16. Options B1 and B2 (4 UA) were shortlisted in line with the Government's clear criteria to minimise service disaggregation and maintain expected population levels. These options were built around the four existing UTLAs.
17. Option C (5 UA) was added to the shortlist following the submission of the Interim Plan. Although it does not meet the Government's requirements detailed in the White Paper regarding expectations of minimum population, it reflects the agreed principle of exploring configurations based on the four perceived economic centres: Southampton, Portsmouth, Winchester, and Basingstoke.
18. Existing district boundaries were the foundations used to model each of the options. The Government have been clear, as set out in the statutory invitation, existing district areas should be considered the building blocks for proposals – considering any boundary change is discouraged and likely to increase time, cost, complexity and risk to the proposals; they would only be considered for more complex boundary changes where there is a strong

justification. It is clear that the options modelled and ultimately the Vision for LGR can be delivered effectively without boundary changes.

19. The development of the options has been underpinned by extensive independent analysis and national learning. Building on the significant groundwork undertaken in March 2025, the County Council has drawn on insight from the County Councils Network (CCN), the District Councils' Network, and a wide range of local stakeholder engagement. Independent support from PwC, Newton Impact, and Pixel Financial Management has ensured a robust, evidence-based approach to the appraisal of options. This collaborative and data-driven approach has strengthened the credibility and strategic integrity of the proposal.
20. Throughout the process, the County Council has maintained a strong commitment to collaboration and transparency, working as one of 15 local authorities across the Area through a shared data protocol and central data repository, ensuring that all partners have access to a consistent and robust evidence base.
21. To support the independent work undertaken by PwC and to assist Members in their decision, evidence has been gathered from a range of sources across the Area such as residents and key strategic partners including Police, Fire, the NHS, Schools and businesses. Senior officers from the County Council, EHDC, and the other authorities across the Area have also contributed their expertise and knowledge to inform the development of the proposals.
22. All strategic partners recognised the need to maximise the effectiveness and simplicity of both operational and strategic interactions, by reducing the numbers of local authority boundaries, minimising the potential fragmentation of key UTLA services and taking steps to simplify key strategic relationships across wider public service systems, including identifying aspirations and opportunities to improve community engagement and local decision making. As reflected in the options appraisal, these are all most effectively achieved by maintaining or reducing the current number of UTLAs across the Area.
23. All Professional officer statements have been appended to this report to ensure that all Members have the direct advice from their professional statutory officers in taking their decision, and the assurances that this advice is reflected in the option appraisal analysis. Statutory officers highlighted the importance of scale, continuity, and minimising disaggregation to protect vulnerable service users and ensure financial and operational resilience. In support of this, anchor services, infrastructure and frameworks within existing UTLAs were recognised as essential foundations for the new unitary authorities, helping to minimise risk while best positioning authorities to grasp the significant opportunity for long-term transformation associated with LGR. Irrespective of the future unitary model in the Area, the County Council's role will be to disaggregate its services safely and legally to new institutions and the primary focus of this work is to achieve that objective.

24. The financial modelling shows that creating more unitary authorities than the number of existing UTLAs will create significant additional recurring costs through duplication of running costs associated with additional organisations delivering UTLA services.
25. Based on the financial modelling, Option A (3 UA) delivers the strongest potential financial return, but the risk of delivery is significant given the impact on Portsmouth City Council and Southampton City Council, and the disruption to upper tier services. The forecast recurring annual savings/(costs) of LGR could be £93.7m savings for Option A (3 UA), £48.6m savings for Options B1/B2 (4 UA) and £31.3m recurring cost for Option C (5 UA). Therefore, Option C would create **significant financial and operational challenges** and in the first five years would not deliver any financial savings, would cost more than the current arrangements and would not be able to recover implementation costs over the medium to long term.
26. Critically, a financially less resilient unitary will require more financial support to ensure safe delivery of statutory services, likely result in further reductions in discretionary services and would likely necessitate increases in Council Tax levels.

Options Appraisal

27. In summary, each option offers different strengths and challenges:
 - Option A (3 UA) would maximise financial efficiency and resilience but would require extremely careful transition planning and attention to local needs.
 - Options B1 and B2 (4 UA) offer a balance between financial benefits and effective service delivery, leveraging anchor services and frameworks to minimise transition risk while maintaining the historically and culturally important identities of Southampton and Portsmouth as the Area's largest urban centres.
 - Option C (5 UA), while potentially perceived to be less remote, faces significant challenges in achieving economies of scale, managing costs, delivering a safe transition, and positioning authorities strongly to innovate and transform.
28. Following a detailed and independent assessment by PwC against the Government's criteria, **4 UA was identified as the preferred number of authorities** to deliver a Simpler, Stronger, Secure future in the Area, and is consistent with the initial assessment presented to County Council in March 2025. Options B1 and B2 deliver the lowest risk of implementation, noting the greater complexity, cost and risk associated with Options A and C which would increase the risk of de-stabilising services and diverting focus and resources from future transformation opportunities.
29. Once 4UA was identified as the most appropriate number of unitary authorities for the Area, a comparative assessment between Options B1 and B2 was completed. Options B1 and B2 were therefore subject to further assessment against the Government Criteria and informed by the qualitative

assessment, financial assessment and balance analysis. The financial baseline assessment, underpinned by the allocation of cost, income and demand at an individual district council level, demonstrates no material difference between the options, and therefore the overarching costs and benefits are deemed to be consistent. Option B2 is deemed to deliver an improved population balance, greater opportunity for growth and a more equal weighting of urban and rural geographies and service delivery requirements. Option B1, on the other hand, creates a more geographically focused South West Unitary and avoids the fragmentation of Upper Tier Services in Test Valley which will marginally increase the transition risk. Both options reflect Test Valley as an area that socio-economically looks in all directions to Wiltshire, West Berkshire, Winchester, Basingstoke, New Forest, Southampton and Eastleigh. On the balance of assessment against the Government Criteria, Option B2 is recommended as the preferred option and the basis for further engagement over the summer.

30. The Vision for LGR is clear that outcomes should reflect the aspirations of local people, be rooted in the unique identities of communities and ensure the future model is equitable and responsive – fairly servicing the needs of both urban and rural areas; it is clear that B2 is best placed to help to achieve the vision in this context. Ultimately, the decision to recommend Option B2 is grounded in its stronger alignment with the wider Government criteria, particularly noting that transition and disaggregation risk associated with Upper Tier Services is most effectively mitigated in both Options and the confidence of B2 being effectively placed to deliver high-quality and sustainable services alongside promoting geographical balance and a growth-focussed future for the wider Area.

Next Steps

31. Next steps include:
 - Launching a public and stakeholder engagement programme (21 July – 17 August 2025).
 - Refining the proposal based on feedback.
 - Submitting the final proposal to Government by 26 September 2025.
32. This is a pivotal moment for local government in the Area. The decision taken now will shape the quality, sustainability, and accessibility of public services for generations to come.

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Background

33. In December 2024, the Government published the English Devolution White Paper, setting out its ambition to simplify Local Government structures across England. A central aim of the White Paper is to replace the existing two-tier system of counties and districts with unitary authorities that are more efficient, financially resilient, and capable of delivering improved services. This marks a pivotal moment for local government, offering a rare and important opportunity to reimagine and reshape how public services are delivered, how communities are represented, and how resources are managed for the next generation.
34. As part of this national agenda, on 5 February 2025, Hampshire and the Solent Area ('Area') – including Hampshire County Council, the Isle of Wight Council, Portsmouth City Council, and Southampton City Council – were invited to participate in the Devolution Priority Programme (DPP) to establish a Mayoral Combined County Authority (MCCA) across the Area within the most ambitious timeframes.
35. On the same day, the Ministry of Housing, Communities and Local Government (MHCLG) formally invited all council leaders in the Area to develop a proposal for Local Government Reorganisation (LGR). The formal invitation included guidance for the development of the proposals, a timeline for this process, and the criteria against which proposals will be assessed by Government. Councils in the Area were asked to submit an Interim Plan on LGR on or before 21 March.
36. In response, an Interim Plan for LGR was developed collectively by the 15 local authorities in the Area and submitted to Government on 21 March 2025, on behalf of all 15 local authorities for the Area. The Interim Plan was subject to debate by the County Council on the 20 March and approved by Cabinet on 21 March 2025.
37. Whilst no recommendation on any option for LGR was made to Members at that stage, Members were provided with early financial and non-financial considerations including risks and impacts of three indicative emerging options, recognising that there would be further work and analysis to undertake before a preferred option is proposed to Cabinet and, ultimately, Government. Full proposals are to be submitted by 26 September 2025.
38. The current phase of work has focused on an evidential assessment of a range of options for LGR with the aim of identifying a preferred option that can be subject to further public and wider stakeholder engagement ahead of the final submission to Government in September 2025. The approach is anchored in the needs of communities today, while preparing for the challenges of tomorrow.

Developments Since the Interim Plan Submission

39. MHCLG issued a letter to all Council Leaders within the DPP on 24 March 2025 formally acknowledging receipt of their Interim Plans for LGR. The letter also outlined the next steps in the LGR Programme including plans for Government to share feedback.
40. MHCLG issued a letter to the Chief Executives of the 15 authorities in the Area on 7 May 2025, outlining their feedback on the Interim Plan (Appendix B); key points include:
- Final proposal(s): each council can submit a single proposal within which there must be a clear single option which covers the geography for the entire area, i.e., the whole of the area to which the 5 February invitation was issued.
 - Isle of Wight considerations: noted the request for an ‘Island deal’, but no early decisions will be made. More detailed rationale and supporting data are encouraged.
 - Population thresholds: all proposals (above or below the 500,000-population threshold) must clearly justify their approach.
 - Timeline: the deadline for final proposals remains 26 September 2025.
 - Collaboration and evidence base: strong collaboration and shared data sets across councils are essential; councils are encouraged to use the same assumptions and data sets in final proposal(s).
 - Capacity Funding Support: £7.6 million will be made available in the form of local government reorganisation proposal development contributions, to be split across the 21 areas.
41. Councils in Surrey submitted final LGR proposals to Government on 9 May 2025, based on an accelerated timetable intended to unlock the benefits of Devolution. On 17 June 2025, Government launched a statutory consultation to gather views on two different options for LGR in the area. A Ministerial decision for the Surrey area is anticipated in the autumn.
42. On 3 June 2025, a statement (Appendix C) made by the Minister of State for Local Government and English Devolution outlined the Government’s continued commitment to reorganising local government to create sustainable, efficient, and streamlined unitary councils. The Minister emphasised the importance of empowering local authorities, improving public service outcomes, and resetting the relationship between central and local government. The statement included a summary of the feedback provided by MHCLG to all 21 areas (Appendix D). All 21 two-tier areas that have submitted interim plans will receive proposal development contributions. Hampshire, Isle of Wight, Portsmouth and Southampton were allocated £542,174. In agreement with the other 14 Local Authorities, the County Council has received £151,854 of this total allocation.
43. Since submitting the Interim Plan, significant progress has been made in developing a proposal that is supported by robust evidence. This has been informed by engagement with residents and stakeholders, alongside a detailed analysis of the available options, transitional considerations, and

long-term transformation opportunities. This progress has opened the conversation on reimagining local government across the Area, bringing together functions across District Councils and Upper Tier Local Authorities (UTLA) – not just as a provider and enabler for services but as a catalyst for wider inclusive growth, innovation and resilience.

Local Government Reorganisation Vision in Hampshire and the Solent

44. In order to ensure work developing an options appraisal for LGR is set within the context of local aspirations for the future of local government in the Area in addition to being aligned with Government criteria, a Vision for LGR has been created to provide local ownership and direction to this work. This does not seek to set a strategic direction for the new councils, which would be a matter for elected Members in the new organisations – but rather seeks to articulate what a successful future transition to new unitary councils would look like.
45. The development of the Vision for LGR has been rooted in the aspirations of those with a stake in the success of any new unitary model. Early engagement with residents, elected Members from the County Council and East Hampshire District Council (EHDC), MPs, senior officers of the County Council and key partner organisations has provided common themes to articulate what could be achieved through the LGR process. These have provided the foundations of a Vision for LGR in the Area which has been shaped by the County Council's Cabinet into the statement below – used as a guide to inform this detailed stage of options appraisal. This work will continue over the summer period, as further views from residents and all stakeholder organisations across the Area are sought. The vision will continue to be tested against feedback we receive on our preferred option; however, the draft Vision statement below begins to articulate what we have heard as being the most important opportunities that LGR could deliver.

Reflecting the aspirations of local people, organisations and businesses, our vision is the creation of unitary authorities which have the best chance of being financially resilient, sustainable, and trusted - delivering consistent and high-quality services across Hampshire and the Solent. Our goal is a streamlined, single-tier system that builds on existing strengths yet removes unnecessary complexity, making public services more accessible, transparent, and easier to navigate for everyone.

Rooted in the unique identities of our communities, we want this future model to be equitable and responsive - fairly serving the needs of both urban and rural areas. Local people will feel heard and supported, with local councillors, parish / town councils and community organisations playing a key role in shaping vibrant, healthy and inclusive neighbourhoods that reflect the aspirations of their residents. New councils will work together with a new Mayoral Combined Authority to help unlock economic opportunity by ensuring it's easy to do business in Hampshire and the Solent area, attracting investment, driving regeneration and encouraging entrepreneurship.

We want the new model of local government to support further collaboration across councils, their public and private sector partners and the future Mayor – working together in areas such as health, housing, transport, and economic opportunity to attract investment and drive regeneration through our shared values and goals.

The transition to new unitary councils should be smooth and cost-effective, ensuring continuity for those who access our services, especially those who need support the most, and building public confidence throughout the journey.

Above all, we aspire for Hampshire and the Solent area to be a place where people are proud to live, with accountable and accessible local government that every resident can trust.

Your councils – for a better future. Simpler. Stronger. Secure

46. LGR offers the opportunity to deliver improved, high quality and better integrated public services through a **Simpler, Stronger and Secure model of public services** across the Area. Fulfilling the Vision for LGR could unlock a multitude of opportunities as set out below:

OPPORTUNITIES FOR A SIMPLER, STRONGER, SECURE MODEL OF PUBLIC SERVICES

SIMPLER	STRONGER	SECURE
<ul style="list-style-type: none"> ✓ Make services easier to find and use. ✓ Use a standardised approach to seeking feedback from residents, that ensures we hear from all voices equally. ✓ Have fewer back-office systems and contracts, covering more tasks. ✓ Reduce the number of different organisations that residents speak to. ✓ Have simpler policies and processes, and consistent responsibilities for each council, so people know what to expect. 	<ul style="list-style-type: none"> ✓ Make good decisions, informed by the views of local people. ✓ Councillors working as convenors of local communities to inform and shape decision-making. ✓ Have a workforce strategy - develop the roles and skills that are important for the future structure. ✓ Provide good training and support staff, to develop stronger leadership. ✓ Inspire colleagues to work as a team, motivated by a shared vision of the future. ✓ Collaborate with other councils and 	<ul style="list-style-type: none"> ✓ Prioritise front line services when planning staffing levels and leadership – ensure they are safe and stable. ✓ Protect vulnerable residents with joined up and targeted support. ✓ Invest in infrastructure that supports everyone, to ensure it lasts well. ✓ Think about the priorities for the region as a whole when applying for funding to make improvements. ✓ Have shared processes when buying goods and services, to ensure

	avoid duplicating tasks. ✓ Share data more efficiently to make smarter, faster, evidence-based decision.	we get the best from public funds.
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Transformation – Grasping the Opportunity of LGR

47. The creation of new unitary authorities is a unique opportunity to reshape local government around the needs of residents—delivering simpler, stronger, and more secure public services. For this reason, it's essential that the strongest possible foundations are built to grasp the opportunity and catalyse longer-term transformation following a safe and effective transition.
48. While the process of transition and implementation will help to immediately start to realise some of the opportunities identified in the previous section, deeper change will follow once the new councils are established as stable organisations. Transformation will challenge existing ways of working, not only within individual authorities but across the Area and in particular through more effective and joined up working across a public service system in the context of Devolution.
49. The establishment of new unitary authorities will provide the opportunity to significantly shift service delivery models. Service transformation opportunities could be delivered by integrating upper tier and lower tier services in a systematic way – unifying distinct waste services, marrying together services such as social care and housing, developing new place-based empowerment models, and collaborating more effectively between services like local planning and highways. It allows the new organisations to use the deep collective intelligence to the betterment of the future unitary authorities.
50. Strong leadership will be vital to deliver successful transformation. It's an opportunity to level up across the Area – supporting sustainable and inclusive growth, making better use of public assets, modernising and digitising how councils work, and simplifying and joining up services.

The Proposal Development Approach

51. The County Council's proposal development approach is designed to align with the MHCLG criteria and best ensure the County Council's Vision for LGR, as set out in the previous section, is fulfilled. To guide how LGR proposals are developed and prioritised, the MHCLG set out six key criteria, with additional supporting guidance against each:

GOVERNMENT'S CRITERIA

1	A proposal should seek to achieve for the whole of the area concerned the establishment of a single tier of local government .
2	Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial shocks.
3	Unitary structures must prioritise the delivery of high quality and sustainable public services to citizens.
4	Proposals should show how councils in the area have sought to work together in coming to a view that meets local needs and is informed by local views.
5	New unitary structures must support devolution arrangements.
6	New unitary structures should enable stronger community engagement and deliver genuine opportunity for neighbourhood empowerment.

52. Following the Government's feedback acknowledging that multiple proposals may be submitted for the Area, the County Council has continued to work in collaboration with all local authorities across the Area to support the development of proposals. The County Council has, however, committed to developing its own proposal and is working in partnership with EHDC. The decision by the County Council and EHDC to develop their own proposal was deemed necessary to discharge a professional responsibility to ensure a full evidence-based evaluation of a wider range of options that was in accordance with the County Council's initial assessment shared with Cabinet in March 2025 and the clear Government criteria.
53. The County Council has collaborated closely with EHDC to develop and assess credible options that reflect the whole spectrum of upper and lower tier services delivered across the area. This partnership brings together collective intelligence and expertise from both tiers of local government, ensuring that EHDC's valuable experience in delivering effective services within a two-tier system is fully integrated into the analysis and development of proposals.
54. The County Council has continued to collaborate with all 14 local authorities across the Area throughout the process, through data sharing and providing access to senior officers. To support collaborative working, the County Council implemented a protocol for all 15 local authorities to efficiently access County Council data from a single point of contact and from which data can be shared onto a central repository accessible by all authorities, underpinned by a data sharing agreement signed by all 15 authorities. In line with guidance from the MHCLG, this will support the submission of proposals on a single and consistent data set.



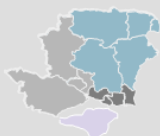

55. As set out in March 2025, given the short timeframes and limited officer capacity, the County Council had been supported by the consultants PwC in developing the early work. To ensure the County Council meets the requirement to submit a final proposal in September 2025, this support has continued to provide important experience, expertise and independence, to ensure the most thorough and robust assessment to inform all future decision makers.
56. The County Council has worked collaboratively with other county councils as part of the County Councils Network (CCN), participating in regular LGR working group sessions to facilitate the development of proposals and share learning between partners. As noted in March 2025, data and insight made available through the CCN has contributed to the suite of data underpinning the appraisal of options. To ensure the County Council's proposal development is as robust and credible as possible, insight from the District Councils' Network has also been used to inform the qualitative appraisal including the report published in partnership with IMPOWER.
57. Through the CCN, the County Council has also worked with the consultants Newton Impact and Pixel Financial Management. The purpose of the Newton work, commissioned by the CCN, was to provide data-driven evidence and analysis of the potential impact of LGR on people services. This research explores the impact of disaggregation and aggregation and focuses on the demand and cost of key areas of service provision across the future unitary scenarios. This work has considered the impact on adult social care, children's social care, SEND, Home to School Transport and education and has been shared with all 15 authorities across the Area through the data sharing agreement.
58. The modelling undertaken by Pixel Financial Management, commissioned by the CCN, is designed to create a model for estimating the financial resources for the new proposed unitary authorities across the different options, and therefore the level of distribution in any given scenario.
59. The insight from analysis and modelling undertaken by Newton Impact and Pixel Financial Management has contributed to the options appraisal and strategic business case completed by PwC (Appendix A). The evidence-based options appraisal approach and methodology undertaken by PwC has focused on three key areas (more information about each of these can be found in the Financial Case section, Appendix E and Appendix G):
 - **Financial analysis** – financial viability of the future organisations.
 - **Balance analysis** – economic and geographic appraisal of the future organisations.
 - **Qualitative analysis** – appraisal of the opportunities and risks aligned to each of the Government criteria.
60. Alongside the PwC assessment, the County Council has tested the options against its Guiding Principles, which were approved by Full Council and Cabinet in March 2025, alongside testing the options against the principles agreed by all 15 authorities across the Area. These principles have

consistently shaped the development of the proposals and help to best ensure the County Council can realise the Vision for LGR for residents and communities. The principles can be found in Appendix E.

PART TWO

Evidence and Assessment

61. The County Council reviewed four options to reorganise local government across the Area. These four options were shortlisted as they align most closely with the Government's criteria and the respective sets of Guiding Principles. The four options are:

Option	Geography	Components (City / district / borough level)	Population (% of total)
3 Unitary Authorities		North: Basingstoke and Deane, East Hampshire, Hart, New Forest, Rushmoor, Test Valley, Winchester South: Eastleigh, Fareham, Gosport, Havant, Portsmouth, Southampton Isle of Wight	North: 965,387 (47.4%) South: 929,579 (45.7%) Isle of Wight: 140,906 (6.9%)
4 Unitary Authorities		North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Test Valley, Winchester South-West: Eastleigh, New Forest, Southampton South-East: Fareham, Gosport, Havant, Portsmouth Isle of Wight	North: 789,989 (38.8%) South-West: 572,458 (28.1%) South-East: 532,519 (26.2%) Isle of Wight: 140,906 (6.9%)
4 Unitary Authorities		North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Winchester South-West: Eastleigh, New Forest, Southampton, Test Valley South-East: Fareham, Gosport, Havant, Portsmouth Isle of Wight	North: 655,528 (32.2%) South-West: 706,519 (34.7%) South-East: 532,519 (26.2%) Isle of Wight: 140,906 (6.9%)
5 Unitary Authorities		North-East: Basingstoke and Deane, Hart, Rushmoor Central: Test Valley, Winchester, East Hampshire South-West: Eastleigh, New Forest, Southampton South-East: Fareham, Gosport, Havant, Portsmouth Isle of Wight	North-East: 394,648 (19.4%) Central: 395,341 (19.4%) South-West: 572,458 (30.2%) South-East: 532,519 (28.1%) Isle of Wight: 140,906 (6.9%)

Source: [ONS 2023](#)

62. Isle of Wight (IoW) is identified as a standalone unitary authority across each option. This position was agreed by all authorities across the Area in the Interim Plan in March 2025 and consequently the IoW would develop their own business case on this basis. The IoW was therefore excluded from the financial analysis.
63. The IoW is a core part of the Area, sharing the same Area vision, LGR opportunities and outcomes that the rest of the Area is looking to achieve. It is important, however, to recognise that there are a number of factors which make it unique, presenting both strengths and challenges to the Solent Area.
64. The County Council is supportive of the IoW remaining as a standalone unitary authority given the uniqueness of the island. However, all partners must work collaboratively to pursue opportunities for enhanced strategic

partnerships and join up with mainland unitaries to support the Area as a whole. This position will continue to be considered over the course of the summer and in partnership with the IoW.

65. Recognising the agreed position on the IoW, a 2 UA proposal (one mainland plus a separate IoW) was not shortlisted; the Government have been clear that populations over 1,200,000 residents is not acceptable and a single mainland unitary would cut across the Devolution agenda.
66. Option A (3 UA) was developed from a long-established narrative, identity and economic footprint of the urban Solent region and the north and south of the geographical county. Options B1 and B2 (4 UA) were shortlisted recognising the clear Government criteria to minimise disaggregation of services and therefore formed on the basis of leveraging the four existing UTLAs. Option C (5 UA) was shortlisted following the Interim Plan submission. Although this option does not meet the Government requirements detailed in the White Paper regarding expectations of minimum population, it is based on the agreed principle to consider options based around the four perceived economic centres (Southampton, Portsmouth, Winchester, Basingstoke).
67. To identify the most viable configurations for a 4 UA model, a set of previously established principles aligned with Government expectations was applied. Options B1 and B2 were selected because they both reflect an appropriate geographical and population balance, are consistent with existing patterns of service delivery, and retain the integrity of existing District Council boundaries. This last point has been a consistent requirement in Government guidance, which emphasises that new unitary authorities should be built upon existing unitary and district boundaries wherever possible. The two options differ in the placement of Test Valley Borough Council – either within the northern authority (B1) or the South-West authority (B2) – to allow for a robust comparison of governance coherence, service alignment, and transition risk.
68. The final assessment of the options is informed by a range of component parts, each reflecting government criteria. This section of the report will examine each of these components individually. These components are as follows:
 - Stakeholders' Insights
 - Professional Officer Statements
 - Criticality of Local Authority Anchor Services and Frameworks
 - Neighbourhood Empowerment
 - Unitary Authority Governance
 - Financial Case – supported by the professional and independent experience of Newton, Pixel Financial Management and PwC
69. Following this section of the report, the findings are brought together through a comprehensive evaluation conducted by PwC against the Government's criteria, and a further layer of analysis based on the two sets of guiding principles.

Stakeholders' Insights

70. The County Council recognises the vital role of ongoing, meaningful engagement with stakeholders in shaping and refining the options. It is particularly important to assess emerging proposals in light of the operational and strategic interdependencies between local government and its wider partners. This approach also aligns with the Government's criteria and expectations for developing proposals that meet local needs and are informed by local views.
71. Initial engagement with stakeholders started in early May. The aim was to gather valuable evidence to ensure that the new local government structure is designed in a way that addresses local priorities. Engagement spanned various stakeholders and activities as set out below. This is followed by insights from some of the activities:
- Activity 1: Survey sent to Hampshire Perspectives forum and County Council staff under 40.
 - Activity 2: Engagement with critical partners across the Area.
 - Activity 3: Engagement with all County Council and EHDC elected members.
 - Activity 4: Engagement with all Chief Executives of the local authorities in the Area.
 - Activity 5: Engagement with Members of Parliament (MPs) for the Area.
 - Activity 6: Engagement with County Council staff.
 - Activity 7: Engagement with County Council's Cabinet.
 - Activity 8: Engagement with senior officers from the County Council and EHDC.
72. A survey was sent to members of the County Council's residents' forum 'Hampshire Perspectives'. To ensure a spread of age groups within the demographics of this early engagement piece, the survey was also sent to County Council staff under 40 to provide a wider range of ages in the responses. In total, 1,150 responses were received —767 from Hampshire Perspectives members and 383 from staff under 40. Although Hampshire Perspectives as a residents' panel is focussed on the County Council administrative area, 12.5% of staff who responded were from the wider footprint covered by Portsmouth, Southampton and Isle of Wight.
73. Respondents were asked about the benefits of LGR, any issues or concerns they may have, local identity and how they feel about the upcoming changes and what they might achieve. It should be noted that whilst both of these cohorts would be expected to be slightly more engaged in and aware of local government's context than the general population, this sample is used as an important basis for understanding residents' views to support the initial options appraisal. Further wider resident engagement is proposed during the summer period.

SUMMARY OF INSIGHTS (FULL INSIGHTS REPORT AVAILABLE: [LOCAL GOVERNMENT REORGANISATION | HCC.](#))

- Survey feedback revealed a mixed but insightful perspective on LGR. Whilst most respondents (92%) were aware of plans for LGR in the Area, only 41% of respondents felt broadly confident in their understanding of LGR.
- Top priorities for respondents in designing a new local council focused on **delivering high-quality services** to those who need them most, ensuring councils operate efficiently and effectively, and maintaining continuity in essential services. **Financial responsibility** was also a key concern, with many **respondents valuing councils that are cost-effective and reduce the burden on taxpayers**. Whilst the idea of creating councils with a strong local identity or sense of connection was recognised by many respondents, it was considered less important than other priorities for residents. While there was strong support for councils to understand and represent local needs, having a physical local base was seen as less critical.
- When asked what they hoped LGR would achieve, respondents frequently cited: **cost savings, service improvements (quality, access, resilience, equity), greater community engagement**. Perceived benefits of LGR included: reduced duplication and streamlined services, a single point of contact and clearer responsibilities, better coordination and more localised decision-making, increased transparency and direct access to elected representatives
- However, these potential gains were tempered by **significant concerns, such as disruption or decline in service quality**, smaller communities being overlooked, high transition costs and added bureaucracy, job losses and staff disruption.
- Views on local identity and decision-making were particularly divided. Some saw LGR as a chance to bring decisions closer to communities than under the current county council structure. Others feared that removing district councils would reduce local decision-making and erode local identity.
- This concern was echoed in how respondents described their sense of belonging: they identified more strongly with their local neighbourhoods than with their local authority (whether this be a district, borough, county of unitary authority) or nearest urban centre. As a result, many viewed LGR as a risk to local identity, rather than an opportunity to strengthen it.

74. During the period between May and the end of June, specific engagement has been undertaken with key stakeholders across all sectors. This has included conversations with representatives from:
- Hampshire and Isle of Wight Constabulary
 - Hampshire and Isle of Wight Fire and Rescue Service
 - New Forest and South Downs National Parks

- Education settings across Hampshire (including leadership from all maintained and academy primary and secondary schools, special schools, early years and post-16 settings)
- Hampshire Prosperity Partnership Board (HPPB)
- Hampshire Leadership Forum (Voluntary, Community and Social Enterprise sector)
- Health sector, including Hospital Trusts covering Hampshire as well as the wider Solent Area.
- Hampshire Association of Local Councils

75. The remit of organisations such as the Constabulary and Fire and Rescue Service formally cover the Area; however a number of other stakeholders who took part in this early engagement additionally provide services or are active within the geography covered by Portsmouth, Southampton and the Isle of Wight – for example members of the Hampshire Prosperity Partnership Board as well as members of the Hampshire Leadership Forum. Insights from this engagement are captured in the table below.

INSIGHTS FROM CRITICAL PARTNERS ACROSS THE AREA

CONSIDERATIONS ABOUT THE FUTURE STRUCTURE	POTENTIAL BENEFITS AND OPPORTUNITIES OF LGR	POTENTIAL RISKS OF LGR
<ul style="list-style-type: none"> • Keep the number of contacts required to work in partnership to a minimum both at an operational and strategic level (therefore fewer unitary authorities and boundaries across the wider area). • Provide consistency of approach and service level across new authority boundaries • Not move existing District boundaries. • Align as closely as possible with footprints within the Area used by their organisations. 	<ul style="list-style-type: none"> • A greater ability for strategic planning of priorities and resources by larger local authorities than amongst smaller district areas. • Greater long term financial stability and economies of scale than currently available, especially to the Isle of Wight. • The ability to 'level up' services to provide consistency (with a caveat against 'levelling down' to the lowest level of service quality/provision across existing local authorities in the Area). 	<ul style="list-style-type: none"> • A danger that rural areas' needs may become lost alongside those of large urban areas. • A loss of skills, resources, processes, and professional relationships impacting service quality or resilience, particularly during transition. • Good practice in some 'centres of excellence' in the Area being lost as services merge or are split. • Inconsistency of operational practices and requirements between a potential

		larger number of fragmented UTLAs creating confusion and additional burdens for key operational partners, and ultimately poorer outcomes for residents.
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76. Other considerations included how cross-border arrangements could be funded, managed, and delivered to ensure there is consistent good practice between all new organisations, as well as measures which should be taken to ensure service disruption is kept to a minimum, and important decisions are not delayed, as LGR is implemented.
77. County Council Members have been regularly engaged in LGR options appraisal via a programme of dedicated briefings in March, June and July. This will continue following the summer, including a specific briefing on the results of forthcoming engagement with residents and stakeholders as well as further briefings on papers proposing our submission to Government.
78. Following the briefing held in early June, Members were invited to complete a survey designed to gather insights on local identity and approaches to community engagement – key elements in shaping the County Council's LGR proposal. The survey also sought Members' perspectives on how future unitary councils can best support them in their roles as community convenors, and what outcomes they hope the reorganisation will deliver for the Area.

SUMMARY OF INSIGHTS – COUNTY COUNCILLORS

- **Local identity** was broadly defined as: A sense of belonging and pride in a specific place, shaped by its physical landscape, history, culture, community life, and distinctiveness. It reflects how people emotionally and socially connect to where they live, often more strongly than to administrative boundaries. Members believe that people feel part of a community when they have places to gather, opportunities to participate, shared traditions to celebrate, and accessible ways to connect with others - both formally and informally. Strong local identity, active volunteerism, and inclusive events are also seen as key drivers of community cohesion.
- **Neighbourhood empowerment** was broadly defined as: Giving local communities the power, voice, and resources to influence decisions, take responsibility for their environment, and work collaboratively to improve their area - often through local councils, community groups, and direct engagement. Members felt that enabling neighbourhood empowerment and community influence under a unitary council requires real devolution of power, resources, and decision-making to the local level - supported by

strong representation, clear communication, and inclusive structures that reflect the diversity and needs of each community.

- **Desired outcomes for LGR in Hampshire:** Members want LGR to deliver better services, lower costs, and more local control - without losing the unique identity and needs of their communities. They feel success depends on balancing efficiency with localism, and ensuring fair, transparent, and responsive governance. Members also hoped that a future unitary council would invest in councillors as the vital link between residents and the council - empowering them to lead, convene, and deliver. To succeed as community leaders, councillors felt they needed real authority, responsive officer support, effective tools, and recognition of their time and expertise.

79. East Hampshire District Councillors were also invited to complete the same survey as Hampshire County Councillors, providing a nuanced district perspective for consideration as part of the wider early engagement.

SUMMARY OF INSIGHTS – EHDC COUNCILLORS

- **Local identity** – While views of HCC and EHDC Councillors on this topic were similar, EHDC members also mentioned connections to valued community services such as schools and shops, and links to other local communities which are relied upon for local services (such as colleges in neighbouring towns) with whom there is a shared identity.
- **Neighbourhood empowerment** - EHDC and HCC councillors shared concerns about neighbourhood empowerment, noting that larger communities can overshadow smaller ones and that low engagement in parish councils weakens local representation. They emphasised the importance of accessible local representatives and resources to support community initiatives. Under a unitary structure, EHDC members were concerned about reduced understanding of local issues but suggested this could be addressed by devolving powers, supporting parish and town councils, and ensuring councillors and services remain accessible to residents.
- **Desired outcomes for LGR** – EHDC members shared HCC members' ambition for LGR to deliver efficient services, particularly where existing districts could realise efficiencies in a unitary structure (such as waste collection) and could make strategic decisions (such as for transport or environmental protection) for a wider area. In addition, simplicity of responsibilities under a unitary structure was seen as a benefit compared with the existing two-tier model and was seen as a way of simplifying decision making where currently there could be confusion about authorities' roles.

80. All Members of Parliament (MP) across the Area were invited to take part in a survey which mirrored the questions posed to Members, focusing on local identity and community engagement. Of the MPs who responded, there was

a view that identity and empowerment rely on very locally based structures and initiatives, and that whilst unitary structures should provide a strategic view, they also need to reflect the inherent differences between communities, and between rural and urban areas, as well as delivering more efficient services.

81. Within the County Council's guiding principles is the commitment to ensuring transparency and openness in our communication with our staff and that our colleagues are treated respectfully and supported through the change and uncertainty ahead of us. Therefore, an ongoing programme of engagement has continued throughout this period and will form a vital part of the work programme into the future. In addition to regular all staff briefings where staff were encouraged to submit questions, team meeting information cascades and Chief Executive blogs, County Council staff have been specifically engaged through focus groups aimed at different levels within the organisation, to understand awareness and understanding of LGR, but to also hear staff views on concerns and opportunities for LGR. Overall staff hoped that LGR would:
 - simplify services and make it clearer for residents to know where to go for various needs
 - deliver improved and more uniform services
 - streamline processes, particularly in areas where tasks are currently divided between different authorities
 - help councils become more financially resilient, leading to less spend constraints and increased stability and security for staff and residents
 - achieve savings with minimal disruption and ensure that the reorganisation is worth the effort
82. Recognising that implementation of LGR is still some time away, longer term concerns reported by staff were around likely operational impact and the uncertainty around when this would become clear as well as job security and staff retention.
83. Similarly, EHDC stakeholders and staff have continued to be engaged throughout the developing process. Communication with stakeholders led by EHDC has been ongoing since the Government released its Devolution White Paper. It has focused on increasing awareness and deepening the level of understanding of LGR and updating stakeholders at every milestone. This has been via e-newsletters, press releases, social media updates and website updates. Staff and members have continued to be engaged via intranet updates and regular briefings, including a dedicated face to face session for in-depth question and answer discussion.
84. 'Hopes and ambitions' for LGR have been drawn from all engagement work with stakeholders to inform the Vision for LGR in the Area. This has included questions within all surveys (including Members and MPs), a specific workshop with senior staff in the County Council and a workshop with Cabinet.

Professional Statements

85. Given the criticality of the decision surrounding LGR, the County Council and EHDC have leveraged the wealth of knowledge and expertise from some of their most senior officers working at both County and District level and developed statements (Appendix F) that acknowledge the most important considerations to best ensure LGR is delivered safely and effectively. These statements have provided important evidence to support the options appraisal and have been shared with all authorities across the Area through the data sharing agreement to ensure these key professional views are reflected in the development of all proposals for the Area.
86. The County Council statements have been developed in the professional capacity of key statutory officers and officers leading services with significant statutory responsibilities and discharges a key responsibility of Officers to professionally advise County Council Members regarding the County Council's key statutory services and responsibilities in the context of LGR. All Members have also been separately briefed by the Director of Adults Health and Care, Director of Children's Services and Director of Universal Services.
87. Statements have been developed as follows:

AUTHORITY: HAMPSHIRE COUNTY COUNCIL	
STATUTORY AREA	SENIOR OFFICER
Children's Services	Director of Children's Services & Deputy Chief Executive
Adults' Health and Care	Director of Adults' Health and Care
Public Health	Director of Public Health
Waste	Assistant Director of Waste & Environmental Services
Highways	Assistant Director of Highways, Engineering and Transport
Finance/Section 151 Officer	Director of Corporate Operations & Chief Finance Officer

AUTHORITY: EAST HAMPSHIRE DISTRICT COUNCIL	
STATUTORY AREA	SENIOR OFFICER
Regulatory	Environment and Neighbourhoods Lead
Planning	Planning and Special Projects Lead
Waste	Corporate Contracts & Strategic Partnerships Manager
Housing	Executive Director of Community
Legal and Governance	Executive Director Corporate Services & Monitoring Officer

Finance/Section 151
Officer

Chief Finance Officer and S151 Officer

Revenues and Benefits

Revenues Manager. Benefits Manager.

88. There are several themes running through the statements which are set out in the table below:

THEME	COMMENTARY
Scale and Resilience of Services	Scale is essential in delivering resilient, high-performing services and currently allows the County Council: 1) economies of scale; 2) flexibility to manage demand fluctuations; 3) stronger leadership and workforce stability.
Risks of Disaggregation	Disaggregating services from the upper tier will introduce significant risk due to 1) fragmentation of systems, governance, and partnerships; 2) service delivery risk to vulnerable service users; 3) duplication of effort, increased costs and complexity in delivery. LGR of any form that meets the Government criteria will introduce disaggregation, and therefore it is imperative to minimise the amount of disaggregation, and the risk associated with it. In particular, disaggregation significantly increases risk during the transition to the new structure and the absence of established anchor services and frameworks can exacerbate instability. Conversely, anchor services and frameworks play a critical role in reducing transition risk by providing continuity, stability, and trusted relationships during periods of structural change.
Local Authority Anchor Services and Frameworks	Local Authority anchor services and frameworks are viewed as the fundamental building blocks of future unitary authorities as: 1) infrastructure, leadership and systems are in place; 2) minimises disruption and mitigates risk of forming new 'greenfield' unitary authorities without any infrastructure; 3) vast proportion of service delivery is driven by UTLAs. This should be an essential consideration when considering highest risk services to the most vulnerable service users.
Systems Leadership	Effective multi-agency leadership is critical – LGR must not fragment or complicate strategic relationships and operational partnerships but leverage them to catalyse growth and deliver efficiency for the Area. Systems of interaction with key partners such as the NHS, Police, Fire and Education need to be as simple and less congested as possible by minimising the number of organisations and interactions in this space.

THEME	COMMENTARY
Workforce	Concerns were identified in relation to 1) increased competition for talent as more unitary authorities are created; 2) destabilising existing teams and weakening service delivery, particularly in relation to the County Council's Outstanding Ofsted-rated Children's Services.
Financial Sustainability	Whilst recognised that LGR will not solve the structural financial issues facing local authorities, 1) an option which includes fewer unitary authorities is more likely to be financially sustainable and deliver better value-for-money to the taxpayer as well as being able to transition more quickly; 2) smaller authorities are less likely to have the flexibility to manage funding pressures and withstand financial shocks. 3) future innovation and transformation services needs to be built on the strongest possible financial foundations.
Local Identity and Knowledge	Whilst strategic integration is welcomed, retaining deep local knowledge, accountability, and identities is crucial to enhance locally tailored services, enabled through appropriate planning and a robust structure, leveraging experiences of larger authorities that deliver services at scale whilst maintaining local connections.
Transformative Public Service Reform	Over the medium to long term, LGR presents a once in-a-generation opportunity to re-design services, break down silos and provide the best support for residents where and when they need it, whether they live in rural Hampshire or larger urban towns and cities.
Transition Planning	Transition to the new unitary authorities will need to be well-resourced and carefully managed. As referenced in disaggregation risks, cost of failure would have the greatest impact on the most vulnerable - the risks associated with a poorly managed transition are severe and could lead to service collapse and financial distress. Formal governance arrangements are paramount with appropriate representation to oversee transition.

Criticality of Local Authority Anchor Services and Frameworks

89. In considering the future structure of local government, senior officers across the County Council have emphasised the importance of building upon existing authorities as providers of anchor services and frameworks, particularly for the current high risk UTLA responsibilities that make up a significant proportion of both risk and cost of Local Government. These institutions serve as the fundamental building blocks for a stable and

effective transition to unitary governance, providing a functional framework and infrastructure from which a new authority can be built. This approach recognises the important experiences of other Local Authorities that have undertaken LGR and in particular the importance of stability and minimised disruption are paramount in the short-term – particularly for high-risk services delivered to vulnerable residents and providing a strong and stable foundation on which new organisations can most effectively bring together functions, organisational cultures and people together to unlock the significant opportunities and transformation associated with LGR. Irrespective of the future unitary model in the Area, the County Council's role will be to disaggregate its services safely and legally to the new institutions and the primary focus of this work is to achieve that objective.

90. Local authority anchor services and frameworks offer a robust foundation due to their existing core infrastructure, established governance / processes and operational systems. Utilising existing infrastructure which can be delivered at scale significantly reduces the risk of service fragmentation, avoids the duplication of systems and processes, maximises the effective use of current infrastructure and ensures that core public services – especially those relating to social care and education – remain uninterrupted.
91. While all reorganisation options carry inherent risks, using the infrastructure of existing institutions as the foundation for the creation of new unitary authorities offers a more manageable and lower-risk pathway to change, and in particular ensuring the focus and attention is paid to creating new organisational identities and cultures. Even in configurations involving two or three mainland authorities, the complexity of disaggregation and aggregation is significant. Disaggregation of critical services including home to school transport, SEND, highways, waste, social care, etc., may lead to negative financial impacts including increased cost of service provision, loss of purchasing power, loss of financial scale, and increased transitional costs.
92. Anchor services and frameworks simplify this by retaining core infrastructure, established processes, and reduce the scale of the costly and disruptive onboarding and offboarding processes. Crucially, this also avoids the financial and logistical burden of establishing new 'greenfield' unitary authorities which have no foundation or track record for the delivery of high-risk statutory services. Consideration would, however, need to be given to the strength of proposed anchor services and frameworks to form the basis of any new unitary model to ensure they are appropriate for the scale and breadth of the future unitary operation. Where a council has limited experience operating at a larger scale or across a broader geography, this could introduce additional risks during transition and implementation, particularly in relation to service continuity and strategic capacity.
93. Transition planning is a critical success factor, as recognised by the County Council and EHDC. Building on the strong performance of local authority anchor services and frameworks mitigates the risk of service deterioration during transition. This enables authorities to exert targeted focus on putting unitary authorities of the future in the best possible position to go on to

deliver innovative, transformative public service reform, rather than resolving the lengthy complexities of unnecessary fragmentation.

94. It is noted that a narrow focus on existing structures and infrastructure would risk missing the opportunity for meaningful cultural change and integration across the range of organisations coming together. For example, the creation of a South-West Unitary Council and South-East Unitary Council would likely draw on some of Southampton City Council's and Portsmouth City Council's respective existing infrastructure, but this should not be seen as simply an expansion of each city council. In addition, any unitary drawing on the current upper tier infrastructure of the County Council would need to mitigate any perception of the County Council attempting to recreate itself through LGR – the County Council's primary objective is to deliver the exciting Vision for LGR and in doing so ensuring the transition is safe and effective. They would be new organisations, bringing together a number of Districts, a significant part of the County Council and City Councils into new organisations. This would require significant intentional efforts to unify working practices, strengthen workforce identity, and embed a shared vision; without this, challenges around morale, recruitment, and retention will undoubtedly persist. It may also present risk to the incentive to deliver innovative and transformative public service reform. Therefore, any structural continuity must be accompanied by a deliberate programme of cultural transformation to ensure the new authorities are not only administratively sound but also cohesive and future focused.
95. Recognising the challenges above regarding the UTLA services, it is important that these are planned carefully as attention needs to also be devoted to the risks and challenges to statutory and other important Lower Tier/district and borough council services where a number of current authorities will need to be carefully brought together and integrated as part of creating the new institutions. This, again, emphasises the need for strong anchor services and frameworks to support this aggregation.
96. In summary, establishing a new unitary authority without appropriate services and frameworks upon which to anchor it is equivalent to contracting out high-risk services required to operate at scale to a small start-up organisation – one that may have ambition and vision, but lacks the tested infrastructure and systems required to deliver complex public services at scale. The absence of anchor services and frameworks would necessitate the creation of entirely new back-office systems, processes and governance frameworks by Vesting Day. This introduces substantial transition risks, particularly in safeguarding, social care, and education, where continuity and quality are non-negotiable as well as being a significant drain on finance and resources. However, by adopting anchor infrastructure, services and frameworks, risks of transition can be minimised, allowing long-term transformation opportunities and the reimagining of local government to evolve from a Simpler, Stronger, Secure foundation.

Neighbourhood Empowerment

97. Neighbourhood empowerment is a central pillar of the Government's criteria for reform, and its importance is fully recognised in successfully enabling LGR. In the Government's feedback on the Area's Interim LGR Proposal, detail was requested on plans for neighbourhood-based governance, the impact on town and parish councils, and thoughts about formal neighbourhood partnerships and area committees. Following receipt of the feedback, the Minister for Local Government declared in a written statement, that neighbourhood area committees, led by ward councillors, represent the best route to a simplified and standardised system of local area-working and governance.
98. Furthermore, in a statement made on 23 June the Minister confirmed that the Government is reviewing governance models for local authorities in England to establish consistent and accountable structures that support better decision-making. As part of this, the review will explore how councils can embed community engagement into their core functions, working collaboratively with the sector to co-design an approach that balances national consistency with local flexibility.
99. In the Local Government Information Unit's recent 'State of the Locals 2025'² report, it concluded that people overwhelmingly believe that local people should be involved in decisions about their areas, and a majority want to understand more about how decisions are made, albeit a much smaller proportion want to actively be involved in how decisions are taken locally.
100. Neighbourhood empowerment is a process where people work together to make change happen in their local communities by having more power and influence over what matters to them. The County Council and EHDC can already demonstrate how services are operating effectively both at scale and at a local level, reflecting a strong foundation of community-focused delivery and engagement. For example, EHDC's emerging community development strategy contains objectives to connect communities, build capacity in the voluntary sector and town and parish councils, and empower communities to run local services and assets. Similarly, across the Area, all 15 authorities can demonstrate examples of effective community engagement, and this is the basis upon which opportunities to enable stronger community engagement and neighbourhood empowerment would be established.
101. It is for the new unitary councils to decide their preferred approaches to neighbourhood empowerment. This section of the report sets out opportunities for neighbourhood empowerment that the new councils could consider. These recognise local area governance as a key component of how local people can be involved in decisions that affect their neighbourhoods and introduces additional considerations for future unitary councils as to how best to hardwire local community engagement into their structures. It is the Government's view that neighbourhood area committees support local authorities to deliver their commitments to community partnership-working at a neighbourhood level, supported by other service

² Available at [State of the Locals 2025 - LGiU](#)

providers including town and parish councillors. This, the Government believes, allows for the benefit of structural efficiencies while deepening localism and engagement across every community.

102. The County Council's review of opportunities for neighbourhood empowerment following LGR will be strengthened further by incorporating insights from the County Council's Engagement Plan, scheduled – subject to approval – for July to August, ahead of final submission to Government in September 2025.
103. In order to support and inform the decision-making of the new unitary councils, the County Council proposes five principles for how a future Neighbourhood Empowerment Model would meaningfully empower neighbourhoods:
 - **Systems Leadership:** Councils, other public bodies (such as health and police), businesses, third-sector partners and community groups already deliver services in neighbourhood geographies. A future model would actively promote collaboration and joined-up services in neighbourhoods.
 - **Good Practice:** A future model would build on the good practice that is already taking place to empower local communities throughout the Area.
 - **Build to Last:** A future model would need to be founded on financially sustainable public services, in order to facilitate long-term commitment and investment in the discretionary place-focused services that matter to communities.
 - **Resilience and Prevention:** A future model would not just be responsive to the immediate concerns and priorities of local communities but also involve the communities in programmes and initiatives that support prevention and local resilience for the long term.
 - **Consistency:** While local flexibility is key, a future model would propose a standard engagement framework as a guide for how communities and new community groups can interact with their new unitary council.
104. Building on the five principles, the following sections outline a range of opportunities that new unitary councils may wish to consider in a future Neighbourhood Empowerment Model as to how best to strengthen community voice, influence, and participation.
105. **Strengthening Neighbourhood Empowerment through Council Leadership.** New unitary councils will play a pivotal role in enabling neighbourhood empowerment through their organisational structures, workforce, and service delivery models. Reflecting best practice across the Area, key opportunities could include:
 - establishing dedicated community development teams with the expertise to build trusted relationships and support local initiatives.
 - co-production and co-evaluation of key strategies, ensuring communities have a meaningful voice in shaping services.

- adopting social value approaches that align operations and procurement with community priorities, delivering long-term benefits.

106. **Empowering Councillors as Frontline Community Leaders.** Councillors are uniquely positioned to act as trusted convenors within their communities—a role recognised in the English Devolution White Paper. LGR presents a timely opportunity to strengthen this role, enabling democratic renewal and deeper community engagement – this could include:

- developing comprehensive ward profiles—shaped by local insight and supported by community development teams—can help Councillors better understand the assets, needs, and opportunities within their communities.
- councils may wish to retain civic traditions, such as ceremonial appointments, to maintain local identity and pride.
- promoting inclusive representation and encouraging participation in local democracy—particularly among under-represented groups—will be key to ensuring all communities feel seen, heard, and empowered.

107. **Neighbourhood Governance** across the Area is currently diverse and locally shaped, ranging from active town and parish councils to areas with no formal structures. The Government has endorsed Neighbourhood Area Committees as a preferred model; to complement this the County Council advocates an approach that facilitates co-design with communities and partners to ensure it is inclusive, sustainable, and responsive to local needs. Other opportunities to support neighbourhood governance could include:

- In the short term, Area Committees based on existing local area governance and partnerships could help maintain continuity and local identity while enabling communities and Councillors to co-design future governance models.
- Councils may wish to explore formal collaboration with town and parish councils through charters and options for double devolution, setting out shared responsibilities and opportunities for local decision-making.
- Councils could explore developing a framework for supporting communities through asset transfer processes. Participatory approaches—such as budgeting, citizens’ panels, and assemblies—can further embed engagement with communities.

108. As referenced above, the Government have committed to delivering consistent and accountable structures across local government, including how authorities integrate community engagement into their core functions.

109. It is the County Council’s view that the proposed Neighbourhood Empowerment Model could be scaled to fit three, four or five new unitary councils. In line with the Government’s review, the County Council believes that the most critical consideration is developing and implementing the right model for local government, regardless of the size or scale of the authority. **Effective local engagement is a function of how local places are empowered, not council size.** Therefore, whilst a smaller number of

councils offers a simpler, more effective platform for investing in local empowerment – including making it easier for partners to engage consistently and effectively in a joined-up way – and supporting vibrant community identities, it would be inappropriate to assess the Government’s criteria in relation to neighbourhood empowerment in any way other than a consistent assessment across each option to reflect the need for a model that is right for the Area, as opposed to a model that’s right for a particular future unitary scenario.

110. Regardless of the final number, all new councils will need a scalable model to serve larger populations and deliver the programme of reform anticipated by the Government. The considerations set out in this section for the future unitary authorities and the decisions taken by the future councils will help to ensure that the right powers are in the right places and communities feel empowered, regardless of the preferred option for the future of local government in the Area.

Unitary Authority Governance

Current context of Councillors and local elections

111. In the Area, there are 15 county, unitary, city, district and borough councils with a combined 650 Councillor seats. Almost 63% of all Hampshire County Councillors also serve as a Councillor on one of the county’s 11 district and borough councils. Some Councillors are also members of a town or parish council.
112. Elections take place on different timetables: some councils have ‘all out’ elections every four years; others have one-third of their Councillor seats up for election in three years out of every four; and two councils have one-half of their Councillor seats up for election in two years out of every four.
113. Election turnout is variable, with those councils which are broadly synchronised with General Elections seeing greater turnout. Unitary arrangements will present opportunities to streamline the elected governance structure and consolidate the responsibilities of the county and district councils in the Area, thereby reducing the number of local elections in the region and providing greater simplicity and clarity to residents on the roles and remits of their elected local Councillors.

MEMBERS AND ELECTIONS

COUNCIL	COUNCIL TYPE	NO. OF COUNCILLOR SEATS	ELECTION CYCLE	LAST ELECTION	VOTES CAST OVER THE LAST 4 YEARS*
Hampshire County	County	78	4 years	2021***	406,823
Southampton	Unitary Authority	51	4 years*	2023	165,361

Portsmouth	Unitary Authority	42	4 years*	2023	137,538
Isle of Wight	Unitary Authority	39	4 years	2021***	41,002
Basingstoke and Deane	Borough	54	4 years*	2023	198,607
East Hampshire	District	43	4 years	2023	73,258
Eastleigh	Borough	39	4 years*	2023	143,436
Fareham	Borough	32	4 years**	2023	107,252
Gosport	Borough	28	4 years**	2023	66,155
Hart	District	33	4 years*	2023	114,436
Havant	Borough	36	4 years*	2023	111,262
New Forest	District	48	4 years	2023	99,253
Rushmoor	Borough	39	4 years*	2023	88,450
Test Valley	Borough	43	4 years	2023	74,590
Winchester	Borough	45	4 years*	2023	165,663

Sources: [1] Office for National Statistics, Census 2021, [2] Council Websites, [3] Local Elections Handbook and dataset 2023, 2022, 2021

* Elections are held in three consecutive years out of every four-year cycle, with one-third of the council's seats up for election each year. In the fourth year, there are typically no local elections for the council.

** Elections are held for half of seats every two years in a four-year cycle. There are typically no local elections for the council in the other two years.

*** Hampshire County Council and Isle of Wight Council had their scheduled 2025 elections postponed for one year by the UK Government as part of the Hampshire and Solent area's participation in the Devolution Priority Programme. The elections are scheduled to take place in May 2026.

114. There are clear savings to be unlocked through the potential reduction in the total number of members which will be determined by the Electoral and Boundary Commission. Similarly, there should be savings in running elections that will reduce from 15 to a maximum of 5. An estimate of these potential financial benefits is reflected in the overall savings ranges.
115. The Local Government Minister's written statement of 24 June 2025 confirmed that all new unitary councils will be required to adopt the Leader / Cabinet governance system.
116. The Local Government Boundary Commission would work with the new unitary councils on a thorough review of ward boundaries in the first few years of their existence.

Financial Case

117. LGR is an opportunity to deliver more efficient public services to the communities of the Area. However, the potential benefits must be (and have been) robustly assessed and considered alongside the one-off costs of delivering the changes.
118. The costs of transition to new organisations will be considerable. The scale of the movement of services, staff, systems and contracts between organisations will be key drivers of costs. In addition, exit costs for individuals in functions which can be reduced in the new structures are likely to be considerable. As set out elsewhere in this report, leveraging anchor services and frameworks is likely to be the best way of minimising the costs of delivering the change.
119. The ongoing costs and savings position is complex. In the majority of recent examples of LGR, smaller organisations have been aggregated into larger ones. In these cases, it is very reasonable to expect economies of scale, both in the running of these organisations and by leveraging increased purchasing power to drive savings on external contracts. **However, for the Area, all options under consideration involve the disaggregation of the County Council's upper tier services.** This does not mean that savings will not be delivered, just that the impacts of disaggregation as well as aggregation **have to be carefully modelled and assessed.**
120. **It is important to note that LGR alone is not a solution to the financial difficulties facing the County Council and the Area.** None of the options considered in this report deliver financial sustainability, **but on a relative basis some options are better than others, and are more aligned to one of the County Council's guiding principles which is that:**

*'We will seek to ensure organisations of the future **have the best chance of being financially sustainable and resilient.** Organisations will need to be sufficiently large to withstand financial shocks and smoothing of significant cost drivers such as demography and deprivation.'*

Key Findings from the Financial Modelling

121. Based on the financial modelling, **Option A (3 UA) is the best model financially**, but the risk of delivery is considered significant given the impact on Portsmouth City Council and Southampton City Council and the disruption to upper tier services.
122. However, when considering transition risks, system stability, maintaining the quality of the services delivered, minimising the impact to upper tier services, alongside the key findings from the qualitative assessment, **Options B1 and B2 (4 UA) emerge as the least risky.** They still provide significant financial benefit, with more confidence of delivery as they build on existing anchor services and frameworks.
123. The financial modelling set out in this report shows that creating more unitary authorities than the number of existing UTLAs will create significant

additional recurring costs across the local government system through duplication of running costs associated with additional organisations delivering UTLA services. These additional recurring costs of creating additional unitary authorities beyond the current number of three UTLAs across the mainland would negate and outweigh the expected savings of District Council consolidation.

124. The financial modelling has considered the impact of aggregation and disaggregation against each option, as well as the costs of transition/set up, and this demonstrates that Options A (3 UA) and B1/B2 (4 UA) present significant financial and operational benefits in relation to the efficiency and effectiveness of public service delivery.
125. Conversely, Option C (5 UA) involves the creation of four smaller unitary authorities, **which weakens financial sustainability as there is loss of scale**, meaning that there is likely to be less financial resilience to manage demand and cost pressures. This option creates **significant financial and operational challenges** and in the first five years would not deliver any financial savings, would cost more than the current arrangements and would not be able to recover implementation costs over the medium to long term.
126. However, whilst Options A (3 UA) and B1/B2 (4 UA) provide for a net financial benefit, the benefit does not address the forecast financial gap across the Area and would still require fundamental reform from the Government around the quantum and distribution of funding to local government to achieve this.
127. A summary of the financial benefit of the options over 5 years, net of transition cost, is set out below:

OPTIONS - FINANCIAL BENEFIT/(COST)

OPTION	POTENTIAL NET BENEFIT / (COST) AFTER 5 YEARS (MID CASE CONFIDENCE ADJUSTED)	PAYBACK PERIOD	ANALYSIS OF OPTION
A (3 UA)	Up to £215m benefit	Between 2 and 3 years	The model shows higher costs of implementation, due to the combining of two existing unitary authorities in the South. The option offers greater potential savings due to the aggregation of upper tier services and greater potential for aggregation of district services. But the risk of delivering these savings due to potential service disruption is greater.

B1/B2 (4 UA)	Up to £100m benefit	Between 2 and 3 years	Implementation costs are lower due to the alignment to existing upper tier / unitary authorities. The option offers a good opportunity to deliver savings through reorganisation and transformation. Disruption to services is minimised, reducing the risk of this option
C (5 UA)	Up to £300m cost	N/A	The implementation costs are highest in this option, largely due to the forecast costs of establishing a new unitary. Savings due to the combining of district services are offset by the costs of disaggregating upper tier services, leading to higher overall costs.

128. The table below provides a breakdown of the forecast recurring annual savings/(costs) of LGR based on steady state delivery and including the impact of transformation post initial stabilisation, and at mid case range from an additional cost per annum of £31m in the 5 UA model, a saving of £54m in the 4 UA option, and a saving of £134m in the 3 UA option:

OPTIONS – FORECAST ANNUAL SAVINGS/(COSTS)

	OPTION A (3 UA)			OPTIONS B1/B2 (4 UA)			OPTION C (5 UA)		
	LOW	MID	HIGH	LOW	MID	HIGH	LOW	MID	HIGH
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Senior management	6.5	8.7	10.9	5.2	7.0	8.7	3.9	5.2	6.5
Elected members	1.5	2.0	2.4	1.1	1.5	1.9	(0.3)	(0.4)	(0.5)
Back office	34.1	45.5	56.9	13.1	17.5	21.8	(8.0)	(10.6)	(13.3)
IT	8.8	11.7	14.7	0.0	0.0	0.0	(10.6)	(14.1)	(17.6)
Other staffing	37.9	50.5	63.1	20.3	27.1	33.9	2.6	3.4	4.3
Non pay spend	11.6	15.4	19.3	0.7	1.0	1.2	(11.1)	(14.8)	(18.6)
Total	100.4	133.8	167.3	40.5	54.0	67.6	(23.5)	(31.3)	(39.1)

129. The confidence level of delivering these savings has been considered. This takes account of the greater challenges and risks of aggregating two existing unitary authorities in Option A (3 UA). It also provides a further element of prudence based on the experience of LGR in other areas. This confidence factor has been applied to the mid-point as follows:

	OPTION A (3 UA)	OPTIONS B1/B2 (4 UA)	OPTION C (5 UA)
Saving / (cost)	133.8	54.0	(31.3)
<i>Confidence factor</i>	<i>0.7</i>	<i>0.9</i>	<i>N/A</i>
Adjusted saving	93.7	48.6	(31.3)

130. For the 3 UA option, the assessed level of savings are high due to the reduction in the number of UTLAs from 3 to 2, and the significant opportunity for aggregation of district services; but it is also a complex option, which involves the combining of two existing unitary authorities, and disaggregation of county services, plus the largest level of system integration through a reduction from 14 mainland authorities to just 2 mainland authorities. For these reasons, the confidence in delivery of the savings in the first 5 years is assessed as only 70%.
131. As the 4 UA option maintains the existing number of UTLAs, and on the assumption that the new unitary authorities would build on existing anchor services and frameworks, this option has a higher level of confidence that the assessed savings can be delivered, and with more certainty than the more complex 3 UA option.
132. The confidence level is a prudent measure applied to forecast savings. For the 5 UA, there are no net savings, so no confidence level has been applied.

Transition and Set up Costs

133. Each of the options will have transition and set up costs – the impact and costs are different depending on the number of unitary authorities created as the level of aggregation and disaggregation will impact transition costs, including, for example, redundancy and IT infrastructure. The table below sets out a forecast of the potential transition costs, which range from £80.4m in Option A (4 UA) to £132.4m in Option C (5 UA).

OPTIONS – TRANSITION AND SET UP COSTS

COMPONENT		3UA (£)	4UA (£)	5UA (£)
New unitarities setup & closedown costs	Programme management, administrative and legal activities linked to new council creation and closedown, public consultation, rebranding and communications ahead of vesting day, and shadow member and executive costs	15.30M	14.00M	17.50M
IT & Systems Costs	Costs of data migration, systems migration, setting up new systems from scratch (option C),	45.00M	30.00M	65.00M

	hardware costs, integrating business systems etc.			
Service/operating model design & implementation costs	Service and operating model design, transition, and implementation support costs	22.50M	15.00M	30.00M
Redundancy costs		33.90M	15.50M	8.70M
Contingency	Contingency amount to cover unexpected costs.	8.30M	5.90M	11.20M
Total		125.00M	80.40M	132.40M

Net Benefit Over 5 years

134. The cumulative net benefit over 5 years is set out below. The savings / (costs) are based on the 'mid' case, adjusted for confidence of deliverability, and are netted off against the implementation costs to show the payback of each option. This 5-year view confirms that after the costs of implementation are taken into account, the 3 UA option remains the best option based on financial benefit, while the 5 UA option does not deliver a financial benefit.

OPTIONS – CUMULATIVE NET BENEFIT

	SAVINGS / (COSTS) - CUMULATIVE		
	OPTION A (3 UA)	OPTIONS B1/B2 (4 UA)	OPTION C (5 UA)
	£M	£M	£M
2028/29	26.3	15.5	(38.2)
2029/30	81.9	45.1	(71.4)
2030/31	158.4	86.3	(103.2)
2031/32	245.9	131.3	(136.5)
2032/33	339.6	179.9	(167.9)
Benefit / (cost) after 5 years	339.6	179.9	(167.9)
Implementation cost	(125.0)	(80.4)	(132.4)
Net benefit after 5 years	214.7	99.5	(300.3)
Payback period (years)	2.6	2.9	N/A
Annual recurring benefit /(cost) post transformation	93.7	48.6	(31.3)

Further detail on the financial modelling, methodology and assumptions is set out in the Financial Appendix to this report (Appendix G).

Financial Context

135. It is worth reiterating that the County Council is currently operating at significant scale, which includes commissioning and purchasing at scale, and is holding significant reserves, yet despite these factors is not financially sustainable. The financial challenges faced by the County Council are well

documented. To ensure the County Council can deliver a balanced budget in 2025/26, £64.9m is being drawn from reserves. Beyond this, a budget gap of £136m is currently forecast for 2026/27; growth in demand and prices for social care and school transport continue to significantly outstrip increases in funding.

136. In February 2025, the County Council's request for Exceptional Financial Support (EFS) through increasing council tax by 14.99% was rejected. Given the anticipated ongoing deficit, as described above, the lack of options for the County Council to deliver a balanced budget in future years could result in a further request to Government for EFS or lead to a Section 114 notice being issued. Local Government Reorganisation alone will not address the budget gap, and it remains vital that the County Council continues to explore all options to deliver further efficiencies between now and vesting day April 2028.
137. Despite making significant savings, the County Council has only been able to set balanced budgets since 2022/23 by making significant one-off draws from the budget bridging reserve (a total draw of £250m over the 4-year period 2022/23 – 2025/26); it is clear that the County Council's financial position is not sustainable.
138. An outcome from LGR will be the break-up of the County Council resulting in the forecast 2026/27 deficit position of £136m (which is anticipated will increase over the period to LGR vesting day in April 2028) being disaggregated across whatever unitary configuration is agreed. In addition, there are budget pressures faced by our local authority partners across the Area which will also form part of the financial position at vesting day.
139. As part of our unsuccessful request to Government for Exceptional Finance Support (EFS) for 2025/26 which was submitted in December 2024, we set out the following:

'If Hampshire does not receive EFS for 2025/26, the journey to LGR will be hampered as the financial pressures will be immense, the prospect of issuing a S114 is real, and simply running down reserves to enable balanced budgets to be set will significantly reduce financial resilience, which will impede any new Unitaries created being financially stable'
140. In the time period since we submitted our EFS request, there has been no improvement in the County Council's budget position which would alter the above assessment, and it is more likely that events since we set the 2025/26 budget will have a further negative impact on the County Council's financial position (see paragraph 143 below 'Financial Challenges'). As we embark on the journey to LGR, it is clear that the local authority 'system' across the Area, not least due to the County Council's own financial position, has a significant financial deficit which will leave a poor financial legacy position for the new unitaries.
141. In the period to Vesting Day, without a significant increase in government funding, or a successful EFS application for a (significantly) above referendum limit council tax, there is every likelihood that whichever unitary configuration is implemented, they will not be on a sustainable financial

footing, and that there would continue to be consequential impact on service delivery as the new authorities try and make further savings.

142. Government have committed to address these deficiencies and launched national reviews considering the sustainability of Adult Social Care and Special Educational Needs. However, irrespective of the outcome of such reviews and given the current financial and operational challenges across the Sector, it remains imperative that risks are effectively managed during transition and remains a critical consideration in option evaluation.

Financial Challenges to Vesting Day

143. In addition to the position set out above, LGR across the Area will be taking place in the context of significant new and continuing financial challenges:
- **Demand** is forecast to continue to increase in the high demand, high-cost service areas across adult social care, children's social care, EHCPs and Home to School Transport; these pressures will only increase the forecast budget gap by 2028/29.
 - **Spending Review:** the government has announced its Spending Review, which does not set out any significant increase in local authority funding across the Area. Core spending power will increase by an average of 2.6% per year, but this is based on the assumption that all Councils raise their council tax by the referendum limit (3% for core services and an additional 2% for social care); initial analysis by Pixel for the CCN indicates that of the £9.8bn increase in local government Core Spending Power by 2028/29, some 76% (£7.5bn) will come from council tax rises.
 - **Review of the local government funding formula:** the government has commenced its consultation on the local government funding formula: 'Fair Funding Review 2.0'. This will more than likely see a further embedding of 'deprivation' as a driver of funding allocations, which is anticipated will reduce the funding available to upper tier shire counties. The review will also take into account an authority's notional ability to raise council tax based on tax base and average council tax. This is likely to result in significant reductions to the allocation to the County Council due to the strength of the county's tax base.
144. Whilst it is not possible at this point in time to model the impact of all of these changes, the anticipated outcomes are likely to have a negative effect on the County Council's financial position through to Vesting Day.

LGR Impact – Evidence Base

145. It is clear from the above that the implementation of LGR across the Area will be taking place in the context of significant financial challenges, and the financial modelling set out in this report shows that LGR does not solve the financial shortfall and nor does it provide financially stable new unitary authorities from Vesting Day.

146. That said, LGR does provide a significant opportunity to streamline and transform local government across the Area and across different unitary configurations and consolidation of functions across all Local Authorities. There will be significant financial benefits associated with aggregating a range of services and best practice into new organisations. Similarly, there are future transformation opportunities to unlock in the new organisations, but in order to most effectively and quickly realise these opportunities the unitary authorities of the future need to be underpinned by strong and stable foundations.
147. In simple terms, the logic, supported by PwC's national work in 2020 for the CCN (*Evaluating the importance of scale in proposals for local government reorganisation*³), the evidence gained from previous rounds of LGR, and as a recent reference point Surrey County Council's LGR final business case submitted to government, is that:
- **The fewer new unitary authorities that are created, the more district council services can be aggregated**, leading to greater potential for cost savings through, for example, economies of scale, consolidation of assets and streamlined operations.
 - **Conversely, the more unitary authorities that are established, the more upper-tier services become fragmented**, resulting in higher operational costs due to, for example, the loss of economies of scale in staffing, commissioning, and procurement, IT and wider organisational infrastructure.
 - **Effective Transformation and Future Innovation is best delivered on strong and stable foundations**, and in particular the ambition to truly transform organisations is significantly delayed or lost due to "firefighting" to deliver effective and safe service delivery during the formation and stabilisation period.
148. The PwC national report for CCN set out the potential benefits that could be achieved from replacing the two-tier system with a system based on unitary local government, which included:
- reduced spend on senior leadership
 - achieving efficiencies from front office, back office and service delivery functions
 - third party spend reduction through economies of scale
 - fewer elections
 - having fewer councillors
 - rationalising office space
149. The PwC analysis also highlighted the cost of disaggregating services (i.e. splitting up services which are currently delivered by one organisation)

³ Available at: [PwC-Evaluating-the-importance-of-scale-in-proposals-for-local-government-reorganisation.pdf](https://www.pwc.co.uk/assets/downloads/Evaluating-the-importance-of-scale-in-proposals-for-local-government-reorganisation.pdf)

including reduced benefits from economies of scale and duplicated senior leadership.

150. Importantly from a County Council and an upper tier perspective, the national work by PwC concluded that:
- the analysis undertaken during the development of their report has shown that in any assessment of local government reorganisation the implications of both scale and disaggregation need to be taken seriously.
 - it is clear that in financial terms the implementation of single unitary authorities in each of England's two-tier areas would deliver significantly greater benefit (than proposals for multiple unitary authorities).
 - that should an alternative approach be pursued, the process of disaggregating current county services does present a number of material costs, and also non-financial risks and complexities.
 - decreasing scale in local government sees an increase in the cost of disaggregation and decreased benefits; for each additional Unitary created across a County area, the costs and risks increase, and the benefits decrease
 - where reorganisation is being considered, the evidence set out in the report should be used to inform the development of local proposals

Emerging Options Report March 2025

151. Building on their insight and significant work undertaken reviewing the financial case for LGR nationally, as referenced above, the County Council engaged PwC to support the qualitative and financial assessment of 2, 3 and 4 mainland unitary options as set out in the emerging options report to Full Council in March 2025 'English Devolution White Paper - Local Government Reorganisation'.
152. The emerging options report provided an initial financial analysis which was underpinned by PwC's national work referenced above, taking into account both the potential benefits and the impacts of disaggregation.
153. The initial conclusions from the high level financial analysis and modelling were that a 2 or 3 mainland unitary model could deliver significant financial and operational benefits in relation to the efficiency and effectiveness of public service delivery, whilst a 4 mainland unitary model creates significant financial and operational challenges and would not deliver any financial savings, would cost more than the current arrangements and would not be able to recover implementation costs over the medium to long term.
154. This work has now been further refined with more detailed analysis in order to inform the financial appraisal conclusion and recommendations set out in this report.

The Context for the Updated Financial Modelling

155. The modelling has been further developed since the Emerging Options report and now incorporates a much deeper review of both spend and funding, drawing on the additional data provided by all 15 Local Authorities, to support the strategic business case and provide a sound evidence basis on which to evaluate the relative merits of the unitary options being considered.
156. The financial model uses a set of assumptions to give a sense of scale of the new unitary authorities, their relative funding position, the relative scope for savings through aggregation, the impact of disaggregation, and the potential for future transformation. The work has also modelled the potential one-off costs of transition of each option, as the costs of transition are markedly different depending on the unitary configuration modelled.
157. Significant work has been undertaken since March to support the baseline position for each unitary authority through a much more detailed review of how the County Council's spend and funding would disaggregate down to each unitary being considered
158. The work undertaken to date is not an attempt to set the future budgets of the potential new unitary authorities, that will be a necessarily detailed and complex piece of work, which will potentially take the entire time available between a government decision and vesting day in April 2028 to develop and agree, and for some areas of spend (e.g. allocation of debt) may take even longer to agree, post vesting day based on experience from previous rounds of LGR.
159. With that in mind, the modelling is not proposing to represent the budget position; it does however provide a sense of scale, and the relative comparative impact of the various unitary options which could be taken forward. The modelling should be reflective, realistic and prudent of the potential costs and benefits which the various options could achieve; we have approached the modelling on that basis.

Updated LGR Financial Model

160. Since March, County Council finance colleagues alongside EHDC have undertaken further financial modelling on the options for LGR, and PwC have supported this work and refined their financial model.
161. A key assumption in the modelling is that the Isle of Wight will remain a unitary in its own right, so there has been no assumption that the Isle of Wight could form part of one of the proposed 'mainland unitary' options (the financial modelling therefore excludes the Isle of Wight).
162. The work has focused on a comparative analysis of the costs and benefits of each of the options, with the modelling based on the financial impact of the 'mainland' unitary options, so as above none of the financial modelling includes the Isle of Wight.
163. The financial model therefore compares the relative costs and benefits of the 3 UA, 4 UA and 5 UA options, and further information on the updated financial modelling and the methodology is set out in Appendix G.

164. The model first establishes the total quantum of income and expenditure for each of the unitary options, based on 2025/26 budgets (as per the data repository).
165. The total 2025/26 quantum of expenditure and funding has then been updated to reflect the County Council's forecast 2026/27 overall deficit of £136m, based on the forecast demand pressures in the Medium Term Financial Strategy.

Other Financial Implications

Debt (Borrowing) Position

166. All debt across the Area will need to align to the new unitary authorities which are agreed to be implemented, and the debt position has been reviewed to provide contextual analysis of what the relative debt position would be for each. For clarity, no account of the debt position is included in the financial modelling of benefits and costs; the working assumption is that the cost of debt is fully accounted for within existing budgets (MRP and interest) and is therefore already taken account of within the County's and Districts overall budget position.
167. Experience from recent LGR implementation suggests that unpicking debt may be a time consuming and complex process, which could take many years to resolve and agree by the new unitary authorities post vesting day.

General Fund Debt

168. At the macro level, current total general fund debt across the Area is not at unsustainable levels which other areas, e.g, Surrey and Essex, face as part of their LGR conundrum (for example Thurrock). However, there are some authorities which have higher levels of debt requirement relative to their size and peer councils, most notably Eastleigh whose borrowing requirement (CFR) accounts for 50% of the total District CFR.
169. A CIPFA review in July 2023 reported that Eastleigh's debt (as at 31 March 2022) was 30 times its total service expenditure, which was the fourth highest borrowing relative to size of all UK authorities after Woking, Spelthorne and Runnymede. Although Eastleigh's debt level is high, the debt primarily relates to the purchase of investment properties; the debt is asset backed and the authority has debt repayment provision in place. Eastleigh's position is only highlighted as it will be impactful in how the total debt of all authorities is aggregated to the unitary options.
170. The County Council has external debt accrued over many years which has been used to finance capital investment. The current level of external debt is low in comparison to other County Councils, primarily as the County Council's strong balance sheet has allowed it to be significantly internally borrowed; the CIPFA Financial Resilience index (2023/24) shows the council as 'lower risk' for 'Gross External Debt' as an 'Indicator of Financial Stress'.

171. However, looking ahead, the County Council will need to take on more debt over the coming years to both externalise previous internal borrowing (earlier than anticipated due to the reduction in cash caused by the DSG High Needs Deficit) and to fund new planned service investments, and this will be a medium-term risk which will impact the new authorities created.
172. The current overall position on debt based on the Capital Financing Requirement (CFR), which represents the underlying current borrowing requirement, is as set out below, based on published 2025/26 budget reports.

CURRENT POSITION ON DEBT BASED ON CFR

	CFR (31/03/2025) £M
Hampshire County Council	745.5
PCC	642.0*
SCC	409.7*
Unitary Councils (ex IoW)	1,051.7
Basingstoke and Deane	-
East Hants	155.1
Eastleigh	622.7
Fareham	63.7*
Gosport	20.1*
Hart	40.0
Havant	20.2
New Forest	27.3*
Rushmoor	174.2
Test Valley	5.9
Winchester	68.8*
Districts	1,198.0
Total	2,995.2

*Note: From 2024/25 unaudited accounts other than * which come from February budget report as accounts include HRA capital financing requirement.*

173. For clarity, the CFR does not represent the actual external borrowing which has been undertaken, but it reflects the total underlying need to borrow to finance capital expenditure (for example, the County Council's actual external borrowing as at 31st March 2025 was £224.1m, but its underlying need to borrow as per the CFR is £745.5m. The majority of the difference is currently financed by internal borrowing from cash balances).
174. The CFR has been used as the basis for reviewing debt as that is the underlying level of borrowing which will need to be incurred and will flow through to each of the new unitary authorities. The CFR across the Area and

within individual authorities will move between now and April 2028, but CFR as at 31 March 2025 has been used to illustrate the new unitary authorities debt position.

175. As debt is not allocated to specific assets, there is no existing direct basis on which to allocate out the County Council's debt. Debt has therefore been aligned to the unitary option as set out below, and the summary position is set out in the table below:

- Existing District and Unitary debt will simply align to and aggregate up to the unitary which covers their geography and the assumption is that their overall individual budget positions will allow for the funding of this debt position.
- For the County Council, debt has been disaggregated to each of the unitary options; the proxy basis which has been used is the total net book value of County assets (buildings) allocated out to districts by geography; for example if the County Council owns a building in Winchester it has been allocated to Winchester, then the total net book value of the disaggregated assets has been used to apportion out the County Council's debt.

OPTIONS – DEBT POSITION

OPTION	UNITARY AUTHORITY	CAPITAL FINANCING REQUIREMENT - £M
A 3UA (2 mainland)	North	977.4
	South	2,017.8
	Total	2,995.2
B1 4UA (3 mainland)	North	868.2
	South-West	1,225.5
	South-East	901.5
	Total	2,995.2
B2 4UA (3 mainland)	North	833.4
	South-West	1,260.3
	South-East	901.5
	Total	2,995.2
C 5UA (4 mainland)	North	427.8
	Central	440.4
	South-West	1,225.5
	South-East	901.5
	Total	2,995.2

Asset Allocation

176. The 14 mainland authorities own a significant number of operational buildings; it will almost certainly be the case that there would be an opportunity to review the property estate across each new unitary and to reduce the overall number of buildings. A reduction in the estate would deliver both the benefit of capital receipts but also reduced estate running costs.

177. The actual estate strategy and the extent to which buildings could be released would be a matter for each unitary authority, and at this stage it is not feasible to try to estimate the extent to which savings could be made. However, savings would be expected in this area, and as with other areas of cost considered, there is a logic which would suggest that the larger the unitary created the greater the opportunity; for example, in a 3 UA model there are likely to be more existing HQs to be released than in a 5 UA model.

Council Tax Harmonisation

178. Council Tax harmonisation refers to the process of aligning council tax rates across different areas within a new unitary when local government structures are reorganised—such as when multiple councils merge into a single unitary authority.
179. When councils merge (e.g. district, unitaries and county councils forming a new unitary authority), each predecessor area may have had different council tax rates. Without harmonisation, residents in different parts of the new authority would continue paying different amounts for the same services, which is seen as unfair.
180. The Local Government Finance Act 1992 and subsequent regulations set out that newly formed councils are allowed to gradually equalise council tax rates over a period of up to seven years. This is known as the harmonisation period.
181. Some of the key points for harmonising council tax are:
- in two-tier areas the starting point is the final combined band D charge of the outgoing district and county council in each predecessor area.
 - the new authority can set different amounts of council tax in its predecessor areas for 7 years.
 - a uniform level of council tax must be set by year 8.
 - each year the gap must narrow between the highest charging predecessor area and the others (there is no minimum narrowing requirement).
 - increases are subject to referendum principles (but in a more flexible way).
 - can choose to apply the referendum principles to the amounts set in each predecessor area or to the overall weighted average Band D
182. For the most recent round of structural change in 2023/24, the process of how to harmonise council tax and the time period was a decision of the Shadow Authority; it is the shadow authority which also determines whether council tax is harmonised to:
- the lowest predecessor council tax charge
 - the highest predecessor council tax charge
 - a weighted average

183. Whilst the decision on council tax harmonisation will be a decision for the new unitary authorities, the modelling has demonstrated that applying the harmonisation of council tax based on the weighted average is the most beneficial approach financially, and for the modelling it is assumed that council tax would be harmonised in year 1.
184. To illustratively demonstrate the benefit, based on using the weighted average council tax, and harmonising in year 1, the additional income gain in each unitary option (based on 2025/26 council tax and rolling forward to 2026/27 with no change in council tax base) would be:

OPTIONS - HARMONISATION BENEFITS

	3UA	4UA(A)	4UA(B)	5UA
	£M	£M	£M	£M
North	1.36	1.06	0.88	0.54
South	0.64			
SW		0.42	0.60	0.42
SE		0.52	0.52	0.52
Central				0.52
Total Benefit of Harmonisation	2.00	2.00	2.00	2.00

185. Whilst there is a benefit from council tax harmonisation in terms of the total precept income, the benefit, whilst welcome, is not significant in the context of the overall budget deficit position.
186. From a Shadow authority perspective, it would be their decision as to whether the required increases to achieve harmonisation were acceptable, or whether they chose to go for a lower increase in year 1 and harmonise over a longer timeframe.

Options Appraisal

187. As set out in the **Evidence and Assessment** section, four options were considered as part of the options appraisal. In summary, each option offers different strengths and challenges:
- Option A (3 UA) would maximise efficiency and financial resilience but requires careful transition planning and attention to local needs.
 - Options B1 and B2 (4 UA) offer a balance, minimising transition risk by leveraging anchor services and frameworks, and limiting disaggregation of existing services.
 - Option C (5 UA), while potentially perceived to be less remote, faces significant challenges in achieving economies of scale, managing costs, and ensuring equitable resource distribution. It also introduces significant transition risks and will compromise the efficiency and effectiveness of service delivery, particularly in relation to the fragmentation of key UTLA responsibilities.

188. Following a detailed and independent assessment by PwC, **4 UA is the preferred number of authorities** to deliver a Simpler, Stronger, Secure future in the Area, and is consistent with the initial assessment presented to County Council in March 2025. 4 UA provides the best opportunity to fulfil the Vision for LGR and delivers better services, lower costs, and more local control - without losing the unique identity and needs of communities. It would ensure each of the unitary authorities are strongly positioned to galvanise levelling up across the Area and grasp the opportunities that LGR presents.
189. The image below illustrates how each option performed against factors within each option using a red-amber-green (RAG) rating. Please refer to the business case (Appendix A) for the comprehensive evaluation against each of the criteria and key factors identified in the image below. A comparative assessment of B1 and B2 follows this section.

Criteria	Key factors	Option A: 3UAs	Option B1, B2: 4UAs	Option C: 5UAs
1 Sensible single tier of local government	Establishes a single tier of Local Government for the whole of the area concerned	Medium	High	Medium
	Sensible economic breakdown: with a tax base which does not create undue inequalities	High	Medium	Medium
	Sensible geographic breakdown: which will help increase housing supply and meet local needs	Medium	Medium	Medium
2 'Right-sized' local government	A population of 500,000 or more (unless specific scenarios make this unreasonable)	Medium	High	Low
	Supports efficiencies and value for money for council taxpayers	High	High	Low
	Improves capacity and supports the council to withstand financial shocks	High	Medium	Low
	Manageable transition costs	Low	Medium	Low
3 High quality, sustainable services	Improves local government & service delivery, avoiding unnecessary service fragmentation	Medium	Medium	Low
	Opportunity for public service reform including where this will lead to improved value for money	High	High	Low
	Improves delivery of, or mitigates risk to negative impact on crucial services	High	High	Low
4 Meets local needs	Meets local needs and is informed by local views	Medium	Medium	Medium
	Improves / mitigates risk to issues of local identity, cultural and historic importance	Low	Medium	Medium
	Addresses local concerns	Medium	Medium	Medium
5 Supports devolution arrangements	Helps to support devolution arrangements / unlock devolution	Medium	Medium	Medium
	Sensible population size ratios between local authorities and any strategic authority	Medium	Medium	Medium
6 Local engagement & empowerment	Enables stronger community engagement	Medium	Medium	Medium
	Delivers genuine opportunities for neighbourhood empowerment	Medium	Medium	Medium

190. The following sub-sections explain the key points from the assessment of each option, illustrating the underpinning rationale that resulted in the independent conclusion drawn by PwC.

Option A (3 UA)

191. This option would create two large unitary authorities in addition to the Isle of Wight. It offers the strongest potential for financial efficiency and resilience; the larger size of each unitary unlocks significant economies of scale, streamlines services, and creates a more attractive proposition for Devolution deals. However, this option requires careful consideration of responding effectively to local needs and ensuring fair resource distribution across the larger geographical areas.
192. The complexity of the transition, involving the combination into a single organisation of three UTLAs (all of Southampton City Council, all of Portsmouth City Council and c33% of Hampshire County Council), alongside the disaggregation of County Council services, would introduce significant transition risk. This substantially increases the risk of delay to implementation, service disruption, and the effective formation of a new single organisational culture, operating model and processes between organisations.
193. Option A provides the strategic capacity and resources to deliver localised services but may dilute responsiveness to local priorities and make it harder to protect local identities, increasing the risk of disengagement or service variation without strong local mechanisms in place. Whilst local identity could be preserved by implementing robust mechanisms, merging the Area's two largest cities with distinct historic and cultural identities into the same local authority area would be highly challenging and unpopular.

Options B1 and B2 (4 UA)

194. Options B1 and B2 are the most credible options, performing strongest across all six Government criteria, delivering a practical solution that minimises disruption, supports effective service delivery, and meets the needs of local communities.
195. As part of the qualitative analysis, Options B1 and B2 were considered in order to ensure the 4 UA model was optimised, which resulted in the configuration of the North and South-West UA changing in each scenario. This expanded the geographical region for the South-West and presented an, overall, more equitable population distribution.
196. Options B1 and B2 build on the strengths and scale of existing upper tier authorities, while creating opportunities for service delivery transformation shaped around local needs. It balances strategic oversight with decentralised flexibility. Transition costs and risks to service delivery would be reduced compared to the other options, however it offers less financial efficiency savings than Option A. The fragmentation of existing county-wide services across multiple authorities would create duplication, and increase

workforce competition, requiring strong coordination to maintain consistency and service quality across all areas.

197. Options B1 and B2 offer the right scale to deliver strong services whilst staying responsive to local priorities. The options respect and leverage the distinct identities of the existing mainland unitary authorities, whilst recognising the opportunities to work strategically as part of the Devolution agenda across the Area.

Option C (5 UA)

198. Option C – with additional and unnecessary fragmentation - presents the most significant financial challenges and service delivery risks, particularly with the establishment of an entirely new unitary authority which would not have an existing Upper Tier footprint with anchor services and frameworks to base service delivery on. This would also increase risk during transition when disaggregating services into a new unitary authority.
199. There is little evidence to suggest that smaller authorities would be closer to communities in a meaningful way. However, they are likely to face higher costs per service with limited purchasing power, reduced resource optimisation, and fewer opportunities to benefit from economies of scale. This unnecessary fragmentation introduces key challenges around consistency, duplication of systems, and strategic coordination, particularly where integration with partners such as the NHS or police is required. Operational delivery risks are compounded by transition complexity, including the need to replicate IT and commissioning systems.
200. Most of the unitary authorities in this option would be too small to meet the Government's clear recommended population levels and may face significant operational and financial challenges. Smaller authorities may struggle to sustain critical infrastructure, manage financial risks/shocks, and attract specialist staff.
201. The model presents major challenges to ensuring service consistency, efficiency, and quality, particularly in high-risk areas such as adult social care, SEND, and safeguarding. These services could suffer as operational complexity increases with the duplication of structures and systems, while transition would require extensive reconfiguration of staff, contracts, and platforms. Without a strong, centralised coordination mechanism, there is a high risk of reduced resilience, inefficiencies, and inconsistent service standards.
202. In the context of Devolution, coordinating five UA voices could unnecessarily complicate Area coordination. There is also a risk that this option fragments the strategic approach required for investment and weakens the platform to unlock opportunities such as regional economic planning, housing delivery at scale, and countywide strategic planning.

Guiding Principles

203. As previously noted, a set of guiding principles was formally approved by Cabinet on 21 March. These principles are intended to steer the County Council's approach to devolution and local government reorganisation. These principles have formed the bedrock of the development of the proposals. This best ensures that the preferred option that has been identified by work to-date on the government criteria, is also in the best interests of Hampshire's residents, communities and businesses.

204. The preferred options of B1 and B2 (4 UA) meets the Government criteria by establishing new authorities of an appropriate size to deliver efficiencies, financial sustainability and high-quality public services. It also aligns closely with the County Council's guiding principles that are applicable to this phase of the LGR process (principles 1 to 4):

PRINCIPLE	SUMMARY OF ALIGNMENT
1. We will prioritise delivery of efficient, high quality public services, enhancing delivery through reform whilst avoiding unnecessary fragmentation of services.	<p>A 4 UA model supports this principle by preserving the integrity of upper tier services by leveraging anchor services and frameworks, that benefit from integrated systems, shared expertise, and streamlined governance. This option provides opportunities to deliver nearly £50 million of reorganisation and transformation savings and a strong foundation to continue to innovate and reimagine public services through reform. By minimising fragmentation, the 4 UA models:</p> <ul style="list-style-type: none"> – Align strongly with partners desire for fewer stakeholders to engage with to drive improved service quality. – Help to preserve economies of scale, ensuring that services such as social care, education, and infrastructure remain cost-effective and resilient. – Avoid duplication and inefficiency that would arise from establishing additional upper tier leadership teams, governance structures, and administrative systems. – Provide the foundation for more effective transformation and strategic reform in the medium to long-term, as a streamlined structure supports coordinated, system-wide improvements rather than fragmented, inconsistent changes across a larger number of unitary authorities.
2. We will safeguard service users, including vulnerable children and adults, by minimising	<p>The 4 UA models support this principle by maintaining the continuity, scale, and integrated oversight essential for safeguarding and delivering high-quality services. The 4 UA models align with</p>

PRINCIPLE	SUMMARY OF ALIGNMENT
<p>risk to the services the County Council delivers and the potential threats from a lack of effective business continuity and appropriate future local government structures in the long-term.</p>	<p>the County Council's priorities to ensure the safety and wellbeing of those who depend most on stable, high-performing services. By avoiding the need to establish brand-new greenfield unitary authorities, which would introduce significant complexity to the process and present additional risk to all service users including the most vulnerable, without the cohesion and experience to effectively deliver, the model enhances stability and service quality. Disaggregating services such as adult and children's social care would:</p> <ul style="list-style-type: none"> – Introduce significant risk to vulnerable populations due to potential service disruption, loss of institutional knowledge, and inconsistent safeguarding standards. – Dilute professional expertise, as experienced staff may be unevenly distributed or lost during transition, weakening the system's ability to respond to complex needs. – Fragment oversight and accountability, making it more difficult to ensure consistent quality and responsiveness across multiple authorities.
<p>3. We will seek to ensure organisations of the future have the best chance of being financially sustainable and resilient. Organisations will need to be sufficiently large to withstand financial shocks and smoothing of significant cost drivers such as demography and deprivation.</p>	<p>Although the 4 UA models deliver lower annual savings and requires a longer payback period than a 3 UA model, it offers a balanced approach between economic viability and manageable implementation. Retaining four UTLAs helps avoid the costly disruption associated with more extensive structural reform, preserving continuity in service delivery and organisational operations. The 4 UA models offer the lowest implementation costs of all options, whilst delivering nearly £50 million reorganisation and transformation savings potential. As a result, the 4 UA models present a more pragmatic and lower-risk pathway for gradual transition in comparison to 3 UA and 5 UA models.</p>
<p>4. We will leverage anchor institutions as the basis of the most appropriate structures to underpin sustainable delivery that offers value-for-money for the</p>	<p>The 4 UA models align with this principle by building on the existing strengths, infrastructure, and institutional capacity across the Area. With fewer unitary authorities built around anchor services and frameworks, partners can invest in and deepen the quality of relationships to a greater extent, leading to more effective delivery. The model recognises the importance of leveraging proven frameworks of existing UTLAs as a</p>

PRINCIPLE	SUMMARY OF ALIGNMENT
taxpayer and minimises the cost of transition.	<p>foundation for creating more sustainable unitary authorities. It also offers a practical mechanism for minimising the cost and risk of transition. By retaining and strengthening these anchor services and frameworks within a unified structure, the 4 UA models:</p> <ul style="list-style-type: none"> – Minimise disruption and transition costs, as it avoids the need to dismantle or replicate existing systems, assets, and partnerships across multiple new authorities. – Ensure continuity of leadership and institutional knowledge, which is critical for maintaining service quality and managing change effectively. – Support value-for-money by leveraging existing procurement frameworks, IT systems, and workforce strategies, rather than incurring the significant costs of setting up new structures from scratch. – Reinforce collaboration with other regional well-established institutions, enabling more joined-up approaches to public service delivery, economic development, and community wellbeing.

Collective Guiding Principles

205. The preferred 4 UA model also align closely with the collective principles included in the Interim Plan:

PRINCIPLE	SUMMARY OF ALIGNMENT
1. Analysis will be based on economic geographies (principally Basingstoke, Winchester, Southampton, Portsmouth) that inform a sense of place, community, and economic growth.	<p>The 4UA models are based on an analysis of economic geography and key economic centres. The economy is evidentially polycentric and interdependent across the Area. In particular, the vast proportion of economic output sits outside of the perceived economic centres of Portsmouth, Southampton, Winchester and Basingstoke, including high growth economic corridors and clusters in North and East of the County, a highly performing rural economy and vibrant, productive and growing towns / urban areas. Recognising the Area's polycentric economy, its growth strategy must be built on this broad distribution of economic productivity. The 4 UA models ensure that the</p>

PRINCIPLE	SUMMARY OF ALIGNMENT
	<p>Area's ambition is supported by future-focused unitary footprints, rather than constrained by historic geographies that may no longer reflect current economic realities. To ignore this profile of activity does the Area a disservice and potentially limits the ambition for what the Area could become in the future.</p>
<p>2. Sense of place and coherent identity, structure and local connections will shape geographies.</p>	<p>Each of the proposed options has the potential to support local identity, cultural heritage, and historic distinctiveness. The preservation and promotion of these elements depend not on the number of authorities, but on the commitment and capability of each new UA to understand, engage with, and reflect the unique identities within their areas. Both national learning and feedback from our residents is clear that local identity often transcends administrative boundaries, and it is essential that new authorities hardwire into their structures place-sensitive approaches, informed by local voices and histories. While the 4 UA models offer a balance between scale and local responsiveness and retains the distinction of the cities of Southampton and Portsmouth given their cultural and historical importance, all options require proactive measures to ensure that local character and heritage are not only preserved but also actively promoted and woven into the identity of the new authorities.</p>
<p>3. To support the other principles, options considered will include those which have boundary changes, and those which do not have boundary changes.</p>	<p>The analysis has considered a full range of configurations, including those that involve boundary changes and those that retain existing boundaries. In accordance with the clear steer from MHCLG, the preferred option uses the existing district areas as its building blocks, as this approach is considered the most appropriate for avoiding additional costs, risks and implementation complexities and aligns with MHCLG criteria.</p>
<p>4. Community engagement will be used to help shape final boundaries, prior to final submission.</p>	<p>The County Council is firmly committed to meaningful community engagement as a core part of the reorganisation process, as set out in this report. Engagement activities to date have ensured that local voices are heard and that community concerns are reflected in the development of proposals but also through transition and implementation. Subject to approval, further and broader engagement will continue during July and August to shape the final proposal, helping to</p>

PRINCIPLE	SUMMARY OF ALIGNMENT
	ensure that it is locally informed and responsive to communities perspectives.
5. Government criteria and guidance will be used to inform our proposal, as far as possible.	The proposal has been designed to align with the MHCLG criteria and guidance including considerations around scale, efficiency, service quality, and financial sustainability.
6. Proposals will ensure there are sensible population ratios between local authorities and any strategic authority, with options retaining equitable representation and voting rights.	The preferred configuration ensures balanced population sizes across proposed authorities, avoiding over-concentration or under-representation – unlike in Options A and C which are considered to be too large and too small. It is noted that with the recommendation to keep the Isle of Wight in all of the options considered any strategic / mayoral combined authority of the future would require a mechanism to develop a fair and equitable approach to representation.
7. Consideration will be given to the impact on crucial services.	The 4 UA models help safeguard the delivery of vital services – such as adult and children’s social care – by avoiding the creation of entirely new, untested unitary authorities and the risk of excessive service fragmentation. As explained throughout this report, disaggregation and unnecessary fragmentation of services could undermine service quality and safety by disrupting continuity, diluting professional expertise, and weakening oversight and accountability. The proposal mitigates transition risks by building on strong anchor services and frameworks.
8. Proposals will show how new structures will improve local government, service delivery and outcomes.	The new structures are designed to deliver a Simpler, Stronger, Secure future for local government by streamlining decision-making, reducing duplication, and enhancing strategic capacity. This will lead to more responsive, efficient, and outcome-focused local government, better able to meet the needs of residents and businesses. It will also make it easier for residents and businesses to navigate services and engage with their councils. Over the medium to long term, the 4 UA models present a once in-a-generation opportunity to re-design services, deliver significant transformation savings to provide better value-for-money for residents, and provide the best support for residents where and when they need it whether

PRINCIPLE	SUMMARY OF ALIGNMENT
	they live in rural Hampshire or larger towns and cities.
9. New proposed authorities must also be able to form a platform for financial sustainability, and resilience to withstand financial shocks.	The 4 UA models establish new authorities with the scale and structure necessary to support long-term financial health. By enabling more efficient use of resources, reducing duplication, and streamlining overheads, the model strengthens the financial base of local government. It also enhances resilience by creating organisations better equipped to manage economic uncertainty and absorb future financial pressures without compromising service delivery.

Summary of Evidence and Assessment

206. Option A offers the greatest potential for long term financial efficiencies due to economies of scale and streamlined services, making it attractive for Devolution opportunities. However, the complexity of merging two existing unitary authorities and disaggregating county services introduces significant risks, including delays to implementation, service disruption, and challenges in maintaining the unique distinct historic and cultural identities of the cities of Southampton and Portsmouth. The scale of the new authorities could make it harder to tailor services to community needs and weaken responsiveness to local priorities in a cohesive way.
207. Option C, by contrast, introduces excessive fragmentation, creating smaller authorities that may be geographically closer to communities and therefore give a perception of being more reflective of local need, but lack the scale to be financially sustainable or resilient. This model presents the highest risks in terms of service delivery, particularly in critical areas like adult social care and safeguarding, due to duplicated systems and weakened strategic coordination. The creation of a new “greenfield” authority without the benefit of existing local authority infrastructure, services and frameworks further increases transition risks.
208. Options B1 and B2 align well with each of the Government criteria, the County Council’s guiding principles and the principles agreed by all 15 authorities across the Area. The models make effective use of existing local authority infrastructure, services and frameworks offering the right scale to deliver strong services whilst staying responsive to local priorities. They respect the distinct identities of the existing mainland unitary authorities, whilst recognising the opportunities to work strategically as part of the Devolution agenda across the Area. It accepts that fragmentation of County Council services is necessary across the Area but in a way that is driven by robust evidence and a clear rationale while keeping risk to a manageable level.

209. In summary, Options B1 and B2 – a 4 UA model - are the most credible options for fulfilling the Vision for LGR. They strike a balance between efficiency and effective service delivery, minimise disruption, and provide a strong foundation for future service innovation and Area collaboration. It is best positioned to meet the needs of the Area's residents, communities, and businesses while supporting long-term resilience and effective – but more efficient and locally-empowered – governance.

Comparative Assessment of 4UA

210. Once Options B1 and B2 – a 4UA model - were identified as the most favourable for the Area, a comparative assessment between the two options was completed. The two options can be summarised as follows:

Option	Geography	Components (City / district / borough level)	Population (% of total)
		North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Test Valley, Winchester South-West: Eastleigh, New Forest, Southampton South-East: Fareham, Gosport, Havant, Portsmouth Isle of Wight	North: 789,989 (38.8%) South-West: 572,458 (28.1%) South-East: 532,519 (26.2%) Isle of Wight: 140,906 (6.9%)
		North: Basingstoke and Deane, East Hampshire, Hart, Rushmoor, Winchester South-West: Eastleigh, New Forest, Southampton, Test Valley South-East: Fareham, Gosport, Havant, Portsmouth Isle of Wight	North: 655,528 (32.2%) South-West: 706,519 (34.7%) South-East: 532,519 (26.2%) Isle of Wight: 140,906 (6.9%)

211. The following table summarises the key points from the independent appraisal of the two options by PwC in relation to the Government criteria:

MHCLG CRITERIA	OVERALL SUMMARY
Sensible Single Tier	In B1, the geography of Test Valley largely aligns with the shared rural character of the north of the Area, however southern areas are more economically and socially oriented towards Southampton which is favourable to a B2 scenario. In a B2 scenario, the rural-urban challenge may be less profound with a more equitable balance of rural-urban service delivery requirements. The B2 scenario offers more balanced council tax receipts to reflect more equitable population split. Minimal impact in relation to debt in either scenario. Disaggregation of services is increased in a B2 scenario.
Right Sized Local Government	Both B1 and B2 create right-sized local government with populations over 500k; B2 offers a marginally more balanced population distribution. In a B2 scenario, anchor services and frameworks would need to scale up considerably. There is no meaningful impact on financial

MHCLG CRITERIA	OVERALL SUMMARY
	factors including the ability to withstand financial shocks or efficiencies as both scenarios retain a similar scale.
High Quality, Sustainable Services	In the B1 scenario, as set out above, anchor services would need to be scaled considerably and diversify the existing urban-focused delivery to incorporate rural requirements. In a B2 scenario, there would be a more favourable blend of urban-rural service delivery mitigating concerns of the impact on the New Forest. Economies of rural scale would be reduced in the northern unitary authority in a B1 scenario. A B2 scenario includes both high and moderate growth areas, providing a more stable base for productivity and public service transformation.
Meets Local Needs	A B2 scenario could heighten perceptions of a rural urban divide but could also balance urban rural influence, supporting the New Forest, reducing disparity within unitary authorities, and supporting tailoring of services to needs. In a B2 scenario, New Forest's rural identity may be strengthened with affiliation to the rural Test Valley district, however the rural identity of northern parts of the Test Valley district may be impacted. A B2 scenario would enable the New Forest National Park to be supported by a single UA. A B2 scenario would present additional challenge given the split economic affiliation within Test Valley i.e. south more closely affiliated with Southampton whereas the north is more closely affiliated with areas like Winchester and Basingstoke.
Supports Devolution Arrangements	There is no anticipated impact on Devolution arrangements.
Local Engagement and Empowerment	As set out in this report, the proposed neighbourhood empowerment model is designed to be scalable to meet the needs of any unitary authority. Therefore, there would be no anticipated impact on local engagement and empowerment.

212. Following a comprehensive comparative assessment of Options B1 and B2, **Option B2 is identified as the preferred option for the Area.** Whilst finely balanced, Option B2 aligns better with several of the MHCLG criteria including high-quality sustainable services and meeting local needs. While both scenarios demonstrate similar financial resilience and could implement consistent neighbourhood empowerment models, Option B2 stands out for its ability to mitigate the challenges posed in B1 in relation to the rural urban divide and strengthening the balance of the urban rural influence. It also

provides opportunity for growth through Devolution. In Option B2, the transition would need to be carefully managed given the increased level of disaggregation, however the rationale for the disaggregation is clear and the long-term opportunities outweigh the short-term potential transition risks.

213. Option B2 is deemed to deliver an improved population balance. In addition, the increased scale of and demand for rural-focused service delivery would increase the prominence of rural communities within decision making. In Option B2, a South West unitary includes both high and moderate growth areas, providing a more stable base for productivity and public service transformation. The Vision for LGR is clear that outcomes should reflect the aspirations of local people, be rooted in the unique identities of communities and ensure the future model is equitable and responsive – fairly servicing the needs of both urban and rural areas; it is clear that B2 is best placed to help to achieve the vision in this context. In addition, the proposed construct mitigates any perception of the County Council attempting to recreate itself through LGR – the County Council’s primary objective is to deliver the exciting Vision for LGR and in doing so ensuring the transition is safe and effective.
214. Ultimately, **the decision to recommend Option B2 is grounded in its stronger alignment with the Government’s criteria, particularly in relation to delivering high-quality, sustainable services and maintaining a sensible single-tier governance. It is most likely to deliver the Vision for LGR;** leveraging strong and stable anchor services and frameworks in this scenario, whilst optimising the rural urban composition of the unitary authority in the South West, would help to maximise time investment in realising transformation opportunities and delivering better outcomes to residents as quickly as possible. With the risks associated with disaggregation effectively mitigated, Option B2 provides the strongest platform to achieve a growth-focused future for the Area, meet local needs and deliver high quality, sustainable public services for communities.

PART THREE

Realising the Vision

Realising the Vision: Transitioning to a Simpler, Stronger, Secure Future

215. The creation of new unitary authorities is not simply a structural reform—it is a once-in-a-generation opportunity to reimagine and revitalise local government across the Area for a **Simpler, Stronger, Secure Future**. This is driven by a bold vision to build strong, sustainable councils that prioritise the delivery of high-quality public services and place residents and communities at the heart of everything they do.
216. Whilst LGR will not solve every challenge that the Area faces, the preferred option offers the strongest foundation for maximising transformation

opportunities and achieving long-term success. The new authorities, built upon established local authority anchor services and frameworks, would be designed to be increasingly **resilient, responsive, and strategically aligned**, capable of delivering high-quality services and driving regional prosperity.

217. The preferred option best ensures that authorities can:

- **Transform and innovate public service delivery** from a strong foundation to deliver better outcomes for residents and communities
- **Lead communities and shape neighbourhoods**, acting as conveners of local public services.
- **Deliver transparent governance structures**, reducing duplication, fragmentation, and the number of elected officials while enhancing accountability.
- **Empower local engagement**, ensuring residents have a clear voice in shaping services and priorities.
- **Achieve financial efficiencies**, in return delivering greater value-for-money for the taxpayer
- **Support devolution**, enabling stronger collaboration with Combined Authorities and unlocking greater local control over transport, housing, and skills.

218. A safe and effective transition is critical to the success of LGR; it represents one of the most significant changes in local government in decades – its success hinges on the choice that Members take that minimises risk while maximising opportunity. The preferred option best ensures that is achievable.

219. Whilst work continues to finalise the submission for Government in September, implementation planning is already accelerating to develop implementation plans that protect services, support staff, and maintain public confidence. Identifying the anchoring infrastructure upon which new authorities can be built is considered vital to minimise disruption and risk to service users. Authorities will require strong leadership and collaboration throughout transition, underpinned by principles that guide implementation efforts. Initial transition and implementation principles – to be iterated with all authorities and partners across the Area – include:

- Future-focused decision-making – decisions must be guided by the future end-state.
- Procurement discipline – commercial decisions must be made with LGR transition and transformation in mind.
- Open communication – maintain honest and timely communication across the Area.
- Prioritise people and partnerships – build trust, engage staff and residents early and leverage partnerships.

- Prevention and proactivity - use transition as an opportunity to embed shared prevention approaches in operating models.
220. Experiences of other authorities show that successful reorganisation requires investment in capacity and capability. A detailed implementation plan, co-designed with all authorities and partners, will be developed that aims to protect the most vulnerable residents, safeguards high-risk statutory service delivery and builds the strongest foundations for commencing an ambitious transformation programme. The implementation plan will include a robust governance model to support effective decision making, including the point at which shadow operating models or other transition arrangements are implemented.
221. Reflecting on areas where county, unitary and district councils have recently been reorganised into new unitary councils, such as in Northamptonshire and Cumbria, shared services arrangements can provide stability and service delivery continuity while disaggregation processes continue to take place through implementation. Many shared services arrangements linked to LGR involve back-office and administrative functions and are time-limited until the point of disaggregation. The County Council will continue to explore opportunities for shared back-office functions in areas such as IT to support the simplicity, stability and security of service delivery in the initial years of the new unitary councils. The highly successful Shared Services Partnership, which is the UK's largest public sector shared services partnership and led by the County Council, will serve as our model for the design of shared services arrangements in the Area following LGR. On 27 June, the MHCLG noted that a partnership approach could support areas that will propose disaggregation of services to manage the continuity of adult social care and children's social care – guidance will be provided to support the finalisation of development proposals and implementation. However, MHCLG clearly states that Children's Trusts would not be a favourable consideration.
222. LGR is not the end goal – it is a catalyst for ambitious, long-term transformation across the public sector. Whilst the County Council has been decisive in driving forward transformation opportunities across the organisation for many years, the financial case demonstrates that across the Area longer-term transformation benefits could be realised when implementing the preferred option. The benefits of transformation will improve outcomes for residents, businesses and communities, combined with more efficient organisations.
223. Once transition to the new structures is complete during the course of 2028/29, full implementation and benefits realisation of transformation opportunities would commence, including service redesign, digital transformation, and structural integration. Transformation will challenge traditional ways of working – not only within individual organisations but across the wider system. This moment of change presents a rare opportunity to reimagine how services are delivered, how partnerships are formed, and how outcomes are achieved. The benefits of transformation will be far-reaching: improving outcomes for the Area's residents, businesses, and

communities, while also creating more agile, efficient, and future-ready organisations.

224. For the Area, this includes ambitious proposals to unify the waste system; integrate and transform services currently delivered separately by Upper Tier and Lower Tier authorities, including housing and social care, public health and leisure centres, and regulatory services such as licensing, environmental health and trading standards; reimagine the use of the current Local Government asset base; prioritise areas with high levels of deprivation to 'level up' through inclusive growth and regeneration.
225. The opportunities for transformation that present LGR are beyond the immediate benefits of structural change. Examples of transformation opportunities can be found in the table below.

TRANSFORMATION AREA	EXAMPLES OF POTENTIAL BENEFITS
Third-party spend	<ul style="list-style-type: none"> • Integrated commissioning across housing, care, and health to improve outcomes and reduce costs • Consolidated contracts for estate maintenance and leisure services • Joint procurement for enforcement and operational functions • Reduced external training and recruitment costs through in-house pooling • Unified programme delivery across strategic services
Service delivery	<ul style="list-style-type: none"> • Integrate full-service functions into one place to remove duplication between tiers and give residents a clearer, simpler public service experience. • Design new ways of delivering services, such as using digital tools, shared local hubs, and joined-up teams to reach the people who need help most.
Asset rationalisation	<ul style="list-style-type: none"> • Reduction in administrative buildings and integration of co-located services • Public health digital infrastructure shared more efficiently across UAs. • Disposal or repurposing of underused estate • Co-location with public services
Income generation	<ul style="list-style-type: none"> • Access to innovation funding and pilot grants (e.g. in public health) • Potential expansion of Education traded services • Commercialisation of training and development offers to smaller authorities or schools
Community empowerment and governance	<ul style="list-style-type: none"> • Deliver transparent governance structures, reducing duplication, fragmentation, and the number of elected officials while enhancing accountability

	<ul style="list-style-type: none"> • Empower local engagement, ensuring residents have a clear voice in shaping services and priorities
Devolution opportunities	<ul style="list-style-type: none"> • Support devolution, enabling stronger collaboration with Combined Authorities and unlocking greater local control over transport, housing, and skills.

226. To deliver this ambitious transformation, a shared understanding of current organisational maturity is essential. Individual assessments of each organisation will provide a baseline view of systems, capabilities, readiness for change, and the maturity of transformation activity already underway. This insight will inform a tailored, scalable approach to transformation that recognises the unique starting points of each authority – this, again, emphasises the need for a strong foundation from which to deliver long-term transformation.

Engagement Plan (wider resident and stakeholder engagement)

227. As part of the County Council's submission to Government, evidence should be provided as to how the proposal is informed by local views, including an explanation of the views that have been put forward and how any concerns will be addressed.

228. Following the early engagement with Members, staff, residents and stakeholders which has informed the options appraisal development, it is proposed that the County Council now moves to a validation stage of engagement, which will provide the mechanism to seek views and identify any concerns which will need to be addressed in the final submission. The objectives of stage of engagement are to 1) promote widespread understanding of the County Council's preferred option for LGR; 2) provide opportunity for Members, staff, residents and stakeholders to share views on Government criteria for LGR and levels of relative importance within the different criterion, as well as overall views on the preferred option – including benefits and opportunities that this option could provide, and any issues and concerns

229. It is proposed that this next stage of engagement runs from 21 July until 17 August. Due to the timescale driven by Government, this engagement period will fall during the summer period, and therefore additional efforts will be made to ensure the opportunity to engage is widely promoted, including press releases and engagement with local media, promotion across all social media channels, direct contact with service users, requests for dissemination via our partners and stakeholders as well as direct invitations to engage.

Members

230. Continuing the programme of briefing for County Council and EHDC members, a further session will be held in early September regarding the resident and stakeholder insight gained from the summer engagement

activity. This will then be followed by a second briefing in advance of Council and Cabinet at the end of September, aligned with the publication of papers.

Residents

- 231. All residents will be invited to engage and provide their views on our preferred option via an online survey, with accessible versions available on request. Particular attention will be paid to raising awareness of the opportunity to engage within under-served communities.
- 232. A representative sample of c.1100 residents will also be sought using an external company, based on the same questions as the open survey.
- 233. Due to the summer period of engagement, year 10 and year 12 students have been involved in sharing their views on LGR during July. Although their views have not been sought on specific options due to the timing of this engagement, this insight into benefits and concerns about changes to local government structures will be used in the development of the final submission.

Staff

- 234. Staff continue to be fully engaged throughout the process via regular all staff briefings, Chief Executive blogs and operational messaging provided to managers for dissemination to all staff. Staff will be encouraged to take part and share their views via the online survey. Unions will additionally be briefed on the engagement and invited to provide feedback.

Stakeholders

- 235. All stakeholders will be invited to share their views on the preferred option, which will be widely promoted. A specific briefing for stakeholders on the papers proposing the preferred option will be provided in advance of Members discussing this paper.
- 236. Engagement will also be sought with key partners and stakeholders, continuing the approach adopted for the initial period of early engagement. This will reflect the list of consultees set out by Government relating to their formal consultation on Surrey's LGR, to ensure that views of these organisations are reflected and considered at the earliest possible point. This includes MPs, other local authorities in the Area, National Parks, HIOW Fire and Rescue Service and Constabulary, Hampshire Prosperity Partnership Board, health representatives, the Voluntary, Community and Social Enterprise sector, educational settings, universities and Adults'/Children Safeguarding Partnerships.
- 237. Due to the unique position of parish and town councils, in addition to the provision of a tailored briefing and ongoing dialogue with the Hampshire Association of Local Councils, a specific event will be held at the start of August for all parish/town councils across the Area, to discuss the preferred option as well as matters of local identity and community governance.

Next Steps

238. It is essential that the County Council continues to deliver its business-as-usual services and duties, which remain unchanged until reorganisation is complete. The timeline provided by Government includes the following milestones for councils included in the Devolution Priority Programme:

- 26 September 2025: submission of final LGR proposal.
- January-April 2026: Government decision on LGR proposals.
- May 2026: Mayoral election anticipated.
- July-August 2026: LGR legislation prepared and laid.
- May-December 2027: Any transitional legislation needed prepared and laid.
- April 2028: new Unitary Authorities go-live.

239. To continue to progress efforts to develop a final LGR proposal for the September milestone, subject to Cabinet approval, next steps are to:

- Implement the Engagement Plan to deepen the understanding, engagement and insight across stakeholder groups.
- Continue to collaborate with the other authorities in the Area, ensuring the integrity of the shared evidence base underpinning development of proposals.
- Refine the proposal development incorporating insight from the Engagement Plan.
- Prepare the final proposal and reports for Council (24 September 2025) and Cabinet (26 September 2025) prior to the submission to Government on 26 September 2025.

240. Council and Cabinet will be appropriately engaged ahead of the full submission. Once a proposal has been submitted it will be for the Government to decide on taking a proposal forward and to consult as required by statute. This will be a separate process to any consultation undertaken on mayoral devolution in an area and independent of the County Council. If Government decides to implement any proposal, and the necessary legislation is agreed by Parliament, MHCLG will provide for shadow elections or other transition arrangements at the appropriate time.

241. The County Council will continue to work collaboratively and proactively with other Local Authorities to develop robust and sustainable unitary proposals that are in the best interests of the Area and that are Simpler, Stronger, and Secure.

PART FOUR

Additional Considerations and Conclusion

Risks

242. LGR presents a valuable opportunity for fundamental redesign and transformation. However, the complexity, scale and pace of these changes also introduce significant risks – particularly to service delivery, financial instability, and public trust. It is therefore essential to carefully consider the risks associated with LGR alongside the potential benefits, in order to futureproof public service delivery. As the elected members of the current UTLA, County Councillors have a critical responsibility to ensure that any future unitary arrangements are capable of delivering high-quality, sustainable services for residents, communities and businesses; this is particularly important in relation to County Council's core statutory responsibilities. When selecting a preferred option, Members should prioritise decisions that minimise risks, especially for the most vulnerable residents and communities.
243. The risk profile for LGR is being managed through an LGR Programme Risk Register, using the County Council's well established and robust risk management framework, and built collaboratively with EHDC. This comprehensive framework will support the effective management of risks associated with LGR, allowing us to navigate challenges proactively and implement mitigation measures appropriately.
244. The Professional Statements emphasise where the greatest risks lie with LGR in the view of key statutory officers and officers leading services with significant statutory responsibilities across upper tier and lower tier public service delivery. The statements highlight the mitigating role of existing UTLAs in reducing transition risk by providing continuity and stability during structural changes.
245. It is also recognised that the implementation period of LGR is crucial, both through the short- and long-term lens. Fragmentation of high risk or costly statutory services carries significant risk of less effective service delivery. Ensuring safe and efficient operations during the transition and crucially from Vesting Day, is vital to protect and safeguard service users, including vulnerable children and adults. Additionally, the inability to effectively manage fragmentation of County Council services, is also likely to lead to diseconomies of scale, poorer provision of quality, increased costs and disruption for service users.
246. A high-level summary of the key risks for LGR is outlined in the table below.

RISK THEME	RISK DESCRIPTION	MITIGATION
Financial Stability	<ul style="list-style-type: none"> • Current significant financial pressures and budget shortfalls impact the financial stability and sustainability of new authorities created, leading to a starting position for the new unitary authorities in deficit. • Changes to funding following the Government's local authority funding reform consultation impacts on the preferred option business cases projections. 	<p>Use sound financial modelling supported by data to understand LGR impacts, aggregation/disaggregation, and transition costs. Continue monitoring the national picture on central government funding, and ongoing discussions with central government regarding the County Council's funding position, revise MTFS after the spending review. It remains vital that the County Council continues to explore all options to deliver further efficiencies between now and vesting day April 2028.</p>
Service Delivery	<ul style="list-style-type: none"> • Ensuring continued safe and effective operational delivery through LGR transition and from day one of service disaggregation/ aggregation. • Services experiencing fluctuating demand and need, are more affected by greater disaggregation, leading to poorer resilience and inability to effectively manage demand. • Disaggregation of centralised functions leading to poorer oversight of issues, performance and quality. 	<p>Minimise service disruption and disaggregation and avoid creating smaller service footprints where possible. Utilise 'Local Authority Anchor Services and Frameworks' for greater resilience and use of well-established processes and systems. Develop a detailed implementation plan to support an effective transition and that ensures the transformation opportunities are realised to innovate public service delivery. Strengthen business continuity plans appropriately, to ensure services continue to operate effectively from day one in the new geographical areas.</p>
Governance and Decision Making	<ul style="list-style-type: none"> • Maintaining strong governance structures and clear systems leadership, throughout transition and implementation to enable effective decision making. • Governance arrangements through transition do not fairly represent the size and scale of the County Council. 	<p>Ensure decision routes are agreed upon and clear in the transition to establishing Shadow Authorities or other transition arrangements and from day one of new authority.</p>

RISK THEME	RISK DESCRIPTION	MITIGATION
Stakeholders	<ul style="list-style-type: none"> Ensuring collaborative working with other authorities in the area to develop proposals built on shared evidence base and agreed assumptions. Lack of strong strategic relationships to enable effective systems leadership in the new authority. Lack of awareness and understanding of the vision and design of the new unitary authorities. 	<p>Continue to collaborate with all authorities across the Area on data and ensure validation through the summer.</p> <p>Gather views and insights from stakeholders to inform the 'Vision for LGR' in the area. Continued stakeholder engagement with the public, internal and external staff, partners (including multi-agency) and businesses to inform the preferred option. Develop a Communications Strategy to clearly convey preferred option and enable opportunities to engage post July Cabinet decision.</p> <p>Develop principles for a future Neighbourhood Empowerment Model that would meaningfully empower neighbourhoods.</p>
Leadership and Workforce	<ul style="list-style-type: none"> Maintaining stable capacity and an appropriately skilled workforce, with strong and experienced leadership Staffing implications including uncertainty, reduced morale and increased turnover. Additionally, staff may be unable to align to the new Councils' vision, and there is a risk of insufficient skills and experience of staff within the new unitary authorities. 	<p>Ensure a robust and experienced leadership team is established from day one of new unitary authority, including Collaboration with other Local Authorities to enable sufficient and timely resourcing to stand up implementation resource. Ensure recruitment and retention is sustained, particularly in hard to recruit areas.</p> <p>Continued transparent and open engagement with staff, encouraging sharing of views and participation in consultation processes.</p>
Assets and Infrastructure	<ul style="list-style-type: none"> Duplication of critical management systems and inability for new unitary authorities to use current fit for purpose systems and processes. 	<p>Utilise anchor services and frameworks already in place, drawing on the proven and success of their existing infrastructure, systems and processes.</p>

247. The LGR Programme Risk Register continues to be updated as we progress through the LGR programme. Subject to approval, further engagement over the summer with key stakeholders will continue to inform the risk profile and enable us to further detail and manage the risk position. It will also be important to consult the other local authorities in the Area on their risk registers to help create future risk registers for the new unitary authorities.

Legal Considerations

248. The legal basis for the Government's current LGR process is the Local Government and Public Involvement in Health Act 2007 ("the Act"). Government has invited proposals from relevant Authorities in the Area based on the four types of proposal set out in the Act as follows:

- Type A – a single tier of local authority covering the whole of the county concerned
- Type B – a single tier of local authority covering an area that is currently a district, or two or more districts
- Type C – a single tier of local authority covering the whole of the county concerned, or one or more districts in the county; and one or more relevant adjoining areas
- Combined proposal – a proposal that consists of two or more Type B proposals, two or more Type C proposals, or one or more Type B proposals and one or more Type C proposals.

249. Implementation of LGR requires the Government to determine (following consultation) which proposal to adopt, and then to lay a statutory instrument known as a Structural Changes Order ("SCO"). The SCO will ultimately abolish the existing Local Government area(s) and create the new ones. It will also cover the initial transitional arrangements, pending elections to the new local government areas, as well as matters relating to those elections.

Consultation and Equalities

250. Once final proposals have been received by Government, it will be for the Government to decide on taking a proposal forward and to consult as required by statute.

251. The County Council has worked collaboratively and proactively with other Local Authorities and key stakeholders with the aim of (i) developing evidenced, robust and sustainable unitary proposals that are in the best interests of the whole area, and (ii) building a shared understanding of the improvements we expect to deliver through reorganisation. Engagement activities that the County Council has carried out since the Interim Plan submission include:

- **Residents:** The County Council's corporate social media accounts, website and Your Hampshire newsletter have all been extensively used to inform residents of the upcoming Local Government Reorganisation. Alongside this activity, to support less-digitally enabled

audiences, proactive messaging has been undertaken via the news media, spanning TV, radio, newspaper and online news outlets, both regionally and nationally. A suite of bespoke videos was also created for residents, explaining what Local Government Reorganisation and Devolution are, highlighting that there will be future opportunities on the former subject to get involved and have their say on proposals. As part of early engagement efforts with Hampshire residents a survey on LGR was distributed via the Hampshire Perspectives residents' forum to gather initial views and insights. Alongside this, a press release, social media messaging and direct engagement with resident and stakeholder audiences has been undertaken on the publication of this paper to raise awareness of the County Council's LGR proposal.

- **Workforce:** County Council staff have been kept abreast of developments regarding LGR via Chief Executive blogs, all staff briefings, intranet pages and through the monthly Corporate Operational Messages pack which managers share with staff at their regular team meetings. Content for the all-staff briefings has been based on questions raised by members of staff about LGR. A further all staff briefing will have been held on 14 July. Younger age groups (staff under 40) were also engaged through a survey to gather views on LGR perceived benefits and concerns. Additionally, Chief Officer Group have received regular briefings on LGR, and senior managers have been provided with relevant updates enabling them to further support staff during this period.
- **Members:** Members have been closely involved in every step of the process. To support their conversations with residents and partners, summary briefing notes outlining the County Council's key messages regarding LGR were provided following a briefing on 6 June which launched the Member survey on Local Identity and Communities. On 23 June, a Member briefing session was held, facilitated by PwC and Newton Impact, setting out the approach and methodology in developing options and proposing a preferred option. A Local Identity and Community Engagement interactive session is scheduled for 11 July. The session will provide an opportunity to reflect on the results of the recent Member survey and further refine proposals for local identity and community engagement which will feature in the County Council's final proposal to Government. Members have been invited to attend a series of in-person LGR briefings covering multiple topics on 15 July. These sessions will present Members with technical briefings on elements of the LGR strategic business case, with opportunities for questions prior to Full Council on 17 July. East Hants District Council Members have been invited to each session.
- **Stakeholders:** Alongside running a specific briefing on 14 July, stakeholders have been kept updated on progress via the Leader's stakeholder newsletter. Stakeholder representatives from key sectors including Police and Fire, National Parks, Voluntary, Community and Social Enterprise, Education, Health and Business have also been engaged and their views represented within the development of the preferred option.

- **Other Local Authorities:** The other authorities in the Area have been engaged through different forums to ensure their voice is represented in the development of the proposal. On 11 and 12 June, separate sessions were hosted for unitary authorities and district/borough authorities. Similarly, the County Council has worked closely with East Hants District Council to develop the proposal, mirroring engagement approaches with Members and ensuring the important and deep knowledge and expertise of senior officers is built into the considerations and analysis of the options.
 - **Parishes:** Parish and town councils have been invited to an online Briefing on the 15 July, as well as an in-person event to be held on 7 August.
252. An initial Equality Impact Assessment (EIA) has been developed to support the County Council's decision-making process regarding LGR in the Area. It provides a high-level, preliminary analysis of the potential equalities implications of four proposed models for restructuring local government into unitary authorities (Appendix H).
253. This initial EIA evaluates the potential impacts of LGR on individuals with protected characteristics, as well as those affected by socio-economic disadvantage and rural isolation. It draws on publicly available data, insights from early engagement activities, and workforce diversity profiles. While this version provides an initial overview, a more detailed and targeted assessment will be undertaken before final submission to Government.
254. Initial key findings include:
- **Residents:** The reorganisation could affect access to services, particularly for older adults, children, disabled individuals, and those living in poverty or rural areas. Potential negative impacts are associated with risks of disaggregation and fragmentation which could result in service disruption, inconsistent standards and quality of service across new authorities. However, there are opportunities to design localised, responsive, and inclusive services.
 - **Staff:** The transition may impact job security, working conditions, and staff wellbeing. Concerns relate to impacts of disaggregation of teams, loss of institutional knowledge, and the potential erosion of inclusive workplace practices. There is a risk that these changes may disproportionately affect staff with protected characteristics, potentially exacerbating existing inequalities if not carefully managed. Conversely, LGR presents opportunities to embed good practice in equality, diversity, and inclusion across new authorities.
 - **Equalities Considerations:** A smaller number of larger unitary authorities may offer greater capacity to maintain service continuity, safeguard specialist provision, and uphold consistent standards. This model is more likely to support equitable outcomes and mitigate risks to vulnerable groups. A higher number of smaller unitary authorities may amplify risks of disaggregation and fragmentation of services, and the potential negative impacts of service disruption, inconsistent services

and varying quality of service associated with these. For staff a smaller number of larger unitary authorities may offer a higher level of continuity, less disaggregation of teams and its associated impacts of loss of support contrary to a model with a higher number of authorities.

255. The County Council is committed to:

- Embedding equality considerations in all stages of the LGR process.
- Engaging meaningfully with residents, staff, and partners to shape inclusive proposals.
- Ensuring robust data governance and continuity of care to its most vulnerable service users.

Climate Change Impact Assessment

256. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

257. Both devolution and Local Government Reorganisation are likely to present significant opportunities in relation to delivering climate change commitments for Hampshire. This is expected to be realised through the additional funding and powers set out within the devolution strategic framework. At this early stage, a climate change assessment has not been completed and will be considered as further detail is developed, and future proposals are put forward.

Climate Change Adaptation and Mitigation

258. The County Council's climate adaptation tool is not relevant to the recommendations set out in this Decision Report; however, it will be considered as the programme progresses.

Carbon Mitigation

259. The carbon mitigation tool is not relevant to the recommendations set out in this Decision Report; however, it will be considered as the programme progresses.

Conclusions

260. LGR presents a rare and significant opportunity to reshape the future of public service delivery across the Area. Following a comprehensive and evidence-based appraisal of the options, the County Council has identified the creation of four unitary authorities (B2) as the preferred model. This option strikes the most effective balance between financial sustainability, high quality public service delivery, and meeting local needs – delivering a

Simpler, Stronger, Secure future for residents, communities, and businesses.

261. The 4 UA model (B2) builds on the strengths of existing upper-tier local authority anchor services and frameworks, leveraging their infrastructure, leadership, and knowledge to minimise transition risks and safeguard high-quality services, while accepting a level of disaggregation is necessary to achieve the Vision for LGR. It also provides a credible platform for long-term transformation, enabling future councils to innovate, collaborate, and deliver better outcomes for residents. While all options carry risks, the 4 UA (B2) model offers the most pragmatic and deliverable pathway. It avoids unnecessary fragmentation and financial challenges of a 5 UA model, while mitigating the complexity and cultural concerns associated with merging Southampton City Council and Portsmouth City Council under a 3 UA model.
262. Importantly, it most closely aligns with Government criteria and the respective sets of guiding principles, ensuring that the proposal is robust, locally informed, and strategic. The County Council remains committed to meaningful engagement with residents, Members, staff, and stakeholders throughout the next phase of this process. The insights gathered will continue to shape and refine the final proposal ahead of submission to Government in September 2025. This is a pivotal moment for local government in the Area, and the decision taken now will shape the quality, sustainability, and accessibility of public services for generations to come.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
Title	Date
	10/1/2025
Decision - English Devolution White Paper - LGR Interim Plan About the Council Hampshire County Council	21/03/2025
Direct links to specific legislation or Government Directives	
Title	Date
English Devolution White Paper - GOV.UK	16/12/2024
Letter: Hampshire, Isle of Wight, Portsmouth and Southampton - GOV.UK	5/2/2025
Hampshire and the Solent devolution consultation - GOV.UK	17/2/2025
InterimPlanFeedback-HampshireandtheSolent.pdf	7/5/2025
Written statements - Written questions, answers and statements - UK Parliament	3/6/2025

Section 100 D - Local Government Act 1972 - background documents

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

Document

Location

None

EQUALITIES IMPACT ASSESSMENT

Equality Duty

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

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

Equalities Impact Assessment:

1. An initial Equality Impact Assessment (EIA) has been developed to support the County Council's decision-making process regarding LGR in the Area. It provides a high-level, preliminary analysis of the potential equalities implications of four proposed models for restructuring local government into unitary authorities (Appendix H). A comprehensive EIA will accompany the final proposal to Government in September 2025, incorporating further data and insights from planned engagement activities as described in the Report.
2. Initial key findings include:
 - **Residents:** The reorganisation could affect access to services, particularly for older adults, children, disabled individuals, and those living in poverty or rural areas. Potential negative impacts are associated with risks of disaggregation and fragmentation which could result in service disruption, inconsistent standards and quality of service across new authorities.

However, there are opportunities to design localised, responsive, and inclusive services.

- **Staff:** The transition may impact job security, working conditions, and staff wellbeing. Concerns relate to impacts of disaggregation of teams, loss of institutional knowledge, and the potential erosion of inclusive workplace practices. There is a risk that these changes may disproportionately affect staff with protected characteristics, potentially exacerbating existing inequalities if not carefully managed. Conversely, LGR presents opportunities to embed best practice in equality, diversity, and inclusion across new authorities.
- **Equalities Considerations:** A smaller number of larger unitary authorities may offer greater capacity to maintain service continuity, safeguard specialist provision, and uphold consistent standards. This model is more likely to support equitable outcomes and mitigate risks to vulnerable groups. A higher number of smaller unitary authorities may amplify risks of disaggregation and fragmentation of services, and the potential negative impacts of service disruption, inconsistent services and varying quality of service associated with these. For staff a smaller number of larger unitary authorities may offer a higher level of continuity, less disaggregation of teams and its associated impacts of loss of support contrary to a model with a higher number of authorities.