
Basingstoke and Deane Borough Council

Next steps towards unitary authority status

Confidential

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Contents

1 Executive summary	4
1.1 The brief	4
1.2 The challenge	4
1.3 Our analysis.....	5
1.4 The journey	8
1.5 Conclusion	9
2 Introduction.....	10
2.1 The brief	10
2.2 Rationale for change	10
2.3 Local context.....	12
3 Assessment against the DCLG tests	15
3.1 Providing value for money and delivering positive outcomes in terms of the costs of transition	15
3.2 Ensuring strong local accountability and leadership	20
3.3 Delivering better public services	21
4 The journey towards a unitary authority - next steps.....	26
5 Conclusions.....	30
Appendix 1. Basingstoke and Deane as Unitary Authority	31

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1 *Executive summary*

1.1 *The brief*

In parallel to our wider review of the potential options for local government re-organisation and devolution within Hampshire & the Isle of Wight, Basingstoke and Deane Borough Council (the “Council”) commissioned PwC to provide independent advice regarding the assessment of a single unitary authority for the Council as an option in its own right. This report provides independent advice on the possible next steps required for increasing the likelihood of a successful application for unitary status¹. It should be read in conjunction with both our wider report ‘Heart of Hampshire: The future of local government’ and overall summary for Hampshire & the Isle of Wight (‘Devolution and the Future of Local Government: Hampshire & the Isle of Wight’).

1.2 *The challenge*

Before resolving to pursue an application for unitary authority status the Council will wish to satisfy itself that such a transition would enhance democratic accountability and local leadership, together with opportunities to improve service performance and resident satisfaction through new approaches. It will also want to ensure that in doing so it does not adversely impact on the chances of securing the preferred solution that the Heart of Hampshire districts agreed on, namely for enhanced joint working between districts and the county and establishment of a Heart of Hampshire Combined Authority.

The Coalition Government opposed reorganisation considering it a distraction from the focus on efficiency so the most recent proposals were made following the 2006 call for proposals. During the passage of the Cities & Local Government Devolution Act 2015 there was a change in policy and the Act specifically permits the Secretary of State to streamline the process for reorganisation. The Secretary of State has subsequently made clear he believes unitary status can be a great model, and if local areas want it, he will do his best to make it happen in order to encourage local areas to think creatively about solutions as they move to self-financing by 2020².

At this point there is no specific ‘call’ for proposals. Instead the onus is on individual councils to consider and put forward proposals with or without local support. It has been indicated that this may be a window of opportunity limited until 31 March 2019.

The criteria used in previous ‘calls’ may not be the criteria used in the future. In this uncertainty, we have assumed that the future Department for Communities and Local Government (“DCLG”) tests will be broadly comparable to previous requirements and the Council will need to make the case for a structure where:

- The change is considered:
 - affordable; and
 - is supported by a broad cross-section of partners and stakeholders.
- The resulting unitary authority would:
 - provide strong, effective and accountable strategic leadership;
 - deliver genuine opportunities for neighbourhood flexibility and empowerment; and
 - deliver value for money and equity on public services.

¹ It should be noted that this is not legal advice and should not be relied on in making a formal assessment, nor has the Council resolved to apply for unitary authority status. PwC are providing advice based on our experience working with other authorities and Department for Communities and Local Government (“DCLG”) to help inform consideration of the options available to the Council.

² <https://www.gov.uk/government/speeches/accountable-efficient-innovative-the-future-of-county-councils>

The Secretary of State has made clear he is keen to consider proposals for any reform that can offer better public services, greater value for money and stronger local leadership, with particular emphasis on this latter point. This could apply equally to the Heart of Hampshire Combined Authority and is not restricted to unitary authority applications. Hampshire County Council has made clear that any proposal for a unitary authority or combined authority would trigger a negative reaction and opposition.

1.3 Our analysis

In our analysis we conclude that, if the wider recommendations for the Heart of Hampshire to pursue enhanced joint working with Hampshire County Council and seek agreement to pursue establishment of a combined authority do not progress by early 2017, then a change to a unitary council could be a viable option. However, that work would be required to be considered during the first quarter of the year to start building a broad cross-section of partner and stakeholder support.

We also conclude that the resulting authority could improve both accountability and service performance, particularly if undertaken in conjunction with support from a combined authority with the wider Heart of Hampshire authorities. It appears unlikely that Hampshire County Council would ever support a unitary authority application given their determination to 'keep Hampshire together'³. A number of other challenged would also need to be overcome.

Affordability

Any restructuring is likely to be required to demonstrate that it would represent value for money and could be self-financing.

A Basingstoke and Deane unitary authority would start in relative financial balance (surplus of £0.1m). Assuming the projected funding gap in the Medium Term Financial Plan is addressed, after apportionment of the County revenues and costs, a surplus of £3.3m would be generated in 2021/22⁴. Our assessment suggests potential transformation savings could see this surplus strengthened by £6.7m per annum, resulting in a potential saving range of up to £9.9m by 2021/22 (although there may be some overlap with actions necessary to close the funding gap).

Our assessment concludes:

- Overall transitional costs of £15m could be more than offset by savings with a payback period of less than 4 years. This means that a unitary would appear to be affordable, although a North Hampshire Unitary would be preferable in terms of future savings and repayment periods;
- Financing of transitional costs could be met through capital borrowing and revenue savings arising as a result of restructuring; and
- There should be no need to an increase in council tax to cover the cost of transition.

However, a detailed business case would be needed to confirm assumptions, particularly in light of the changing local government finance system and allocation methodology.

Broad cross-section of support

Any restructuring is likely to be required to demonstrate that it has a broad cross section of support. This is unlikely to be forthcoming from Hampshire County Council but may be forthcoming from surrounding principal authorities, parish and town councils and organisations within the wider public sector.

³ Hampshire County Council, 14 November 2016, Further update on local government review decision report

⁴ The Council include a cautious financial planning estimate showing a budget gap to address of £4.9m by 2021/22. In addressing this gap some of the potential transformation savings may be duplicated.

Should the Council be minded to pursue an application it will want to develop a framework for developing and building local consensus among key partners, residents and business. If such an approach was pursued it is likely that Hampshire County Council would seek to run a parallel and counter consultation to influence opinion. In the context of our wider work it is therefore preferential to seek a way forward in conjunction with the County Council and build support for enhanced joint working, but should that fail a unitary authority application, in conjunction with the Heart of Hampshire Combined Authority, would also be an option.

The first steps in building such support would be to reflect on the analysis of the Hampshire County Council consultation on unitary options and to define engagement events such as citizen juries and other forums that would help relevant stakeholders to shape an agreed case for change. This should be led by wider engagement needed for a combined authority across the Heart of Hampshire and actively seek the involvement of the County Council.

The Government is unlikely to expect unanimous support and is likely to undertake its own consultation prior to any final decisions. The Government will however expect consideration of the wider implications across the Hampshire & Isle of Wight footprint to have been considered. These include the following:

Strategic leadership

Successful unitary authority proposals in the past sought to demonstrate they would provide for strong, effective and accountable strategic leadership which works with the local community, business community, voluntary sector and other stakeholders to create a vision for the future place and go on to deliver it. Our assessment is that there are likely to be benefits from a Heart of Hampshire Combined Authority focussing on the strategic needs of the area, and that a unitary authority application could be considered alongside the establishment of that mechanism. However, if agreement can be reached on the Combined Authority with Hampshire County Council there may be less value in also pursuing a unitary application.

The unitary leadership model would enable the Council to take a long term strategic view of the needs of Basingstoke and Deane, aligned to a strong vision and identity, with the context of a wider area. The Council already participates in forums that go beyond its boundary, such as the Enterprise M3 Local Economic Partnership, and the first priority has been to pursue a Heart of Hampshire Combined Authority. Either would provide an enhancement to current arrangements enabling both a Basingstoke and Deane focus and a wider area focus through a combined authority for issues such as travel to work areas and the health economy. The benefit of a unitary application would be to provide future discretion for the Council, and there is uncertainty about whether the current opportunity will persist after March 2019.

Neighbourhood empowerment

The previous call required consideration of how any change would strengthen neighbourhood empowerment including local arrangements through parish and town councils and other forum. This could be developed as part of the stakeholder engagement necessary to develop enhanced working arrangements and any unitary application. This may be through local councils (parish and town councils) but also through other forms of local representation and participation. The key issue will be around local people deciding on what, if any, local level of representation they wish to establish and for what purpose.

Value for money services

An application would need to demonstrate the potential for improved service delivery and increased resident satisfaction. Our analysis suggest that an agreed solution for the Heart of Hampshire could trigger the potential to transform services and redesign alongside communities, which by using technology and joining up services and access to them could result in annual savings of £6.7m a year once fully implemented. If there is slow progress on a shared approach it may be necessary to trigger a unitary authority application to achieve this level of saving.

There are well rehearsed benefits of the unitary authority model of local government in relation to delivering better public services which could be applied to a Basingstoke and Deane unitary authority, but equally to 'County' unitary authorities. One council responsibility for all local authority services to the residents and businesses could be simpler for residents, businesses and partners to understand and engage with. This is recognised by Hampshire County Council in its recent decision report which indicates that it may, in time, seek a unitary option to respond to the financial pressures facing all of local government. Unlike for district councils there is no suggestion that County Councils will need to assess and apply before the end of March 2019.

Previous guidance has highlighted the importance of considering travel to work and shopping and retail patterns within unitary authorities where Basingstoke and Deane acts as a focal point. Basingstoke is one of 151 travel to work areas (TTWA) in England which are approximate self-contained labour areas (i.e. where most people live and work and relatively few cross a boundary on their way to work). This type of criteria clearly shows the different footprints relevant for different public services which are not bounded by Hampshire County Council boundaries.

Challenges

There will be challenges to ensure that any move to unitary status within Basingstoke and Deane is complementary to and does not adversely affect delivery in the wider area, both in reality and perception.

It is clear that county areas will continue to resist any move to create more unitary authorities (unless they are on county boundaries). This has been the case in the past where Devon strongly resisted proposals for an Exeter unitary authority pursuing proposals to the courts before they were ultimately dropped by a change in Government. The Heart of Hampshire Combined Authority approach does not require, but may be reinforced by, a unitary authority application by the Council.

This will be the main challenge from Hampshire County Council who will be concerned about the disaggregation of county services, in particular around social care. This needs to be considered in light of the wider changes to social care services as a result of commitments for integration of health and social care by 2020, and the pressures across the system. Current social care services will already need to adapt, both to the funding pressures facing the County but also in response to the potential impact of the NHS-led Hampshire & Isle of Wight Sustainability and Transformation Plan which was submitted to the Department of Health on 21 October 2016. The pressures in the health service are at least as significant to those facing local government, with a forecast deficit in Hampshire and the Isle of Wight of over £500m by 2021/22. Consideration of such services needs to be done in light of their future provision and wider policy context, not simply on the basis of historic performance.

The DCLG will in particular need to be convinced that children and vulnerable adults would not be at increased risk either during transition or as a result of transition. The result of any change should be a robust model for safeguarding children and vulnerable adults, particularly at the edge of care, while also raising ambition and aspiration. Therefore any assessment of a unitary authority application should be developed in conjunction with a related assessment of the options for accountable care organisations and the integration of health and social care within the area.

Another challenge will be to demonstrate that the Council has sufficient scale to be a robust and sustainable unitary authority, particularly with regard to the informal 300,000 population threshold. There are many existing unitary authorities below this threshold which currently operate successfully. It may be possible to create a unitary option with larger critical mass by merging with neighbouring authorities which meets the size threshold. This however would bring challenges of its own that would need to be considered.

Therefore we recommend any assessment is properly scoped starting with direct discussions with the Department for Communities and Local Government on the application of this test and potential to rule out any further assessment.

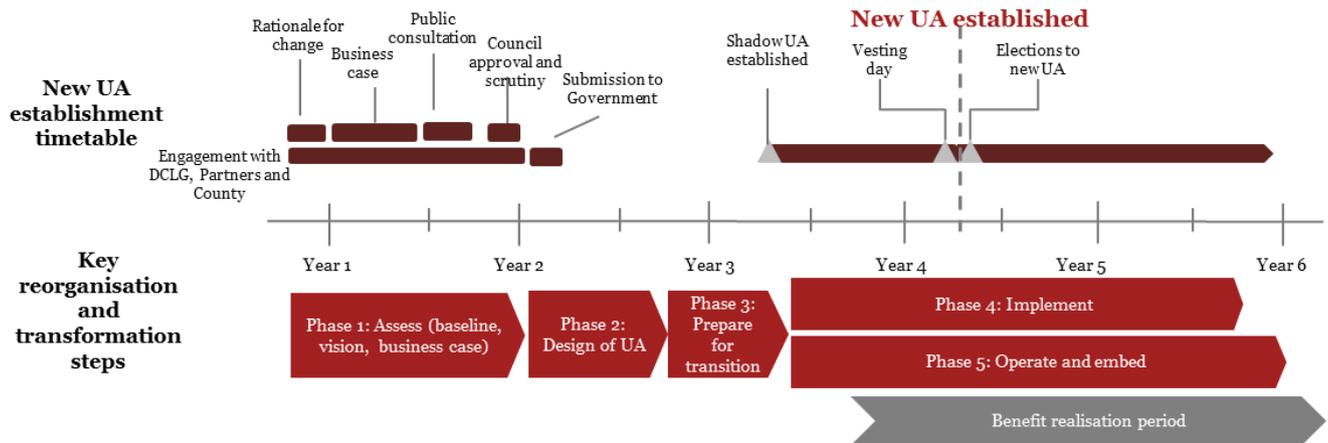
If an assessment for unitary status were commenced it may trigger Hampshire County Council to develop further their County wide unitary concept. This may make it more difficult for other authorities within the Heart of Hampshire to pursue enhanced joint working with the County. In considering these issues, the Heart of Hampshire Combined Authority might be considered the primary objective, with an option to pursue a unitary application if there is limited progress in agreeing a coherent response across all of Hampshire.

1.4 The journey

If the Council is minded to pursue unitary authority status, there are several steps that need to be considered in the short to medium term which we have suggested below based on our experience working with other authorities and DCLG.

Figure 1 below sets out an indication of the steps that will need to be taken to get to a decision to establish a unitary authority. We have also included the organisational transformation phases that will be gone through during the transition. In the first year, the activity would include developing a clear rationale for change, engagement with stakeholders, developing a business case, consultation and Council approvals and submission to DCLG.

Figure 1: High level process and timetable for establishing a new unitary authority (UA)



In summary, the first year of the programme will require an intensive focus on developing a vision, rationale for change and compelling offer to Government and local communities. The business case will need to be evidence based with detailed financial analysis and consideration of how the DCLG tests will be met, and it should demonstrate how local communities, businesses and partners have helped to shape the proposal.

Risks of a failed application

There is a risk that an application fails to proceed, repeating the experience of Exeter and Norwich in 2010 when a change of Government resulted in a shift of policy and appetite for reform. This risk will be ever present throughout the initial phase of the work until the final decision is agreed and can only be managed by building a robust locally supported case for change.

It is also important to reflect that the ‘application’ will only be made after a first phase with developing the business case and consultation. Should the wider Heart of Hampshire Combined Authority be pursued then it would be sensible not to rule out an application, even if only to demonstrate alternative and maintain momentum during discussions.

It is also evident that any move to prepare for any application may trigger a response from Hampshire County Council which could seek to frustrate and prevent development of the application.

1.5 Conclusion

The purpose of this report was to consider what steps were necessary to increasing the likelihood of a successful application for unitary status. As part of the wider work with the Heart of Hampshire, amongst other Heart of Hampshire Districts there is less appetite to participate in reorganisation. The preferred first option is to seek enhanced working with the County and agreement to establish a combined authority. An alternative option to achieve greater local control of services could be achieved by a combined authority linked to a recalibration of the relationship and responsibilities between tiers to bring decision making closer to the point of delivery.

Therefore, any decision to apply for unitary status may need to be subject to developments over the next two months, after which there will be less uncertainty about the Government's Autumn Statement and greater clarity on whether there is any potential for the principal authorities within Hampshire and the Isle of Wight to agree a way forward on local government structures to support devolution of powers, accountability and resources from national to local bodies.

We recommend that any decision is delayed until early 2017 to allow time for discussions between all principal authorities on their respective proposals and the potential to reach an agreed position. However, should there be no prospect of an agreed position, the Council should;

- a. Resolve whether or not an application for unitary status would enhance or detract from the objective of establishing a Heart of Hampshire Combined Authority;
- b. That if it resolves an application for unitary status would enhance that objective, it moves to prepare the ground for an application in good time prior to 31 March 2019 so as to allow for the preliminary work and analysis, including stakeholder engagement, which will strengthen any subsequent application. Despite the potential to 'streamline' applications under the new legislation this process will still take some time. A decision on whether to proceed should be made during the first quarter of 2017; and
- c. Any application focussed on developing a compelling rationale for an application via a robust business case which commands local support and consensus, and in particular overcomes the potential challenge of being considered too small by linking an application to a wider combined authority proposal.

On the basis of the analysis undertaken, a Basingstoke and Deane unitary option appears viable from a revenue allocation and funding position. But it would not meet government's notional size, suggesting it may not achieve the critical mass to withstand economic shocks, invest in growth and attract staff at the requisite level. If minded to consider an application the Council should undertake a detailed assessment to produce a business case. This should only take place following a discussion with the Department of Communities and Local Government to confirm any parameters and barriers to preparing an application. Particular attention should be paid to the social care costs and implications of integration of health and social care which the Government is seeking by 2020, where we would recommend the possibility of a unitary application informs consideration about development of an accountable care organisation within North Hampshire.

2 Introduction

2.1 The brief

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

In addition to this wider review of the potential options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitary authorities across Hampshire and the Isle of Wight, the Council commissioned PwC to provide independent advice regarding the assessment of a single unitary authority for the council as an option in its own right. This report provides independent advice on the possible next steps required for increasing the likelihood of a successful application for unitary status⁵. It should be read in conjunction with both our wider report 'Heart of Hampshire: The future of local government' and overall summary for Hampshire and the Isle of Wight ('Devolution and the Future of Local Government: Hampshire & the Isle of Wight').

This report provides the following additional analysis:

- An assessment of the Council as a unitary authority in its own right. This includes discussion and analysis of the opportunities and challenges that this option presents in order to satisfy the four tests by which DCLG assess proposals for local government re-organisation. The four tests are as follows:
 - Providing value for money;
 - Delivering positive outcomes in terms of the cost of the transition;
 - Ensuring strong and accountable local leadership and governance; and
 - Delivering better public services.
- An assessment as to whether a unitary authority model of local government has the potential to better meet the council's expressed priority to 'localise services shaped by communities, whilst maintaining service resilience' than current two tier arrangements.
- An outline of the next steps needed to maximise the likelihood of a successful application for unitary status.

2.2 Rationale for change

Across Hampshire and the Isle of Wight the future of local government is currently being debated in the context of devolution opportunities available as part of the national policy agenda and the local need to identify sustainable solutions for public services and secure growth. Collectively, the ambition of these authorities has been to secure, through a devolution deal, additional powers, responsibility and additional funding from central Government, for improvements in local services and infrastructure. Devolution deals have to date been based on an additional £30m per annum for 30 years being agreed for each area.

⁵ It should be noted that this is not legal advice and should not be relied on in making a formal assessment, nor has the Council resolved to apply for unitary status. PwC are providing advice based on our experience working with other authorities and DCLG to help inform consideration of all options available to the Council.

Heart of Hampshire Devolution and the future of local government

Our wider report (Heart of Hampshire Devolution and the future of local government) covers the background to the devolution options that were considered by Heart of Hampshire authorities. For any devolution deal there is a Government expectation that the District Councils and Hampshire County Council, as well as wider partners, will have a high degree of consensus around the proposal. A devolution proposal had been developed for the Heart of Hampshire, which includes a combined authority with membership of the District Councils, Hampshire County Council and the Enterprise M3 Local Enterprise Partnership. Hampshire County Council will not endorse a proposal until it has concluded its consultation on local government reorganisation options across Hampshire and the Isle of Wight.

It is widely recognised that the two tier system of local government⁶ has incorporated tensions since it was created in 1972. A failure of different local authorities in the same area to agree priorities, and work on a common approach whilst responding to local needs, can create dis-alignment between connected services and inefficiencies. As a result of common disconnects across the UK, nationally nearly half of the original two tier areas have been replaced in successive rounds of reorganisation during the 1990s and in 2009. Local government reorganisation in response to delivering economic growth was also highlighted in 2012 with Lord Heseltine's report 'No stone unturned – in pursuit of growth' where he stated that local government had become disempowered by 'centralising power and funding' and remained 'overly complex and inefficient'.⁷ The report advocated for a system of single unitary authorities with clear accountability and responsibilities.

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

- Recognition that future funding of local government will be increasingly dependent on economic performance. If local spending needs to be matched by local income within a place then councils will have a greater emphasis on enabling economic growth. Whilst the Heart of Hampshire authorities are comparatively strong economic performers nationally, they recognise the different economic geographies will affect the long term resilience of individual local authorities and the services they deliver;
- Underlying pressure for local government to continue to find efficiency savings including through creating greater economies of scale for high demand/cost services across the public sector and an expectation to redesign and prioritise services to address local need;
- Differential priorities requiring ways of working that achieve benefits of scale but respect local requirements around individuals, communities and districts within Hampshire and the Isle of Wight; and
- The need to enhance joint democratic accountability in the eyes of Government, in order to take up the opportunity to secure a devolution deal for the residents and businesses within the Heart of Hampshire via a combined authority.

It was recognised by the Heart of Hampshire authorities that there are several options on the spectrum between the status quo and complete local government reorganisation into unitary authorities. These options can be designed to achieve the drivers as far as possible, but they vary on the complexity, time and cost continuum.

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

⁶ Two-tier local government in this report refers to County and District local authorities, recognising that in many places local councils (parish, town and community councils) also exist as a further form of local representation

⁷ The RT Hon Lord Heseltine: No stone unturned – in pursuit of growth 2012

Specific focus of this report

This report focuses more specifically on Basingstoke and Deane Borough Council and the potential for reorganisation as a unitary authority as distinct from discussions on devolution. This recognises that at some point in the future reorganisation of service delivery may be a necessity to address the public finance pressures in both local government and other public services such as health.

Re-organisation has not traditionally resulted in additional funding from Government, and on its own would be unlikely to do so in this case. However, creating a unitary authority in Basingstoke and Deane would shift the dynamic across the rest of Hampshire in relation to options for a combined authority and enhanced working between principal councils in the Heart of Hampshire. These options are considered in more detail in our wider report for the Heart of Hampshire.

Two-tier status quo

Local government in the Heart of Hampshire currently operates under a two-tier arrangement of principal councils, where each is responsible for providing different services to residents and businesses, as indicated in Table 1 in the Appendix. Re-organisation to form a unitary authority would see the new structure assume responsibility for the provision of those services currently provided by the Hampshire County Council. For example, the provision of statutory services such as adult and children's social care, both of which have rising demand and, by their very nature, are complex, challenging and high cost services to provide, would reside with the newly formed Basingstoke and Deane unitary authority. Further consideration, in terms of the provision of services, of the impact of Basingstoke and Deane moving to a unitary structure, has been detailed in Section 3 of this report.

It is important to note that across many parts of the Heart of Hampshire there are also local councils – parish, town and neighbourhood councils – which provide greater local representation and which may over time develop greater capacity and if communities choose, increased coverage, enabling further scope to deliver services. In other areas there are strong voluntary and community organisations who could play a similar role.

2.3 Local context

Vision

The Council's focus over the next four years is to lay strong foundations that will shape the way the borough grows over the next 25-30 years and deliver opportunities for all communities. The Council is committed to preparing for controlled and sustainable growth, improving residents' quality of life, supporting those who need it and about creating an organisation capable of delivering change. It is this last aim which is driving the consideration of potential benefits of a move to unitary authority status.

The Council Plan for 2016-2020 includes commitments to:

- Remain a low tax council;
- Continue its efficiency drive;
- Take advantage of new technology ;
- Make the most of partnership working opportunities; and
- Create a vehicle for delivering long term growth.

Basingstoke and Deane is already thriving and the Council wants to be well placed to maintain these advantages in the future. Basingstoke and Deane has longer life expectancies than the UK average, the highest gross value added rate in the Hampshire and Enterprise M3 Local Enterprise Partnership area, the lowest council tax in the whole of Hampshire and 96% of its residents say they are happy with where they live⁸. It is also home to major companies such as De La Rue, ENI, Network Rail and Bombay Sapphire, as well as being home to 1800 listed buildings, such as Highclere Castle (the location for Downton Abbey) and over 80 square miles recognised as being of outstanding natural beauty. Despite these strong foundations the Council knows it cannot stand still if it wants to continue supporting the area as one of the premier locations in Hampshire for businesses and residents and to be able to provide focused support to deprived areas.

To achieve its vision on behalf of local residents and businesses the Council has to work within a framework that potentially constrains its ability to provide the local choice and discretion it requires. Resident satisfaction within Basingstoke and Deane showed that there was a hugely favourable and significant difference for the percentage of residents agreeing that their local council provides 'value for money' (70% versus 51% national average). A move to unitary authority status could provide greater control over local services and feed through into decisions about local taxation. The Council wants to build on its recognition for providing value for money and support local communities 'choice' about the level of service they wish to receive while remaining a low council tax authority.

Economy

Basingstoke and Deane has a strong local economy with 83.2% of the borough's working age population (16-64) economically active. This is higher than the South East average (80.8%) and significantly higher than the average for England (78.1%)⁹.

According to the Council Plan 2016 to 2020, the area has a high rate of business start-ups and the highest productivity in the Hampshire and Enterprise M3 Local Enterprise Partnership¹⁰. Over the five year period from 2010 - 2014, Basingstoke and Deane had a consistently higher number of business starts compared to business closures. There were 970 business start-ups (business births) in Basingstoke and Deane in 2014 compared to 620 business closures (business deaths)¹¹. One year survival rates are high, with 93.6% of businesses still trading after one year; a figure similar to the South East (94.0%) and England (93.5%) average¹². The percentage of businesses in Basingstoke and Deane still trading five years following start up, falls to 48.2%; however, this is higher than the South East (43.8%) and England (41.8%) five year survival rate¹³.

The renovation of the 65 acre Basing View business area has attracted many companies, and this is expected to bring millions of pounds of investment and dozens of high growth companies to the borough over the next 20 years. The Enterprise Zone at Basing View will encourage further investment and new jobs, creating a continued stimulus to the economy. Local skills gaps have also been identified with local employers and are now being addressed. This has been helped by Enterprise M3 LEP funding. Local infrastructure development has also benefitted from LEP funding with £23 million to enable major road schemes.

⁸ Basingstoke and Deane Borough Council Plan, 2016 to 2020, <https://www.basingstoke.gov.uk/content/doclib/1511.pdf>

⁹ Office for National Statistics: Annual Population Survey, July 2015 – June 2016. Economically active refers to those individuals aged 16 and over who are in employment or unemployed.

¹⁰ The Enterprise M3 Local Enterprise Partnership includes all of the Heart of Hampshire authorities, as well as East Hampshire District Council in the Solent and seven further authorities in Surrey.

¹¹ Office for National Statistics: Business Demography 2014 (published November 2015), Table 1.1

¹² Office for National Statistics: Business Demography 2014 (published November 2015) Table 5.1e

¹³ Office for National Statistics: Business Demography 2014 (published November 2015) Table 5.1a

As one of the four major ‘growth towns’ within Enterprise M3, Basingstoke was placed at the heart of the Enterprise M3 Growth Deal submission of March 2014, with a significant amount of funding attributed to its development. The other three growth towns were Guildford, Woking and Farnborough. EM3 views these as key interconnected centres within the top 100 best performing UK localities with over a third of the jobs and GVA growth located in these places¹⁴. Basingstoke is also a key Travel to Work Area (TTWA¹⁵), with 67% of employed residents who work locally, and 67% of local jobs taken by local residents¹⁶. It has almost 134,000 economically active residents¹⁷.

The economy is not only growing but has also shown resilience in the face of the economic downturn: Basingstoke and Deane displays the highest rating in Hampshire for the UK Competitiveness Index (with an index of 110), and is in the top 20% nationally. However, in relation to the other authorities in Enterprise M3 it is in the lower half, with the highest indices being seen in Surrey authorities such as Guildford and Elmbridge with indices of 120. Therefore, although Basingstoke and Deane performs incredibly well compared to its Hampshire and Isle of Wight counterparts, there is perhaps ‘more to do’ to boost its growth to that of its nearest economic neighbours.

Demographics

Basingstoke and Deane is a fast growing borough with a large urban town that has history as a centre for population growth. It has a population of 173,856 based on the 2015 mid-year population estimates released by the Office of National Statistics¹⁸. This represents a 3.6% increase in population since the 2011 census (167,799)¹⁹. The adopted local plan for Basingstoke and Deane includes provision for 850 new dwellings per year which, it is anticipated, will lead to an additional 15,300 dwellings over the local plan period (2011 – 2029). Population projections produced as part of the local plan indicate an increase of almost 30,000 people by 2029, which would represent an increase of 17.8% compared to the 2011 census population figures.

Basingstoke and Deane has a population today that is already larger than many local unitary authorities, such as Reading, Wokingham, West Berkshire and Slough, and other comparable areas such as Bedford. It’s forecast population growth, based on estimates made by the Office for National Statistics²⁰, will have Basingstoke and Deane have the second largest population growth (in percentage terms), second only to Eastleigh, in the whole of Hampshire & the Isle of Wight. This will mean its population will be comparable to the current population of current unitary authorities including Bournemouth, Peterborough, York and Portsmouth. On population terms alone, it would today be larger than over twenty other current unitary authorities.

Based on Office for National Statistics population estimates, 18-64 year olds, of which there are 106,064, make up 61.0% of the population of Basingstoke and Deane whilst those 65 and over (28,653), account for just 16.5% of its total population. Compared to both the South East (18.8%) and England (17.7%), the borough has a lower proportion of those aged 65 and over, however, the borough’s population has aged in recent years (2011 census indicated that 14.4% of the population was 65 and over). It is anticipated that this trend will continue into the future; with the proportion reaching 22.8% in 2032. This will be a lower proportion than that for the South East (24.2%) but will be slightly higher than the average for England as a whole (22.4%).

14 <https://www.enterprisem3.org.uk/document/enterprise-m3-local-growth-deal-submission-march-2014>

15 TTWAs are defined to approximate self-contained local labour market areas, where the majority of an area’s resident workforce work (usually 75%), and where the majority of the workforce live.

16 www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/commutingtoworkchangestotraveltoworkareas/2001to2011

17 http://webarchive.nationalarchives.gov.uk/20160105160709/https://geoportal.statistics.gov.uk/Docs/Travel_to_Work_Areas_2011_guidance_and_information_V4.zip

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

19 Office for National Statistics – 2011 Census, Population and Household Estimates for England and Wales

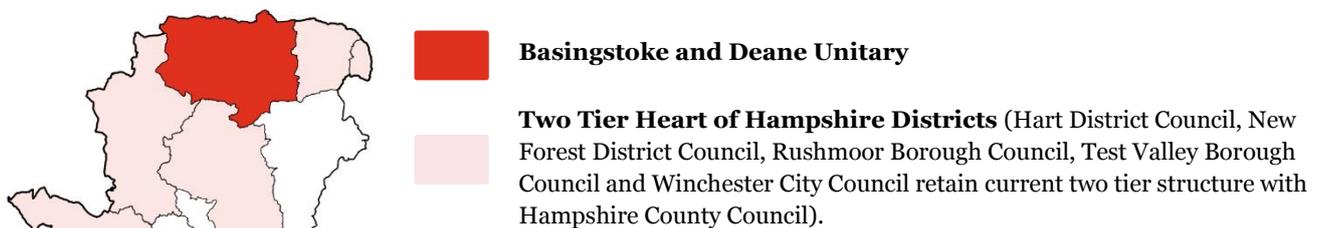
20 Office for National Statistics - Subnational Population Projections for Local Authorities (published May 2016)

3 Assessment against the DCLG tests

In the report 'Heart of Hampshire: The future of local government', we analysed a number of unitary authority options for the 'Heart of Hampshire' region.

In addition to those options, the Council requested PwC test a further option where Basingstoke and Deane would be a unitary authority with all other Districts (both Heart of Hampshire and Solent) remaining in a two-tier system with Hampshire County Council.

Map 1 Map of Basingstoke and Deane within Heart of Hampshire



In this section, we have assessed the Basingstoke and Deane Unitary Authority option against the DCLG tests with the appendices containing detailed information about the performance of the Council as a unitary authority. The appendices also contain detailed information pertaining those other options considered²¹ as well as an assessment as to how the various

options considered perform relative to each other. This section provides an overview of the conclusions for the Council.

3.1 Providing value for money and delivering positive outcomes in terms of the costs of transition

Summary

A Basingstoke and Deane unitary authority would start in relative financial balance (surplus of £0.1m). Assuming the projected funding gap in the Medium Term Financial Plan is addressed after apportionment of the County revenues and costs, a surplus of £3.3m would be generated in 2021/22²². Our assessment suggests potential transformation savings could see this surplus strengthened by £6.7m per annum, resulting in a saving range of up to £9.9m by 2021/22.

This section covers the financial position of the Basingstoke and Deane Unitary Authority, including the value for money considerations, as well as savings and costs from reorganisation and transformation.

²¹ The other five Heart of Hampshire (HoH) authorities are Hart District Council ("Hart"), New Forest District Council ("New Forest"), Rushmoor Borough Council ("Rushmoor"), Test Valley Borough Council ("Test Valley") and Winchester City Council ("Winchester"). The other unitary options being explored across the whole six authorities in HoH are: 1) Six unitary authorities (this option would see the HoH Districts become unitary authorities within their existing boundaries but with Children's services, Adult Social Care and Highways commissioned on a larger county wide basis. 2) Two unitary authorities (this option would create two unitary authorities of Northern Hampshire and Mid Hampshire. Northern Hampshire would comprise Basingstoke and Deane, Hart and Rushmoor. Mid Hampshire would comprise New Forest, Test Valley and Winchester. 3) One unitary authority across the whole six Districts.

²² The Council include a cautious financial planning estimate showing a budget gap to address of £4.9m by 2021/22. In addressing this gap some of the potential transformation savings may be duplicated.

In addition, we have highlighted the potential issues and challenges of the Council becoming a unitary authority that will need to be addressed further in the financial business case in order to increase the likelihood of a successful application for unitary status, namely:

- Financial resilience;
- Changes to the local government finance system; and
- Service resilience in the context of rising demand and budget pressures relating to county services.

Financial analysis

The table below provides a summary of the steps and methodology that we employed to assess the value for money of the unitary option under consideration, including:

- The financial position of the Unitary Authority including payback from transition; and
- The scale of efficiency savings possible from service transformation.

Step		Approach
0	Data collection	We collated the financial data for the Council and for Hampshire County Council. This included collecting the Revenue Outturn and Revenue Account data as well as the Medium Term Financial Plans. The data was collated for the next five years, and verified with each authority.
1	Financial disaggregation of income and expenditure (to develop a baseline)	Each income and service expenditure incurred by both the Council and Hampshire County Council was analysed, and disaggregated by the 'key driver' for that income or expenditure (e.g. by population, children, rateable value, etc.) within Hampshire. This was done for all county and borough expenditure and allowed us to develop a 'baseline' of the income and expenditure within the Basingstoke and Deane's geographical boundary.
2	Financial analysis of the Basingstoke and Deane Unitary Authority	The Unitary authority was then re-constructed based on the geographical area. This analysis outlines the aggregate level of service consumed by the Unitary Authority and the corresponding contribution it makes for those services based on current and forecast expenditure. However, at this stage, it does not reflect any transitional costs or change in the way services are provided
3	Transition savings/costs for the Unitary Authority	Based on the data provided, our experience from other projects and previous local government reorganisation, we estimated: <ul style="list-style-type: none"> • FTE reductions from removing duplication and creating efficiencies • Employee severance costs • New management structures • Election / democratic savings • Surplus office space (change in the level of core office space required due to changes in staffing levels) • Other transition costs
4	Payback	Based on the analysis undertaken above, we undertook an assessment of the payback periods for each option

Financial position

Following the disaggregation of Hampshire County Council income and expenditure, a Basingstoke and Deane unitary authority would generate a small financial surplus in 2016/17 of £137,000. On the assumption the known budget gaps within the current Borough Council are addressed this is projected to increase to £3.3m by 2021/22 (after the apportionment of the County revenues and costs). Our assessment of potential transformation savings means this could increase to £9.9m although there may be some overlap with the efficiency actions to address £4.9m funding gap anticipated in the Council's budget book projections.

	Surplus/deficit 2016/17 (£'000)	Pre-efficiency Surplus/deficit 2021/22 (£'000)	Post-efficiency surplus/deficit 2021/22 assuming funding gap closed (£'000)	Post- transformation surplus/deficit 2021/22 after transformation assuming funding gap closed (£'000)
Basingstoke and Deane as a unitary authority				
Basingstoke and Deane Unitary Authority	137	(1,693)	3,235	9,948

Assuming all other District Councils (Heart of Hampshire and Solent) remain in a two-tier structure, then a revised Hampshire County Council would generate a small deficit (£0.1m) in 2016/17; a position which worsens over the five year period to 2021/22 to a deficit of £3.2m. This deficit position is highly immaterial when taken in the context of the Revised Hampshire County Council's total net current expenditure in 2021/22; representing less than 0.001%. It would also be reversed if the Revised Hampshire County Council also committed to enhanced ways of working.

Savings potential and cost of transition

The table below provides a summary of the total costs, total savings and net savings, over the five year period to 2021/22 that could be realised were the Council to proceed with forming a unitary structure.

Basingstoke and Deane as a unitary authority	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Total costs	5.0	5.0	5.0	(0.1)	(0.1)	14.7
Total savings	2.3	4.5	6.6	6.6	6.6	26.7
Net (costs)/savings	(2.6)	(0.5)	1.7	6.7	6.7	12.0

The costs of transition to a unitary authority are made up of employee severance costs, member costs and other transition costs. In this assessment these have been calculated at £14.7m over five years for conversion of the Council to a unitary authority. The transformation savings are based on member, election, senior staff, asset and transformation savings and have been estimated at £26.7m over five years, with £6.7m per annum once fully implemented. The net savings are calculated at £12m over five years, with a recurring £6.7m per annum from year four onwards and payback in year four.

It is important to bear in mind though that the transition costs will need to be financed ahead of savings although there is a net benefit by year three. At £5m a year for three years the cost of transition would represent less than 2% of gross expenditure of a Basingstoke and Deane unitary authority.

From the analysis undertaken in the Heart of Hampshire report, to provide some context to these findings, the single unitary structure for Heart of Hampshire geography emerges as the most financially viable option when considered in terms of the potential financial benefits it generates through options for re-organisation and transformation. However, it is challenging to directly compare the financial results of the Basingstoke and Deane Unitary Authority against those of the other options considered given the different scales of change involved.

Future council tax

The Council has a history of being a low council tax authority. In 2016/17 Council Tax, a Band D property in Basingstoke and Deane had a council tax bill of £1,408.67 of which the borough council element was £106.42 representing less than 8% of the total cost.

Element	Cost (£)	Proportion
Total	1,408.67	
Basingstoke and Deane Borough Council	106.42	7.55%
Hampshire County Council	1,079.28	76.62%
Police & Crime Commissioner for Hampshire	160.46	11.39%
Hampshire Fire & Rescue Authority	62.60	4.44%

As a unitary authority, the Council would have responsibility for high demand and cost services such as social care which are putting local government finances under pressure and as a single unitary the Council would have the decision about how to resource service pressures in current county services.

Financial resilience

In order to assess the potential ability of the Council to absorb potential financial impacts that could arise, we have developed two scenarios to test its financial resilience, namely:

- Increase of 5%, 10% and 15% in the number of Adult Social Care cases²³; and
- Increase of 5%, 10% and 15% in the number of Children's Social Care cases.

These have been selected as, excluding education which is primarily a pass through spend, these two services are the two largest expenditure line items incurred by a unitary authority alongside statutory obligations for meeting needs. These are also key areas that the DCLG would need to be confident that any new authority would be able to withstand such tests.

This analysis has been performed using case number data provided by Hampshire County Council. Such data has not been provided for all expenditure line items for Adults and Children's social care (79% and 72% coverage of total spend respectively). As such, the increase and calculations thereon reflect those expenditure line items for which Hampshire County Council case number data has been provided.

The table below highlights the impact of increasing Adult Social Care and Children's Social Care case numbers by 5%, 10% and 15% in terms of expenditure levels and the impact upon the Council's budget position²⁴.

	Adult's Social Care			Children's Social Care		
	5%	10%	15%	5%	10%	15%
Increased Expenditure	£1.4m	£2.8m	£4.3m	£0.5m	£1.0m	£1.6m
Original surplus/(deficit)	£3.3m					
Revised surplus/deficit	£1.9m	£0.5m	(£0.9m)	£2.8m	£2.3m	£1.7m
Surplus/(deficit) as % Total Net Current Expenditure	0.75%	0.20%	(0.35%)	1.10%	0.90%	0.67%

These are volatile services responsive to demand pressures and in any unitary authority proposal, careful consideration will need to be given to how these statutory services will be staffed, performed and risks managed whilst at the same time as improving outcomes.

²³ ONS Data has suggested that the over 65 year population will increase from 14.4% in the 2011 census to 22.8% in 2032

²⁴ This analysis assumes the £4.9m funding gap is addressed.

Changes to local government finance

When considering the financial analysis results, it should be noted that:

- Our analysis allocates current service consumption and revenues to a district level based on key ‘drivers’ or ‘disaggregate factors’. In some instances we have used high level approximate drivers in the absence of more accurate data. For instance, the actual Revenue Support Grants (RSG) received by local authorities are calculated (for both district and county level authorities) based on ‘need’. In the event of unitary authorities being established, the RSGs will also be recalculated based on the need-based formula. We have not attempted to calculate the need-based formula (which is highly complex), instead we have used a broader driver.
- We have assumed no changes in local government finance systems but reflected the level of grants and business rates provided in the Medium Term Financial Plans. As announced in the Spending Review in November 2015, the Government’s intention is that under local government finance system reform, the Revenue Support Grant will be phased out with the possible introduction of full business rate retention (the actual plans are under development). Some authorities, such as the Council’s, generate significant levels of business rates, the majority of which are passed to Central Government.
- The Government’s calculation for the ‘needs’ and planned changes in Business Rates are thus expected to redress some of the current variations in deficits and surpluses between the different authorities that we have found in our analysis across Hampshire districts.

In the event of pursuing a unitary authority status, the Council needs to consider the above in more detail, and would need to discuss with the DCLG the likely impact of changes in local government financing structures in the future (these are still under development). We would recommend that the Council develop a more detailed financial plan and model to test the different scenarios that may emerge from those discussions and their impact on its financial position.

In addition, we have highlighted the potential issues and challenges of the Council becoming a unitary authority that will need to be addressed further in the business case in order to increase the likelihood of a successful application for unitary status.

Service resilience

Based on 2016/17 Revenue Account data, Hampshire County Council services account for 75.7% of local government spend across the existing the two-tier structure in Hampshire. Statutory services such as adult and children’s social care are high cost (representing 22.5% and 8.54% of Hampshire County Council’s total spend respectively) and have rising demand and are complex and challenging in nature²⁵.

Local government has many of the ultimate accountabilities for outcomes for children but is facing a financial challenge to reduce expenditure and improve outcomes. The number of children requiring care and support is volatile but has been steadily increasing nationally. Adult social care is a system under strain nationally. It is perhaps the single biggest pressure on local authority finances with a clear recognition of the challenges this represents. The Spending Review 2015 announced new powers to raise Council Tax by up to 2 per cent to spend on social care, providing flexibility for local authorities alongside additional money for social care provided through the Better Care Fund from 2017/18. Despite this the social care funding gap has been estimated at between £2bn and £2.7bn nationally.

In addition, carving out the Council from Hampshire will require the transfer of responsibility for county services to the new unitary authority which will have costs which will need to be considered in detail in the business case and during the design of the new unitary authority. As Hampshire County Council will retain responsibility for the services across the rest of Hampshire, it will not be a straight forward case of disaggregating a proportion of Hampshire County Council staff and resources into the new unitary authority. An example of these costs are:

²⁵ This excludes education expenditure which is predominantly passed through grant funding by central government for schools.

- Capability and Capacity of staff – New teams will need to be created to deliver the services that were previously county council services. This will require redeployment and recruitment of specialist staff (e.g. emergency planning, trading standards, waste and minerals, transport planning) and senior management which, particularly in some services, has challenges around a shortage of professionals e.g. social workers. Particularly for statutory services, but relevant to all services, teams will need to be of a suitable size to provide the required capacity which may mean diseconomies of scale and additional cost.
- Plant, machinery and equipment – For example highways maintenance and winter maintenance require specialist equipment and vehicles.
- Contract and commissioning value – There will be a cost of procurement, commissioning and contract management related to the new services. Procuring these supplies/services at a smaller scale to Hampshire County Council could impact on value for money from dis-economies of scale and arguably lesser buying power than a larger organisation. Conversely it might be argued that there would be a wide competition and supply base, including SMEs, if the scale of Hampshire commissions were disaggregated.

All of the above points are addressable and would need to be considered in detail when developing the business case and designing the new unitary authority's operating model. In light of the issues described above, the new unitary authority will need to consider the different service delivery models to make sure services are sustainable and provide the best value for money. Such models include, for example, in-house provision, commissioning from private sector or social enterprises, sharing services or establishing jointly owned companies with other county or unitary authorities (e.g. Hampshire County Council or West Berkshire Council), though this latter option is clearly dependent upon a willingness to cooperate between authorities.

3.2 Ensuring strong local accountability and leadership

Population test

From a population perspective, our analysis shows that both current, and future projected population estimates are below the informal minimum threshold suggested for unitary authority status to be deemed viable, despite being larger than 20 plus existing unitary authorities. This is based on informal advice from DCLG that an appropriate population size for a unitary should lie in the range of 300,000 to 700,000²⁶.

This is not a rigid test but any proposal outside of this range would need to have a strong rationale. Basingstoke and Deane had a population of 173,865 in 2015 and a projected population of 198,100 in 2032.²⁷ This represents a 14% increase over the timeframe. Basingstoke and Deane's population is forecast some 34% smaller than the national average for a single tier authority (265,048²⁸). Population data for 2032²⁹ is stated for illustrative purposes and is based on past trends.

This raises questions about the actual and perceived ability to absorb and re-perform county services which are currently conducted at a much larger scale. It is also important to note that no authority within Hampshire and Isle of Wight has a current population over 300,000 and it has three existing unitary authorities, and that there are many authorities that do deliver these services who have populations below the minimum threshold.

In summary a Basingstoke and Deane unitary authority may be considered too small, but a Hampshire unitary authority would be considered too large if this threshold range was rigidly applied.

²⁶ <http://dorset.moderngov.co.uk/ieListDocuments.aspx?Mid=792>

²⁷ 2032: ONS Subnational Population Projections for Local Authorities 2015

²⁸ PwC calculated average based on ONS 2015 Mid-year population estimates

²⁹ Basingstoke and Deane's adopted local plan includes provision for 850 dwellings per year, leading to an additional 15,300 dwellings over the local plan period (2011-2029). Population projections produced as part of the local plan process, suggest an increase of almost 30,000 people by 2029, which is an increase of 18% since 2011.

Accountability

In terms of local accountability and leadership, there are likely to be benefits for Basingstoke and Deane moving to unitary authority status by enabling:

- One local authority which will provide strong leadership of ‘place’ in Basingstoke and Deane, aligned to a strong vision and identity;
- A single channel of accountability for all local authority services. The service delivery models considered in any unitary authority business case will need to consider how clear lines of accountability can be achieved/maintained in any commissioned, shared service of company model;
- The scale of local representation and closeness to communities to be maintained due to the relatively small size of Basingstoke and Deane as a unitary authority (which would be co-terminous with the existing borough geography. All decisions on local authority services would be taken locally allowing services to be prioritised based on local need;
- Local community engagement and participation mechanisms designed based on the preferences.

An application for a Heart of Hampshire combined authority and devolution deal using the Cities and Local Devolution Act 2016 legislation, would allow the Heart of Hampshire Districts and a Basingstoke and Deane unitary authority to form a combined authority without the need for Hampshire County Council approval, although it is the strong preference of the other authorities that it is a full and active participant.

Unitarisation would not preclude the Council from becoming a member of a Heart of Hampshire combined authority and accessing any devolution deal. The application for a combined authority on this basis could be developed in tandem with the unitary authority and utilise the streamlined process now possible.

3.3 Delivering better public services

There are well rehearsed benefits of the unitary authority model of local government in relation to delivering better public services which could be applied to the Basingstoke and Deane Unitary Authority option. For example it would enable:

- One council responsibility for all local authority services to the residents and businesses. This could be simpler for residents, businesses and partners to understand;
- The alignment of some services that were previously split between Hampshire County Council and the Council e.g. all regulatory and public protection services would be provided in one team and under a unified line management. Waste collection and disposal could be provided under a single integrated service;
- Integrated service design built around outcomes, for example the health and wellbeing of residents, where the demand for public health and social care services is impacted by not just care services but also the built environment, housing, environmental quality, economic growth and prosperity or public transport and transport planning with town planning and development with education provision and community facilities;
- Services designed at more local level to meet community needs and priorities. However the challenges of size and scope in a small unitary authority might inhibit the kind of service reform that is needed to truly challenge the financial challenges and improve outcomes;
- Opportunity to transform and redesign services by creating a new organisation built on common processes, policies and design principles. For example, through greater use of digital processes to provide a single front door for public services with enablement of self-service and automated assessments releasing staff effort to focus on complex cases.
- Simplified commissioning and delivery model decisions through integration of decision making.

- Improved governance and accountability.
- Ability to scale up and partner on strategic planning and decision making with the most relevant authorities and at the right scale each time, whether at an EnterpriseM3 LEP geography, Hampshire wide or broader geography.

Challenges

The pressures on local government mean that many of these issues will need to be addressed irrespective of any change in structure. The opportunity of unitary authority status is that it would provide a framework and timeline within which to guide and inform design decisions.

There will be challenges to ensure that any move to unitary status within Basingstoke and Deane is complementary to and does not adversely affect delivery in the wider area, both in reality and perception. It is clear from recent statements from the County Council Network that county areas will continue to resist any move to create more unitary authorities (unless such a move is on county boundaries). This has been the case in the past where Devon strongly resisted proposals for an Exeter unitary pursuing proposals to the courts before they were ultimately dropped by a change in Government.

This will be the main challenge from Hampshire County Council who will be concerned about the disaggregation of county services, in particular around social care but also in other services fearing a loss of specialist expertise and challenges to teams developed over many years. DCLG will also need to be convinced that any new authority will be able to safeguard vulnerable children and adults, this is addressed in more detail in the next sub-section.

This needs to be considered in light of the wider changes to social care services as a result of pressures across the system, including the potential impact of the NHS-led Hampshire & Isle of Wight Sustainability and Transformation Plan which was submitted to the Department of Health on 21 October 2016. The pressures in the health service are at least as significant to those facing local government, with a forecast deficit in Hampshire and the Isle of Wight of over £500m by 2021/22. Consideration of such services needs to be done in light of their future provision and wider policy context, not simply on the basis of historic performance.

If an assessment of potential for unitary status were commenced it may trigger Hampshire County Council to commence further development of a county wide unitary response as indicated in the latest decision report on local government structures published on 4 November. In considering this issues any agreement to develop a case for unitary status, or to consider further work, should be considered in conjunction with a combined authority across a wider population and coherent approach across all of Hampshire. There is a desire in many areas to engage Hampshire County Council in that process and every effort should be made to complete analysis together despite the likely objections.

Any successful application for unitary authority status, would need to develop a detailed case and implementation plan for each of these issues and in particular the counter arguments around the need for scale on strategic service planning and delivery, particularly in areas such as social care.

Social care services

Social care services account for the majority of local authority expenditure and are also the main drivers of financial pressure due to increasing demand, particularly in adult social care as a consequence of an ageing population. The split of responsibility between health and local government is of greater significance than the split between different principal authorities.

As a unitary authority, the Council would need to demonstrate that it had addressed potential challenges and concerns in taking on responsibility for these services due to their complexity, criticality and cost. It will also need to demonstrate alignment with health service provision to support moves to integrated care services. However, this is equally a requirement for the current arrangements to address as both health and local government seek further efficiency gains and no change is not an option.

Key questions include:

- ***How would a change impact health and social care services?*** – The Hampshire health economy is under pressure to close a forecast gap of over £500m+ by 2021/22 and local partners across the Hampshire and Isle of Wight footprint, like all 44 areas across the country, have just submitted their Strategic Transformation Plan to the Department of Health. It is Government policy to seek integration of health and social care by 2020.
- Any proposal for unitary status will be stronger if it demonstrates how a change would increase alignment with the STP proposals and would strengthen delivery of health and social care services. Within the NHS Five Year Forward Plan there is an expectation that new delivery models will be developed including accountable care organisations focussed on the health outcomes of the population rather than treatments. Integration of health and social care could mean that the remaining council responsibilities would need to focus more on ensuring effective commissioning, governance and accountability arrangements for the local authority rather than delivery. Alongside any application for unitary status the Council will want to consider the development of local proposals and resulting impact on the future structure and resourcing of the authority.
- ***How would a change impact children’s services?*** A Basingstoke and Deane unitary authority could have the benefit of designing services to meet more local needs, with greater focus on areas of deprivation, but would also need to provide confidence around the resilience of service provision. Local government has many of the ultimate accountabilities for outcomes for children and whilst the number of children requiring care has been steadily increasing nationally, the demand for support is also volatile, requiring flexibility, resilience and sufficient scale to handle demand peaks and specialist services.
- Children’s services are complex and subject to rapid change. Across the UK, there were 98 separate Acts of Parliament affecting children passed between 1987 and 2008, with over 400 different initiatives, strategies, funding streams, legislation or guidance and organisational changes to services affecting children and young people³⁰. One argument for scale is that a smaller unitary authority would lack the organisational capability and capacity to provide these specialisms and adequately safeguard children at risk. Social work has challenging personal and professional responsibilities. Many social workers choose to leave the active profession after a few years for a variety of reasons, including increasing referral rates, increasing caseloads, diminishing support and lack of control of career development. There is also a recognised shortage of leadership excellence within social care services nationally and a desire to bring the best people into the profession. Due to the challenging nature of the work there is a potential concern that finding an additional strong leadership team and social worker team could be a risk within a smaller authority.
- Alternatively, there is an argument that a unitary authority would be better placed to integrate service design across the full range of local authority services, recognising areas such as housing and education are fundamental to the demand for children’s services. Alternative delivery models and sharing between authorities is also seeing the emergence of areas where excellent authorities experienced in these services are providing on behalf of others. This could result in a unitary authority commissioning support, either from Hampshire County Council effectively maintaining the current provision, or from others rather than developing new provision itself. Hampshire County Council is already providing services outside of its boundary for the Isle of Wight, as are other authorities, meaning that transition to a unitary authority could be managed to avoid any safeguarding risk. Over the longer term development of alternative provision could be developed to meet the specific needs of Basingstoke and Deane either alone or in combination with other authorities. For example:
 - London Tri-Borough (Westminster, Kensington and Chelsea, Hammersmith and Fulham local authorities) has adopted a model whereby there is a single Executive Director for Children’s Services (DCS), acting as the statutory DCS for all authorities, but who is supported by Directors of Children’s Services within each authority who have operational delivery responsibilities but who

³⁰ Action for Children, 2008, As long as it takes: A new politics for children

also take a lead across all authorities on specific services, such as adoption and fostering. Each authority retains a lead member for Children's Services.

- Tricuro is a local authority trading company of Dorset County Council, Poole Borough Council and Bournemouth Borough Council which provides services across the three authorities. The benefits stated in the business case were to provide scale, better value for money and a more sustainable approaches to the delivery of social care services than would be possible by the authorities individually.

The business case must demonstrate that children and vulnerable adults would not be at increased risk either during transition or as a result of transition. However, it also needs to recognise that the status quo option will require significant changes as a result of demand and financial pressures. The result of any change should be a robust model for safeguarding children and vulnerable adults, particularly at the edge of care, while also raising ambition and aspiration. There are examples where local authorities have made significant changes to these services, which should be looked at when addressing the risk of resilient services in the unitary authority business case.

Education services

Local government continues to play an important strategic role in relation to education services. The test for a unitary authority is whether local control over functions such as school planning and admissions would provide advantages over existing Hampshire County Council provision. Nationally the Department for Education has a preference for larger scale control over strategic services so any case for unitary provision would need to demonstrate specific reasons why local control would provide advantages. Concerns have been expressed that the performance of schools within Basingstoke and Deane schools performance is below that of equivalent districts in the south.

This may include specific understanding of the local school system and requirements of business within the area, and the benefits of modelling provision effectively to utilise capacity within the locality more effectively. This could result in more responsive service provision and engagement with schools across the area than is possible across the Hampshire footprint.

Highway services

Hampshire County Council highway services are delivering improvements. Principal roads requiring maintenance are now in line with the national average, having declined from 7% in 2011/12 to 4% in 2014/15, while non-principal classified roads requiring maintenance are now below the national 7% average having improved from 9% to 4% over the same period³¹. These services are delivered through a major highway service contracts, which is due for renewal in 2017, where client contracting is considered critical to effective management of service providers. Disaggregation could be seen as a risk of disruption to the quality of service provision and ability to provide specialist expertise.

Hampshire County Council have been engaging with other authorities on agency agreements for minor improvements and environmental initiatives that can have a significant impact on perceptions of quality. In other counties there are examples of shared initiatives where Essex County Council for example has devolved parking issues to North and South Essex Parking Partnerships operated by the relevant districts.

However, a unitary authority could also offer more local choice on whether to continue commissioning these services from Hampshire County Council as a provider, or whether to develop in-house provision or alternative providers. The key issue would be whether local discretion on commissioning would enhance the Council's ability to improve local highway services, for example by choosing to invest more in schemes that are not a priority of Hampshire County Council.

³¹ <https://www.gov.uk/government/statistics/road-conditions-in-england-2015>

Partner organisations

In the current arrangements partner organisations are working with two principal authorities when dealing with issues in Basingstoke and Deane which can add to complexity and mask situations where in practice the Council is the main funder of activity locally. Public and community transport services, which account for a third of spend on highways and transport, are an example where while Hampshire County Council remain the transport authority, Basingstoke and Deane and Stagecoach own the majority of the contract. This can have advantages for dealing with strategic planning at a scale where those authorities are also operating on a larger footprint, but for all organisations there is also need for a more local focus on operational delivery. The challenge will be to demonstrate how any unitary authority would be able to participate effectively in combination with other principal authorities for issues that require a strategic response, but also in isolation, and with communities and local councils where a more neighbourhood level and community response is required.

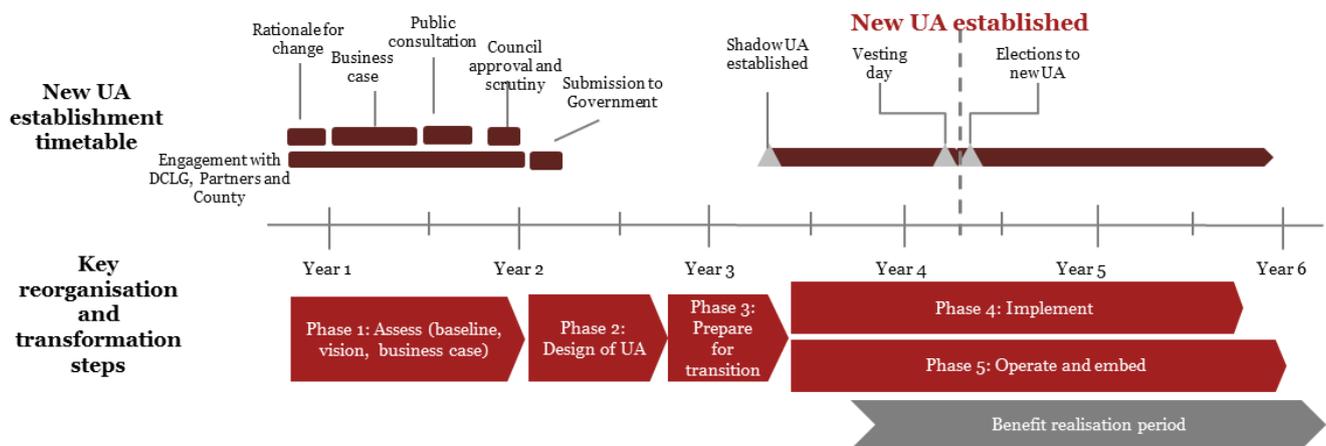
4 The journey towards a unitary authority - next steps

If the Council are minded to pursue unitary authority status, there are several steps that need to be considered in the short to medium term which we have suggested below based on our experience working with other authorities and DCLG.

Figure 1 below sets out an indication of the steps that will need to be taken to get to a decision to establish a unitary authority. We have also included the organisational transformation phases that will be gone through during the transition. In the first year, the activity would include:

- Developing a clear rationale for change;
- Engagement with stakeholders;
- Developing a business case;
- Consultation; and
- Council approvals and submission to DCLG.

Figure 2: High level process and timetable for establishing a new unitary authority (UA)



Legislative process

It should be recognised that, unlike previous rounds of local government reorganisation, there is no explicit open invitation for applications. However the Secretary of State has now suggested he welcomes proposals for reform, particularly where they would strengthen local leadership.

The process for establishing a unitary authority is set out in the Local Government and Public Involvement in Health Act 2007. Part 1, Chapter 1: Structural and Boundary Change, states in section 1 to 7 that the Secretary of State may invite a county or district council to make proposals to become a unitary authority either individually or as a group of local authorities.³²

³² <http://www.legislation.gov.uk/ukpga/2007/28/part/1/chapter/1>

The recent Cities and Local Devolution Act 2016³³ permits an expedited procedure for creating unitary authorities. In areas where a new combined authority is to be created, it is the expectation that proposals would be brought forward at the same time as unitary authorities. This may bring this reorganisation consideration in Basingstoke and Deane full circle to the consideration of a devolution deal and combined authority for the Heart of Hampshire.

The first year of the programme: 'assess'

The following next steps are focussed on the 'assess' phase as the key activity that will be required in the first 12 months, should it be decided that the Council wish to further consider the option of unitarisation.

Rationale for change

The Council members and officers will need to develop a clear rationale for pursuing unitary authority status. Questions that will need to be considered include:

- What is the vision and priorities for Basingstoke and Deane? What are the outcomes that need to be achieved for local communities?
- What is the compelling offer to Government to support the creation of a unitary authority for Basingstoke and Deane – what will it achieve?
- What is the justification for creating a unitary authority below the 300,000 population (informal threshold) – why is Basingstoke and Deane different?
- How is the current local government arrangement inhibiting or slowing progress towards this vision?
- What in the internal and external environment needs to be factored in to the potential achievement of this vision, for example, Government funding, demographic demand pressures, legislation and policy changes, changes in the health service, position of the other Hampshire District Councils in respect for appetite for unitary status?

The rationale for change will need to be visionary, compelling but also based on evidence and set out what will be achieved by the unitary authority that cannot be done under existing arrangements. The compelling offer to do things differently could be focussed on as an example:

- A commitment to continue to deliver sustainable economic growth through high density eco-towns, in line with National Infrastructure Commission studies; or
- Building a 'smart council' and testbed for new technologies, taking advantage of the location of this sector in, and close to Basingstoke and Deane.

These are clearly illustrative and examples, however, in the rationale for change, there should be a clear articulation of how a new unitary authority will be different, yet building on existing strengths.

An early discussion with DCLG at this stage will also be important to understand whether a proposal from Basingstoke and Deane would be welcomed by the new Minister. Continuing an open and proactive dialogue with officials at DCLG will be important to ensure that any aspirations held by the Council for unitary authority status are understood by those with the powers to enable the change.

Developing a business case and programme governance

Once there is a clear rationale for change and a commitment to pursue unitary status by members, a business case will need to be developed which will need to cover:

³³ <http://www.legislation.gov.uk/ukpga/2016/1/section/15/enacted>

- The vision, strategic aim and priorities for Basingstoke and Deane and the rationale for change, and engagement with stakeholders to reach this vision;
- The opportunities and challenges that a unitary authority for Basingstoke and Deane would help address;
- The other options considered to address these challenges e.g. enhanced status quo, different delivery models;
- The benefits the unitary authority would provide articulated through the DCLG tests:
 - Value for money and efficiency;
 - Cost of transition and payback period;
 - Strong local leadership and accountability;
 - Better services;
- The risks of taking on the county services, how these will be mitigated through the design of services and deliver models, including a transformation approach;
- A clear transition plan, which sets out how the transition will be implemented and risks managed with a robust governance structure established at both member and officer levels;
- Support received from stakeholders for the proposal and the stakeholder engagement plan to be executed during the transition phase.

Further validation of the financial analysis to ensure that any unitary authority is starting from the best possible financial position should also be considered in order to start the unitary authority in an optimal position to progress. Reorganisation and transformation benefits will further help the financial case, so if a unitary route is pursued it would be prudent to use it as an opportunity to reorganise and transform to the best possible benefits. Finally, further sensitivity analysis around the disaggregation factors, population estimates and council tax harmonisation could help secure a firm and solid foundation for future change.

Stakeholder engagement and consultation

Engagement with stakeholders will be critical to developing a successful proposal for a unitary authority and will require consistent effort throughout all phases of the programme. The benefits of engaging key stakeholders are included below:

Basingstoke and Deane Borough Council

- Clear leadership from the top will be required to set the vision, ambition and the rationale for change for a unitary authority;
- Early engagement with members and staff to develop the vision and rationale for change will provide a stronger basis from which to develop a business case and achieve buy in during later stages of the programme.

Hampshire County Council engagement

- It is likely that DCLG will expect to see a good level of engagement with Hampshire County Council on a Basingstoke and Deane unitary authority proposal, particularly in relation to the transition of county services, how resilience and quality of these services will be achieved and the impact carving out the Council will have on Hampshire County Council's budget and operations;
- As discussed in section 2, a key consideration in relation to the resilience and quality of these services is the choice of delivery model for services. Further development of the opportunities for shared or commissioned services with Hampshire County Council, or other county or unitary authorities should be explored in the business case.

Public consultation

- Extensive community engagement during the development of the business case will help identify the benefits and risks associated with a unitary authority for Basingstoke and Deane so that these can be considered as part of the case.
- Once a business case has been developed, there should be extensive consultation with the public and partners on the proposal which will need to be submitted as part of the body of evidence with the submission to Government.
- Similar public consultation exercises on combined authorities and unitary authority proposals have received a relatively low response rate, although this is not to be unexpected due to the subject matter. Therefore a range of consultation methods will need to be considered, such as citizens juries, roadshows and events, with particular focus on what it means for local communities and the services they consume.

In summary

In conclusion, the first year of the programme will require an intensive focus on developing a vision, rationale for change and compelling offer to Government and local communities. The business case will need to be evidence based with detailed financial analysis and consideration of how the DCLG tests will be met, and it should demonstrate how local communities, businesses and partners have helped to shape the proposal.

5 Conclusions

Recognising that there are wider discussions within the Heart of Hampshire about the pursuit for devolution, the potential for reorganisation as a unitary authority is distinct from these discussions. Consideration of local government reorganisation in the Council recognises that at some point in the future, reorganisation of service delivery is a likely necessity to address the public finance pressures in both local government and other public services such as health. This point is also acknowledged in the County decision report of 4 November following their consultation on future local government options given the pressures on local government finances.

The purpose of this report was to consider what steps were necessary to increasing the likelihood of a successful application for unitary status. As part of the wider work with the Heart of Hampshire, amongst other Heart of Hampshire Districts there is less appetite to participate in reorganisation. The preferred first option is to seek enhanced working with the County and agreement to establish a combined authority. An alternative option to achieve greater local control of services could be achieved by a combined authority linked to a recalibration of the relationship and responsibilities between tiers to bring decision making closer to the point of delivery.

Therefore, any decision to apply for unitary status may be subject to developments over the next two months, after which there will be less uncertainty about the Government's Autumn Statement and greater clarity on whether there is any potential for the principal authorities within Hampshire and the Isle of Wight to agree a way forward on local government structures to support devolution of powers, accountability and resources from national to local bodies. During that period the Council may wish to have informal direct discussions with the Department for Communities and Local Government on the potential barriers to an application.

We recommend that any decision on preparing an application is delayed until early 2017 to allow time for discussions between all principal authorities on their respective proposals and the potential to reach an agreed position. However, should there be no prospect of an agreed position, the Council should;

- a. Resolve whether or not an application for unitary status would enhance or detract from the objective of establishing a Heart of Hampshire Combined Authority;
- b. That if it resolves an application for unitary status would enhance that objective, it moves to prepare the ground for an application in good time prior to 31 March 2019 so as to allow for the preliminary work and analysis, including stakeholder engagement, which will strengthen any subsequent application. Despite the potential to 'streamline' applications under the new legislation this process will still take some time. A decision on whether to proceed should be made during the first quarter of 2017; and
- c. Any application focussed on developing a compelling rationale for an application via a robust business case which commands local support and consensus, and in particular overcomes the potential challenge of being considered too small by linking an application to a wider combined authority proposal.

On the basis of the analysis undertaken, a Basingstoke and Deane unitary option appears viable from a revenue allocation and funding position. But it would not meet government's notional size, suggesting it may not achieve the critical mass to withstand economic shocks, invest in growth and attract staff at the requisite level. If minded to consider an application the Council should undertake a detailed assessment to produce a business case. This should only take place following a discussion with the Department of Communities and Local Government to confirm any parameters and barriers to preparing an application. Particular attention should be paid to the social care costs and implications of integration of health and social care which the Government is seeking by 2020, where we would recommend the possibility of a unitary application informs consideration about development of an accountable care organisation within North Hampshire.

Appendix 1. Basingstoke and Deane as Unitary Authority

Appendix table 1 – Services provided by council tiers

Function	Service	Unitary	County	District
Customer services	Customer services	✓	✓	✓
People services	Adult social care	✓	✓	
	Children's services	✓	✓	
	Births, deaths and marriage registration	✓	✓	
	Community safety	✓		✓
	Concessionary travel	✓	✓	
	Consumer protection	✓	✓	
	Education, including special educational needs, adult education, pre-school	✓	✓	
	Housing	✓		✓
	Licencing	✓		✓
	Public health	✓	✓	
	Revenues and benefits	✓		✓
	Trading standards	✓	✓	
Place services	Building regulations	✓		✓
	Burials and cremations	✓		✓
	Coastal protection	✓		✓
	Economic development	✓	✓	✓
	Emergency planning	✓	✓	✓
	Environmental health	✓		✓
	Highways (not trunk roads) and traffic management	✓	✓	
	Minerals and waste planning	✓	✓	
	Parking	✓		✓
	Passenger transport (buses) and transport planning	✓	✓	
	Planning	✓		✓
	Public conveniences	✓		✓
	Street cleaning	✓		✓
	Waste collection and recycling	✓		✓
	Waste disposal	✓	✓	
Cultural services	Art & Recreation	✓	✓	✓
	Libraries	✓	✓	
	Markets and fairs	✓		✓
	Museums and galleries	✓	✓	✓
	Sports centres, parks, playing fields	✓		✓
	Tourism	✓	✓	✓

Function	Service	Unitary	County	District
Corporate services	Audit	✓	✓	✓
	Chief executive's service	✓	✓	✓
	Communications / Print	✓	✓	✓
	Corporate policy	✓	✓	✓
	Democratic services	✓	✓	✓
	Electoral services	✓	✓	✓
	Facilities management	✓	✓	✓
	Finance	✓	✓	✓
	HR	✓	✓	✓
	ICT	✓	✓	✓
	Legal	✓	✓	✓
	Payroll	✓	✓	✓
	Procurement	✓	✓	✓
	Property services	✓	✓	✓

Appendix table 2 – Unitary cost of transition

Basingstoke and Deane as a unitary authority	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m	Total £m
Transition costs						
Employee severance costs	1.8	1.8	1.8	0.0	0.0	5.4
Member costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Other transition costs	3.3	3.3	3.3	0.0	0.0	9.8
<i>Total costs</i>	5.0	5.0	5.0	(0.1)	(0.1)	14.7
Savings						
Member savings	0.1	0.1	0.1	0.1	0.1	0.5
Election savings	0.1	0.1	0.1	0.1	0.1	0.5
Senior management savings	(0.4)	(0.7)	(1.1)	(1.1)	(1.1)	(4.3)
Asset disaggregation	0.1	0.2	0.3	0.3	0.3	1.3
Transformation savings	2.4	4.8	7.2	7.2	7.2	28.7
<i>Total savings</i>	2.3	4.5	6.6	6.6	6.6	26.7
Net (costs)/savings	(2.6)	(0.5)	1.7	6.7	6.7	12.0

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