

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	14 November 2016
<b>Title:</b>	Further update on Local Government Review
<b>Reference:</b>	7925
<b>Report From:</b>	Chief Executive

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### 1. Purpose of Report

1.1. The purpose of this report is to:

- a) reaffirm Cabinet's determination to keep Hampshire together and not to weaken the quality of services provided to Hampshire residents by allowing the county to be split;
- b) update previous reports to Cabinet on devolution and local government reorganisation;
- c) summarise the findings of a full public consultation undertaken in summer 2016 on the future of local government in Hampshire, including on elected mayors, combined authorities and unitary local government;
- d) summarise the findings of engagement with the business community undertaken as part of that consultation;
- e) share headline messages from a separate series of workshops with town and parish councils;
- f) consider headline options and recommend a proposed way forward on devolution and local government reorganisation;
- g) notify Cabinet of the intention to bring forward future reports designed to build on the strengths of the County Council's working relationships with businesses, town and parish councils and district councils in Hampshire.

### 2. Executive Summary

2.1. The predecessor to this report to Cabinet in June made some clear statements of principle about the purpose of local government and the priorities of Hampshire County Council in particular. There has been a profound risk that any sense of principle and purpose may be lost in the complex arguments about local government and devolution that have

surfaced in recent months. The arguments presented in this report are ones that seek to focus on and protect the core purpose of local government which, it is felt, has been overlooked in some of the recent devolution debate. As stated in the previous report, for Hampshire County council that core purpose includes:

- a) representing the views of the people of the county – all of the county;
- b) delivering the best possible services to communities, as efficiently and effectively as possible;
- c) protecting the most vulnerable;
- d) relentlessly focusing on spending taxpayers' money wisely;
- e) fulfilling our strong sense of stewardship of the environment;
- f) driving economic prosperity for the county by helping businesses and employment to thrive.

2.2 This report briefly reviews the national and local context to the devolution and local government reorganisation position in Hampshire. That includes the original Hampshire and Isle of Wight (HIOW) proposal, which was stalled by the Government's insistence on a directly elected mayor, and was followed by the separate Solent proposal for a mayoral combined authority (CA).

2.3 The County Council had given careful consideration to joining the original Solent proposal. There were significant reservations which included: the divisive nature of the initial development of the proposal which included a split of the county's districts; the requirement for a directly elected mayor contrary to previous collective refusal of this model; the uncertainty of the finances that rested with the proposal; the evidenced concerns that a separate approach to the Solent area would not deliver the economic benefits required in the area and at the heart of the devolution agenda; the transfer of County Council powers in favour of the CA; the subsequent implications for the longer-term disruption of the County Council and its vital and high-performing services.

2.4 Because the Solent process exposed the extent of consideration of unitary local government by other authorities for that area, and because Government has suggested that local government reorganisation is a positive alternative to forming a combined authority, the County Council commissioned Deloitte to examine the implications for Hampshire. In June 2016, further to the Deloitte analysis which clearly favoured a unitary council for the County of Hampshire, the County Council commissioned a detailed public and stakeholder consultation. **The County Council's position, which was made clear publicly, was not to pursue a unitary bid at that stage but to listen first to the people of Hampshire.**

2.5 This report, in Section 6, goes on to summarise the immediate findings of that consultation and its possible implications. In brief, those findings are mixed and nuanced, not least because, contrary to many claims by others, the County Council did **not** enter the consultation with a preferred option. Consequently, the findings offer no firm imperative for any action and tend

to suggest a preference for the status quo. Unfortunately that preference does not reflect the reality that the status quo may be removed as an option by the deepening financial challenge and potentially also, the actions of others. The establishment of a Solent CA would remove the status quo in Hampshire.

- 2.6 Two additional key stakeholders are also addressed: the business community and the town and parish councils. A separate consultation has been established for the business community, not least as one of the prime movers for devolution is economic development. The report also considers formal dialogue with town and parish councils with regard to the issues of future 'deeper devolution' in an existing model of what is really three-tier local government. That is irrespective of the key role town and parish councils could play in any potential unitary model.
- 2.7 On the basis of all of this analysis, this report sets out options for Cabinet to consider ranging from keeping the status quo through to a potential bid for a unitary council. The report concludes that the case for the radical change is not yet fully established but sets out a number of triggers that could cause the County Council to re-consider that position – particularly the current financial position in the context of the very significant efficiencies that can be achieved through re-organisation. A further possible trigger would be if other authorities seek to annex parts of Hampshire as part of their own combined authority ambitions without the support of the County Council. The key outcome should be to protect the integrity of Hampshire and the County Council – to keep Hampshire together – because that is manifestly in the best interests of the community we serve and the economic development of the area.

### 3. Context

- 3.1 Cabinet will recall from previous reports, most recently 6<sup>th</sup> June 2016, that since the 2015 general election the Government has offered English councils the chance to bid for devolved powers and funding which they can exercise by joining together as a combined authority (CA). A strong and unanimously supported proposal was put forward in September 2015 for a Hampshire and Isle of Wight (HIOW) CA<sup>1</sup>. This could not be agreed eventually due to the then Minister's requirement for the proposed CA to be led by a directly elected mayor.
- 3.2 Subsequently, a separate and, from the County Council's perspective, divisive devolution bid was put forward by authorities from the 'Solent' area, including five Hampshire district councils<sup>2</sup>. This initiative in turn understandably triggered a parallel proposal from the six 'Heart of

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<sup>1</sup> See [HIOW Devolution Prospectus](#)

<sup>2</sup> East Hampshire, Eastleigh, Fareham. Gosport and Havant

Hampshire' districts<sup>3</sup>. The County Council was not a signatory to these bids, partly because the proposed deals would transfer significant County Council services and funding to the CAs and elected mayors, posing a clear risk to the capacity of the County Council and the quality and continuity of the vital services it provides across the whole county. The County Council also took the view that such far-reaching decisions should be put to public consultation before being agreed.

### **Local Government Reorganisation**

- 3.3 Prompted by councils in the Portsmouth area and elsewhere raising local government reorganisation as an option, the County Council commissioned Deloitte to undertake an independent comparative study of options for reorganisation, which was reported to Cabinet on 6 June<sup>4</sup>.
- 3.4 Deloitte's report concluded that, in the event of local government reorganisation, a unitary authority for the county of Hampshire is the option that clearly offers the best combination of financial benefits for the public purse, service quality and continuity, prospects for sustainable economic growth and potential for devolution to community level. Deloitte prudently calculated that this option would generate a saving of at least £40m a year.
- 3.5 Hampshire district councils decided to commission an alternative study from Price Waterhouse Coopers (PWC) in response to the Deloitte report. At the time of writing this study is not yet published although in previous such reports outside Hampshire (for example Oxfordshire) PWC have concluded that a single unitary county is the most beneficial option in terms of value for money.

### **Revised Solent Combined Authority Proposal**

- 3.6 A revised proposal has now been put forward for a reduced Solent CA consisting only of the three unitaries (Southampton and Portsmouth City Councils and Isle of Wight Council) without the five Hampshire district councils. This was due to the fact that Hampshire districts could not join a new CA without the County Council's consent. The revised CA allowed for the possibility that districts could legally be invited to join after the CA had been established regardless of the County Council's view or membership, and bring with them County Council powers for their area<sup>5</sup>. This issue has been in dispute in other counties across the country.
- 3.7 The three Solent unitaries began a public consultation on their draft scheme for the Solent CA in late July 2016. Slightly less than 1,500 residents supported the proposal to form a Solent CA.
- 3.8 The three unitary councils have now published their final governance scheme<sup>6</sup>, which is substantially different from the draft that was put out to

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<sup>3</sup> Basingstoke and Deane, Hart, New Forest, Rushmoor, Test Valley and Winchester

<sup>4</sup> See [6 June Cabinet papers](#)

<sup>5</sup> See [Cities and Local Government Devolution Act section 16](#)

<sup>6</sup> See [report to Portsmouth City Council](#)

public consultation, having benefited from extensive incorporation of the County Council's feedback. New features in the scheme and the proposed devolution deal include a mayor without any independent mayoral powers, a new bid for powers to introduce road user charging schemes and a commitment to build 52,000 homes by 2026 – the same figure that was previously planned for the whole of the original Solent area.

- 3.9 The Solent authorities took identical reports to their Full Councils and Cabinets during October 2016, seeking agreement to submit proposals for a Solent CA to the Secretary of State and give delegated authority to the three Leaders to finalise a deal. Both Southampton and Portsmouth City Councils agreed. Isle of Wight Council rejected the proposal by 17 to 16, but the Executive (the Island's Cabinet) had the right to overturn this decision and voted 5-2 to do so on 24<sup>th</sup> October, noting that any proposed devolution deal would be subject to a further decision. At the time of writing it is not known whether this decision will be called in, or indeed if the Island's Council remains bound by a previous commitment to hold a public referendum before the deal is finalised.
- 3.10 The Solent Leaders have now submitted their proposal to Ministers, who must assess the terms submitted, and be of the view that the establishment of a combined authority is "likely" to improve the exercise of statutory functions in the area, before laying any order in Parliament.
- 3.11 Since making their submission to Ministers, the Solent Leaders have also written to the Leader of the County Council inviting him to agree that the County Council should join as a constituent member, and offering areas for negotiation. A meeting had already been scheduled for 9<sup>th</sup> November 2016 and the Leader will be in a position to verbally report to Cabinet on that meeting.

### **Hampshire County Council Consultation**

- 3.12 Having received Deloitte's report in June, Cabinet agreed to commission the leading independent market research company Ipsos Mori to undertake a full public consultation on a wide range of options for the future of local government in Hampshire. This included options for combined authorities, unitary government and directly elected mayors. The consultation was titled *Serving Hampshire*.
- 3.13 Contrary to some misleading claims, the *Serving Hampshire* consultation document included a wide range of options and did not promote a preferred option on behalf of the County Council. This was because Cabinet was very clear that it wished to listen first to residents without trying to steer them to any particular conclusion, and not to take any decisions until the views of residents had been heard. It remains open to Cabinet and the Council at any time to adopt and promote a preferred option.
- 3.14 A summary of the *Serving Hampshire* consultation methodology and findings is set out in sections 5 and 6 of this report.

## 4 National policy debate

### Changes in Government

4.1 Following the change of Ministers in July after the EU referendum, the Leader of the County Council wrote to the Rt Hon Sajid Javid MP, the new Secretary of State for Communities and Local Government, setting out the County Council's position on devolution and urging him to discuss the County Council's concerns about Government policy. Signals on the new Government's line have been opaque, but the following positions have gradually emerged:

- a) in the short term the Government will prioritise implementation of the devolution deals already announced (ie not including Solent);
- b) the Government is not actively inviting new devolution bids, but from the New Year onwards may consider those that have strong local support;
- c) an elected mayor is still a requirement for a 'significant' devolution deal i.e. one that attracts additional funding and powers;
- d) Ministers will not take forward any proposals for reorganisation in two-tier areas without support from county councils.

### Alec Shelbrooke report

4.2 In September, Alec Shelbrooke, a Conservative Member of Parliament from the Leeds area, published a paper<sup>7</sup> on the future structure of local government that included much useful analysis and was the subject of a debate in Westminster Hall. The report called for unitary government across England based on county geography, with salaried councillors and elected mayors to lead the unitary county councils. The model of a small number of large local government units, as envisaged in this paper, is one that needs careful consideration if, as expected, the developing financial challenge in local government leads to council mergers and other reorganisation proposals.

### County Councils Network

4.3 The County Councils Network<sup>8</sup> has recently published studies that it commissioned on the theme of local government reorganisation. One study by Ernst and Young concluded that a saving of £780 million a year to the public purse could be achieved if all 27 two-tier counties became unitary councils. This is entirely consistent with Deloitte's finding that a single Hampshire unitary council could save £40m a year.

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<sup>7</sup> See [A Future for Local Government in England](#)

<sup>8</sup> See <http://www.countycouncilsnetwork.org.uk/>

## 5 Background to the *Serving Hampshire* consultation

- 5.1 Ipsos Mori was commissioned on 17 June to undertake a public consultation on options for future local government in Hampshire. The consultation exercise comprised three elements: an open consultation, a sample telephone survey and a set of deliberative workshops.
- 5.2 The open consultation survey ran for eight weeks between 27 July and 20 September. While it was principally online, hard copies were distributed to libraries and other County Council venues across Hampshire. A wide range of channels were employed to raise awareness of the consultation and a total of 3,354 responses were received. It is noted that in the deliberate absence of a preferred option being proposed by the County Council, the survey was inevitably detailed in its presentation of the context and the various options.
- 5.3 The telephone survey was carried out with 1,504 Hampshire residents aged 18 or over, providing a statistically valid, representative sample of the county.
- 5.4 Three deliberative workshops were held in Basingstoke, Winchester and Fareham, engaging over 90 residents in detailed discussion of the issues. While not intended to be statistically representative, participants were selected to broadly reflect Hampshire's wider population.
- 5.5 In total, around 5,000 Hampshire residents responded to the consultation through one of the three elements.

## 6 Overall findings

- 6.1 All of the consultation responses have been independently analysed by Ipsos Mori and their full report is available on Hantsweb<sup>9</sup>. The consultation questions were grouped under three themes: unitary government, combined authorities and elected mayors. Headline data is provided below<sup>10</sup>, with the results from the representative telephone survey listed first. It is not considered appropriate to aggregate the separate data sets together as they are constituted differently, with only the telephone survey results considered in any sense representative of the views of Hampshire residents.
- 6.2 The headline responses from the **representative telephone survey** were as follows:
  - a) 'create a single unitary council for Hampshire' was supported by 25% of respondents;
  - b) 'create multiple unitary councils' was supported by 17%;

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<sup>9</sup> To be published at [www.hants.gov.uk/servinghampshire](http://www.hants.gov.uk/servinghampshire)

<sup>10</sup> Data may not sum to 100% due to 'Don't know', 'It depends' and 'No opinion' responses not being listed. "Support" means the sum of "Strongly support" and "Tend to support"; similarly for "oppose".

- c) 'do not create any new unitary councils' was supported by 51%;
- d) 'create a single combined authority for Hampshire and the Isle of Wight' was supported by 21%;
- e) 'create two combined authorities' (Solent and Heart of Hampshire) was supported by 30%;
- f) 'do not create any combined authority' was supported by 41%;
- g) an elected mayor who would lead one or more combined authorities in Hampshire was supported by 37% and opposed by 27%.

6.3 The headline responses from the **open consultation** were as follows:

- a) 'create a single unitary council for Hampshire' was supported by 39% of respondents;
- b) 'create multiple unitary councils' was supported by 25%;
- c) 'do not create any new unitary councils' was supported by 33%;
- d) 'create a single combined authority for Hampshire and the Isle of Wight' was supported by 38%;
- e) 'create two combined authorities' (Solent and Heart of Hampshire) was supported by 18%;
- f) 'do not create any combined authority' was supported by 40%;
- g) an elected mayor who would lead one or more combined authorities in Hampshire was supported by 18% and opposed by 61%.

6.4 The headline responses from the **deliberative workshops** were as follows:

- a) participants in the workshops had low awareness of the two-tier system and expressed polarised views about the advantages and disadvantages of unitary government – for example, setting financial savings against perceived loss of local responsiveness;
- b) they struggled to understand combined authorities and raised more questions than answers, for example asking 'why powers could not be devolved to existing councils', 'why a combined authority would be agreed before its powers were known' and 'who would really be in charge';
- c) they strongly opposed an elected mayor, citing concerns over additional costs, accountability for a large and diverse area and lack of clarity over the role.

6.5 Respondents were also asked to say, in thinking about the options for change, which things were most important to them. The following were the most commonly identified priorities:

- a) **services for vulnerable people** were prioritised by 62% of respondents in the telephone survey and 30% in the open consultation;
- b) **value for money** was prioritised by 36% and 41% respectively;
- c) **better join-up of services** was prioritised by 28% and 40% respectively.



- 6.6 Participants in the workshops broadly echoed those priorities.
- 6.7 Some other findings arising from questions asked only in the representative **telephone survey** are listed below. It should be noted that the individual district samples from the telephone survey ranged from 100 to 180 and should not be considered statistically representative of each district. The sample across the whole county was 1,504 and was selected to be representative of Hampshire as a whole.
- a) All age groups, and residents of all districts, identified services for vulnerable people as their top priority.
  - b) The response to a question about the principle of local government reorganisation was split approximately in thirds between those who support the principle, those who oppose it and those who don't know or have no opinion.
  - c) The principle of devolution from central to local government was supported by 71%, but the proposed vehicles for devolution (combined authorities and elected mayors) received much lower levels of support (from 21% to 37%).
  - d) Residents of smaller urban districts such as Rushmoor or Gosport were more disposed to favour change.
  - e) Residents of larger and more rural districts were less disposed to favour change, particularly Hart.
  - f) All options for changes to the structure of local government are supported more strongly by younger people than older people.
  - g) 74% of people agree that local town and parish councils should play a greater role in delivering public services to local residents.
- 6.8 Because, as noted above, the individual district samples are too small to be statistically robust, this report does not analyse district-by-district variations. The full Ipsos Mori data set can be found on Hantsweb.

## **7 Other engagement: business community**

- 7.1 One of the primary drivers behind devolution is local economic development, and councils becoming drivers of business growth. As such, another important constituency of interest in these matters is the business community. The County Council commissioned the Southern Policy Centre to carry out an independent business engagement exercise to provide insight into Hampshire businesses' thinking on issues around devolution, and their priorities and expectations of local government now and into the future. With local government funding set to become more directly related to economic success through business rate retention, it is particularly important to understand the priorities and views of the business community.
- 7.2 The business engagement exercise has involved an initial series of telephone interviews with a range of businesses across Hampshire, followed up by a number of workshops based on industrial sectors with two geographically based events for small and medium-sized enterprises. This

work has provided an in-depth picture of business views, needs and priorities which will help the County Council's deliberations on these important matters.

- 7.3 The final report from Southern Policy Centre on the business engagement is not yet available as the exercise lasted into October. However, a number of common themes and perspectives can be highlighted:
- a) businesses have a generally positive relationship with local government, but larger businesses in particular have concerns about capacity and consistency, the impact of budget cuts, policy integration, uncertainty relating to the UK leaving the EU, 'politicking' and the need for a more can-do attitude on the part of councils – and would wish to see these addressed in any changes to the structure of local government in Hampshire;
  - b) a significant number of businesses discussed the problems caused by the loss of expertise in local authority officer teams due to reductions in expenditure. They often saw this as the root cause of the inconsistency and uncertainty they experienced, in working with local government. In the main – though not exclusively – this was seen to be a problem with some smaller authorities;
  - c) planning and infrastructure – including digital and road/rail connectivity – are key concerns that could be positively addressed through devolution;
  - d) different geographical areas – north/south, urban/rural – may have different needs; but there are also benefits from a 'whole area' approach. There appears to be little enthusiasm for the two-tier structure;
  - e) accountability over business rates is seen as vital, particularly as councils increasingly become funded by this mechanism. The business rates system stifles small businesses and needs reform. There is concern about powers to raise business rates and where this burden would fall most heavily;
  - f) cost and efficiency should be given significant weight when making decisions about the future of local government, but still need to be carefully balanced against other considerations;
  - g) support for elected mayors appears to have increased when compared to previous research.

## **8 Town and parish council workshops**

- 8.1 Separately to the *Serving Hampshire* consultation – but linked to its findings about the importance of delivering more services at a very local level – all town and parish councils in Hampshire were invited to attend a series of workshops during September. These took place in Alton, Winchester, Ringwood, Chandler's Ford and Andover. The sessions were chaired by Cabinet Members, and the Chief Executive of the Hampshire Association of Local Councils and senior County Council officers gave presentations. The purpose of the workshops was to explore how the

County Council and town and parish councils can best work together in future to give town and parish councils a greater voice.

- 8.2 Over 130 parish and town councils attended and were able to give their views on 'locality working' and the potential for 'deeper devolution' (ie devolving services to parish level).
- 8.3 The broad themes emerging from the discussions with town and parish councils were as follows:
- a) no over-riding preference for any particular model of local government;
  - b) no 'one size fits all' in any approach to towns and parishes – many attendees emphasised the difference in scale and resources of parish and town councils;
  - c) willingness to take on greater responsibilities, particularly among town and large parish councils, balanced by caution over capacity, resources and funding among smaller parishes;
  - d) some concern about the size of a potential Hampshire unitary authority, but equally recognition of the benefits of a less complex relationship with local government and services being delivered at a lower level;
  - e) potential for smaller parishes to increasingly work together as 'clusters', as many currently do with the Parish Lengthsman scheme;
  - f) town and parish councils were generally well disposed towards the County Council and valued the relationship.

## **9 Analysis of options**

- 9.1 The *Serving Hampshire* consultation was not a Yes/No referendum. It presented a series of questions on relatively complex issues such as the two-tier structure of local government, the technicalities of combined authorities and the potential advantages and disadvantages of a directly elected mayor, which is an unfamiliar model in Hampshire. The County Council deliberately took the view that it should consult without identifying or promoting a preferred option, and it is likely that – in combination with the complexity of the issues – this helped deliver relatively balanced and broad answers.
- 9.2 Consequently, the data arising from Ipsos Mori's work is not conclusive, presenting no clearly preferred 'front-runner' – but equally no obstacle, as the various options for change do command degrees of support.

### **Keeping the status quo**

- 9.3 A strict interpretation of the data is that the most widely favoured option for the County Council would be to keep the status quo. However, that is unlikely to remain a viable option for the County Council as the status quo depends largely on the actions of others. The balanced position thrown up by the consultation results does not alter the fact that the background

forces that led the County Council to consult, including financial pressure and the potential establishment of a Solent CA, are still in existence.

- 9.4 The status quo position is also dependent on decisions taken by other councils in Hampshire. In addition to the Solent proposals, the 'Heart of Hampshire' group have also been analysing options for change. At the present time their intentions are unknown.
- 9.5 The County Council could therefore adopt a status quo position but be quickly overtaken by events outside its control. There is a developing national view that the two-tier system, despite its many historical benefits which the County Council has strongly defended, is expensive, confusing to residents and increasingly unsustainable in the context of austerity. The Government may not legislate directly, but the generally perceived logical endpoint of their policies is an increase in unitary councils, some of whom may work together under an elected mayor. The developing financial challenge will only serve to accelerate this move towards council mergers and unitarisation. There remains a profound risk that a passive approach would encourage outcomes which would be deeply damaging, less so to the entity of the County Council than to the vital services it provides and the economic development of the area. It is also worth remembering that the Deloitte analysis concluded that the worst option for the area would be the creation of a series of new unitary councils rather than a single one.
- 9.6 Hampshire County Council has previously been a strong supporter of the two-tier system – three-tier including town and parish councils – and the Government's approach to devolution has contributed to a destabilising of what were generally good local government relations in Hampshire. The County Council has also long enjoyed excellent and productive relations with the voluntary sector, the Police and Fire services, health agencies and others. If the three-tier system is to remain in the short term it must be encouraged to flourish and evolve in the face of tremendous pressures, for as long as it is sustainable. In that case a concerted and collective effort should be considered and designed to maximise efficiency and promote more effective working, based not least on genuine devolution of discretionary services to the most local level. As described above, the County Council's recent discussions with town and parish councils have suggested that there is real potential for progress on this front, and a further report on this issue with recommendations will be brought to Cabinet in December.

### **Challenging the Notion of the Solent's Economic Integrity**

- 9.7 The rationale for any 'devolution' proposal should be built on the economy and the potential to deliver improved growth and economic performance through a CA. Implicit in this proposition is that any proposed CA area is a natural and defined economic area, which is clearly not the case with the current Solent proposals: around half of the south Hampshire economic output is outside the two cities. Underperformance in the south Hampshire economy relative to the rest of Hampshire and the South East has been consistently recognised as an issue, but the divergence in economic performance has widened as the institutional focus on south Hampshire

has become geographically narrower. The relative economic performance of southern Hampshire has not improved significantly through the PUSH/Solent LEP era, with the most recent economic indicators demonstrating that southern Hampshire has been outperformed by the UK average in job growth for example, and continues to lag behind the regional average on productivity. The area has also performed poorly on inward investment in recent years.

- 9.8 The fact remains that the economy of the proposed Solent CA area is dependent on relationships with the wider Hampshire area and economy. It is notable, for example, that two recent major Government economic and infrastructure announcements that will have major impacts on the Solent economy (potential expansion of the Port of Southampton and review of the A34) both relate to locations outside its proposed boundary but within the county of Hampshire.
- 9.9 If a Solent CA is established on the basis of current proposals, it is important to be clear that it would not operate exclusively using powers devolved down by Government, as is often misleadingly claimed, but would also exercise functions and responsibilities carried out by the upper-tier councils in the CA area. Once the Solent CA has been established, some South Hampshire district councils could join as constituent members and take with them **existing core County Council powers and budgets** – initially over economic development, highways and transport but in time, given the Government’s policy direction, over other services too. County Council services would therefore be split in two, with half transferred upwards to the CA, rather than down to local areas. This would risk the nature and capacity of the County Council and the quality and continuity of the vital services it provides across the whole county.
- 9.10 To illustrate this using the example of **highways maintenance**, paragraph 2.18 of the Solent Final Strategic Governance Review states that “all relevant local roads maintenance funding” will go to the CA. Where district councils within Hampshire join the Solent CA, the result of this would be that the County Council’s core highways maintenance budget would be split, with the southern Hampshire apportionment being transferred to the Solent CA, which would become the highway and transport authority for the area. Residents of southern Hampshire would be served by a brand new authority with no existing staff, IT systems or depots, trying to manage and eventually merge four separate and distinct highways maintenance contracts, including two PFI arrangements, rather than by the leading county highways service in the region<sup>11</sup>. This would also deal a significant, blow to the scale and efficiency of the highways service provided by the County Council in the rest of the county, and unnecessarily complicates maintenance arrangements at a time of reducing resources and rising demands. The proposals make no financial or service sense.

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<sup>11</sup> NHT Public Satisfaction Survey

- 9.11 It may be deduced that the financial challenge is already being recognised by the proponents of the Solent CA in their late addition to the governance scheme of a request for powers to introduce **road user charging**. Residents of southern Hampshire will be concerned that the CA is seeking the power to make drivers pay to use designated roads, and that therefore they may potentially end up paying significantly more for a lower-quality highways service.
- 9.12 Funding to support **transport improvement schemes** would also be split, with the Solent CA receiving funds currently allocated by Government to the existing highway authorities for schemes in south Hampshire. In the current model, such projects can generally only proceed with the benefit of local funding, and the finances, technical expertise and capacity to develop and deliver schemes from the County Council. In the event that the County Council is no longer the highway authority for parts of southern Hampshire, it would no longer be in a position to promote and support schemes in those areas. In the event that Fareham and Gosport Borough Councils opt to join the Solent CA authority for example, schemes such as Stubbington Bypass, which is dependent at present on County Council capacity to manage and deliver, as well as providing 25% match funding to enable a funding bid to proceed, quite possibly could not go ahead on this basis. It would be a matter for the Solent Mayor to decide to fund such schemes from the Government allocation of £30m per annum that is claimed by Solent CA, which is intended to cover capital schemes across the whole geography including the two cities and the Island as well as any southern Hampshire district council areas.
- 9.13 Uncertainty on these issues is already a concern to businesses and likely to hamper efforts to realise badly-needed economic growth. The introduction of a Solent CA as an additional highway and transport authority makes the local government landscape more crowded for business, and confuses the role of the Solent LEP with that of local authorities at a time when they have said they need greater simplicity.

### **Unitary council for Hampshire**

- 9.14 The option of a unitary council for the county of Hampshire was the more widely supported of the two unitary options that were offered for consultation. It was also overwhelmingly the most positive option based upon the Deloitte technical and detailed analysis of financial and service benefits. That said, it is recognised that many Elected Members remain ambivalent about the proposal because of their legitimate loyalties and because this is an area that has maximised the benefits of the existing model for the electorate. While there is currently mixed public support for the principle of local government reorganisation, it is likely that in the next few years the very severe financial pressure all councils will face will raise the question of whether Cabinet should look to realise the savings that could be achieved through a unitary structure. The County Council needs to save a further £140m a year by 2019/20 and it may be inevitable that the £40m a year that could be saved through a unitary council for the county

should be among the options put to the public in the next budget consultation. It is conceivable that the public appetite for reorganisation could increase if it is seen as an alternative to otherwise inevitable and significant further front-line service reductions, especially as these are bound to go to the heart of the public priorities so clearly identified (see paragraph 6.5 above).

- 9.15 The consultation has clearly shown that services for vulnerable people, better 'join-up' between county, district and parish services and value for money are uppermost in residents' minds when considering these issues. On that basis a unitary county, which would protect social care provision, unify duplicated services and save a minimum of £40m a year is the option most likely to be able to deliver against residents' priorities. Other county councils in the South East, including Buckinghamshire and Oxfordshire, are pursuing this model.
- 9.16 The unitary county option would have the additional benefit of not disturbing the current unitary councils in Hampshire and the Isle of Wight. It could also therefore present a future route to the benefits of the original HIOW CA between what would be four unitary councils. This would offer Government the benefit of a strong, stable and streamlined combined authority with the scale and flexibility to successfully weather the economic cycle and invest in areas that need growth.
- 9.17 The process of consultation and discussion has however exposed concerns about a unitary Hampshire being perceived as too big and too remote from local people. It is important to note that a county-based unitary would cover exactly the same geography and population as the County Council does today, and would have a budget only 20% greater. The County Council is a large organisation in terms of its geographical extent and technical capacity, but it works very effectively across the whole county to many different communities of interest, from the countywide to the extremely local.
- 9.18 Based on the experience of other unitary counties and the feedback from the town and parish council workshops, it seems there is significant scope for addressing this concern through area-based governance, improved locality working and 'deeper devolution' to the most local level of government. These are models which have successfully evolved in other unitary counties. Town and parish councils in Hampshire are highly valued as vital community links, and there is every prospect that improved local working under a unitary structure could bring services closer to residents.
- 9.19 It should be emphasised that the establishment of a unitary council for the county of Hampshire would result in the abolition of the County Council and the 11 district councils in Hampshire, but would not affect town and parish councils. However, it would remove the barrier to establishing new parishes in areas where the district council has opposed this to date.

### **Renewed devolution deal**

- 9.20 Alternatively, Cabinet could take the view that reorganisation should take second place to the opportunity of securing a significant devolution deal for the whole of the county in conjunction with other councils in Hampshire. The consultation has shown that the principle of devolution is widely supported, though there is a legitimate argument about how close to the principle of devolution the Government's current model is. Under Government policy, such a deal would require a combined authority and potentially an elected mayor, but there are varying levels of opposition to these concepts, with no decisively preferred options.
- 9.21 The Government appears unlikely to change the legislation allowing the removal of county council powers where a county is split between two combined authorities. Conversely, the Government has repeatedly stated it does not wish to 'impose' a deal on any area, whereas the County Council has made it clear that the original Solent proposal would certainly be regarded as an imposition on the County Council and the community it serves. As this outcome would be unacceptable to the County Council, Cabinet may wish to invite local partners to discuss the prospects for a return to the Hampshire and Isle of Wight devolution bid, adjusted if necessary to remove the original obstacles to progress, or a Hampshire county bid that could complement the Solent bid, which currently comprises only Portsmouth, Southampton and Isle of Wight Councils.
- 9.22 It must be frankly acknowledged that a number of district council Leaders have recently been outspoken in their view that the former HIOW deal cannot be revived. Not all Leaders echoed this view, however, and the County Council should not be deterred from proposing an idea that it believes not just to be right for the area, but something that may command a wide degree of support among many elected councillors across the county and that would offer many benefits to the Government.
- 9.23 To meet Ministerial objectives, a revised HIOW or Hampshire county devolution deal would need to focus on strategic planning to deliver the housing and infrastructure that the county needs, such as accelerated housing delivery, road and rail improvements and wider availability of high-speed broadband. There may also be future potential for shared governance for the area's NHS Sustainability and Transformation Plan. Depending on the appetite for devolved powers, it may also be the case that an elected mayor could be a Government requirement for such a deal, despite the lack of clear public support in Hampshire and elsewhere.
- 9.24 Any new bid would also need to recognise that residents of most districts have not, through the *Serving Hampshire* consultation, indicated support for combined authorities and elected mayors as vehicles for devolution. The bid would therefore need to seek a deal that can be clearly presented to residents as sufficiently beneficial to overcome those doubts.

## 10 Conclusions

### Keeping Hampshire Together



- 10.1 Taken as a whole, the results of the *Serving Hampshire* consultation indicate that **most people want to keep Hampshire together**. There is little support for the idea that the county of Hampshire should be broken up into several unitary or combined authorities, or that services provided at county level should be split into smaller fragments. This is in accordance with the policy position of the County Council, which wishes to do all it can to prevent the break-up of services as this would be detrimental to residents.
- 10.2 It is regrettable that there has been disagreement between authorities in Hampshire about devolution and the future structure of local government. For its part, the County Council has not sought the current situation, but is seeking to respond to the actions of the Government and others in the way that best serves the interests of Hampshire residents.
- 10.3 The County Council has hitherto insisted that it would take no decisions until the public has been consulted. The *Serving Hampshire* consultation has now brought the debate into the public domain, and provided a strong and objective evidence base that leaves Cabinet in a position to respond to public opinion and make positive choices for the future. Whatever the outcome of this process, the County Council will redouble its commitment to working productively with partners and, as the largest local authority in the area delivering the great majority of public services, clearly has a crucial role in enabling the achievement of real benefits for Hampshire residents.

#### **Proposals for a unitary council for Hampshire**

- 10.4 Based on the above analysis of the *Serving Hampshire* consultation outcomes, Cabinet is invited to note that while a unitary council for Hampshire is now the leading option in terms of both public opinion as well as financial efficiency, there was no option that received a clear majority, and that options to split the county into several unitaries received particularly low levels of support. It is therefore suggested that public opinion does not provide an imperative to submit proposals for a unitary county to the Government at this stage.
- 10.5 However, Cabinet will note that the response to the consultation was balanced, reflecting the complexity of the issues and the fact that the County Council did not promote a preferred option. Public opinion may also shift if reorganisation is seen as an alternative to service reductions. The recent consultation outcome is therefore not an obstacle should the County Council wish to submit such proposals in the future, especially in the absence of strong alternative preferences and the understanding of the risks of status quo outlined above.
- 10.6 Cabinet should also note that underlying conditions have not improved and that therefore the recommended position is potentially fluid depending on the developing financial situation, the actions of other authorities, and those of the Government in relation to a Solent CA that could eventually appropriate some County Council powers and thereby split high-quality services.

### **Triggers for a change to the recommended position**

- 10.7 It is important to be unequivocal about the circumstances in which the recommended position on local government reorganisation would change. It is suggested that any of the following would necessitate further proposals to be considered by the County Council:
- a) a decision by any other authority to submit proposals for local government reorganisation that affect Hampshire and its residents;
  - b) a decision by the proposed Solent combined authority to extend its geography into part of Hampshire and thus incorporate county highway powers;
  - c) any proposal to form a new combined authority covering only part of Hampshire and incorporating upper-tier powers;
  - d) a further significant deterioration in the County Council's financial prospects, particularly in relation to sustaining services to vulnerable people, which the *Serving Hampshire* consultation identified as residents' top priority;
  - e) evidence that there is no longer support among district council Leaders in Hampshire for sustaining the two-tier system;
  - f) evidence of a significant increase in public support for local government reorganisation;
  - g) a clear indication from Ministers that local government reorganisation is their preferred outcome in Hampshire.

### **The proposed Solent combined authority**

- 10.8 It is right for Cabinet to consider the County Council's position on the proposed Solent CA, which it has recently been invited to join as a constituent member. In its present form, covering only Southampton, Portsmouth and Isle of Wight Councils, the proposal does not directly affect the county of Hampshire and is a matter for those three authorities. However, there is a clear aspiration on the part of some south Hampshire district council Leaders to join as constituent members as soon as possible after the CA's establishment, regardless of the County Council's views. If this happens it would split the County Council's core highways and transport powers and budgets, resulting in a lower quality of service for residents of the whole county.
- 10.9 There is no precedent to date for the establishment of a CA that splits the geography of a county council. There is therefore a real risk to the County Council in terms of the impact on our existing funding should Hampshire district councils become constituent members of the Solent CA, as there is currently no established methodology to assess how a funding transfer from the County Council to the Solent CA for highways and transport powers would be calculated.

- 10.10 The position is further complicated as the existing funding system will change by the end of this parliament as Government grant is phased out to be replaced by a new funding system based on 100% retention of business rates. The Government is still consulting on how the new system would operate, including how funding baselines would be reset, the timing of such resets, and the funding share to be retained by County Councils. There is therefore no clarity as to how funding flows would work under the new 100% business rates retention in relation to the transfer of part of the County Council's existing responsibilities for services to a Combined Authority.
- 10.11 In addition to the introduction of a new funding system, the Government is also undertaking a 'Fair Funding' review that will seek to establish a new funding methodology for calculating how much funding individual authorities should receive through the 100% business rates retention system. This adds further complexity in terms of trying to understand what the financial impact on the County Council could be going forward in relation to how funding transfers will be calculated and the impact to the County Council.
- 10.12 Should a Solent Mayor gather more powers that encroach on the County Council's statutory duties, this would rapidly present an **exponentially complicated and risky** situation of twin-track funding for upper-tier services across the existing Hampshire geography, with no clarity at the present time on how funding transfers would be calculated, nor on the knock-on impact such a transfer would have on the County Council's overall funding for delivery of services to its remaining residents.
- 10.13 It is therefore proposed that the County Council should not be party to any combined authority agreement that splits and weakens its core services or is not open to all Hampshire districts.
- 10.14 It is also proposed that Cabinet reaffirm the County Council's opposition to Hampshire district councils joining a combined authority outside the county without the County Council's support, or forming one that divides the county. It is also proposed that the County Council should continue to discuss this matter with the Government to ensure that Ministers are fully aware of the consequences of establishing the Solent CA without assurances about its geographical extent or the effect on core County Council services, and to seek clarity as to how funding transfers would be calculated should Hampshire Districts become constituent members.

### **Moving forward under the three-tier system**

- 10.15 The County Council has never made a proposal to establish a unitary council for Hampshire. That position is not changed following the *Serving Hampshire* consultation. It is proposed that Cabinet reaffirm its preference for the three-tier system of local government in Hampshire, and its commitment to achieving the best possible outcome for Hampshire residents as long as that system is sustainable.

- 10.16 It is also proposed that the Leader of the County Council should approach the Leaders of other councils in Hampshire to formally clarify the County Council's position on reorganisation and make a positive proposal that a Hampshire/Isle of Wight or Hampshire-county devolution deal would be well placed to deliver significant transfer of powers from central Government and reflect residents' priorities.
- 10.17 It is further proposed to bring forward reports for Cabinet to consider at a separate meeting, covering how the County Council could work better with the business community and with town and parish councils, and how to build on their welcome involvement in the debate about the future of local government.

## 11 Recommendations

- 11.1 That Cabinet:
- a) note that there is little support for the county of Hampshire being broken up into several unitary or combined authorities, or for services provided at county level being split into smaller fragments;
  - b) reaffirm its determination to keep Hampshire together, its strong preference for the three-tier local government system as long as that remains viable, and its resolve not to split or weaken the quality of services provided to Hampshire residents;
  - c) note the balanced and complex results of the *Serving Hampshire* consultation, and feedback from the engagement with Hampshire businesses;
  - d) note also the feedback from the recent workshops with town and parish councils;
  - e) agree that there is at this stage no imperative to submit proposals for a unitary council for Hampshire to Ministers, but that this remains open as an option;
  - f) agree that any of the following would necessitate further proposals to be considered by the County Council:
    - i. any decision by another authority to submit proposals for local government reorganisation that directly affect Hampshire and its residents;
    - ii. any decision by the proposed Solent combined authority, or any other combined authority, to extend its geography into part of Hampshire;
    - iii. any proposal to form a new combined authority covering only part of Hampshire and incorporating upper-tier powers;
    - iv. evidence that there is no longer support among district council Leaders in Hampshire for sustaining the two-tier system;
    - v. a further significant deterioration in the County Council's financial prospects, particularly in relation to sustaining services to vulnerable

people, which the *Serving Hampshire* consultation identified as residents' top priority;

- vi. evidence of a significant increase in public support for local government reorganisation;
  - vii. a clear indication from Ministers that local government reorganisation is their preferred outcome in Hampshire.
- g) confirm that, in considering the invitation to join the proposed Solent CA, the County Council cannot be party to any agreement that breaks up its services or is not open to the whole county;
  - h) confirm that the County Council strongly opposes Hampshire district councils joining the proposed Solent CA as constituent members unless all are admitted;
  - i) agree that the potential for a Hampshire and Isle of Wight (or Hampshire-county) CA should be revisited in discussion with partners;
  - j) agree that the County Council should continue to discuss these matters with the Government, local partners and the community of Hampshire;
  - k) note that separate reports will be brought to a future Cabinet meeting regarding improved engagement with businesses and town and parish councils in Hampshire.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
<b>Maximising well-being:</b>	Yes
<b>Enhancing our quality of place:</b>	Yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
<a href="#">Devolution- Positioning the Council (Cabinet)</a>	6749	11 June 2015
<a href="#">Devolution - Positioning the Council (Full Council)</a>	6840	16 July 2015
<a href="#">Devolution Deal for Hampshire and the Isle of Wight (Cabinet)</a>	7137	7 December 2015
<a href="#">Negotiation and Government's proposal of a devolution deal for Hampshire and the Isle of Wight (Full Council)</a>	7201	7 January 2016
<a href="#">Report on the findings of Deloitte on Options for Local Government in Hampshire and Proposals for Consultation</a>	7577	6 June 2016
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	
<a href="#">Local Government and Public Involvement in Health Act</a>	<u>2007</u>	
<a href="#">Local Democracy Economic Development and Construction Act</a>	<u>2009</u>	
<a href="#">Cities and Local Government Devolution Act</a>	<u>2016</u>	

**Section 100 D - Local Government Act 1972 - background documents**

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

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

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

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**Due regard in this context involves having due regard in particular to:**

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

### **1.2. Equalities Impact Assessment:**

No Equality Impacts have been identified.

### **2. Impact on Crime and Disorder:**

N/A

### **3. Climate Change:**

How does what is being proposed impact on our carbon footprint/energy consumption?

N/A

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A