

Appendix 5:

Financial technical appendices

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Introduction

This section provides the comprehensive technical evidence base that underpins the financial analysis presented in earlier sections of the proposal. It consolidates all supporting data, calculations, and assumptions used in constructing the financial model for the assessed local government reorganisation options, ensuring that the analysis is both transparent and auditable. The content here has been developed in close collaboration with finance teams from each existing council, reflecting shared understanding of local data and a jointly agreed methodology.

The purpose of this section is to serve as the detailed reference layer that supports the narrative and conclusions reached in the main body of this document. Each appendix clearly documents its source data, allocation approach, assumptions, and any material judgement applied in the modelling process. This ensures a clear audit trail from base data through to headline findings.

To support clarity and usability, the section is structured into four technical appendices, each aligned with a core element of the financial analysis:

- **Appendix A – Methodology and Assumption Log:** Captures the overarching modelling approach, data sources, macro assumptions, and the engagement steps taken to validate inputs with local finance leads.
- **Appendix B – Savings Assumptions:** Sets out the savings estimates in full, including baseline costs, percentage reductions, and rationale by category, as well as the modelling behind the base and high scenarios.
- **Appendix C – Implementation Cost Breakdown:** Breaks down one-off transition and disaggregation costs by year and type, with cost drivers and any contingency assumptions clearly noted.
- **Appendix D – Boundary Change Cost Breakdown:** Breaks down the one-off Boundary Change cost with cost drivers and other assumptions clearly noted.

Each appendix is structured for ease of navigation and aligned to the relevant sections of the main report. Where appropriate, appendices are supplemented with footnotes, citations, and version tracking to ensure reproducibility and clarity for external reviewers, auditors, and government stakeholders.

This section acts as the technical foundation upon which the financial case is built. It allows readers, particularly finance professionals, Section 151 Officers, and programme sponsors, to interrogate the detail behind each modelling decision and to have confidence in the robustness, transparency, and evidential basis of the conclusions drawn.

Appendix A – Methodology and Assumption Log:

The phased model has been prepared in three sections – assumptions, calculations and outputs. The outputs include the calculation of payback period, individual year impact of LGR and a cumulative impact of LGR. These outputs help in assessing the viability of the LGR options being assessed.

The model is based on the following four key assumptions:

1. Savings costs
2. One-off implementation costs
3. Disaggregation costs
4. Boundary change costs (Option 1A only)

The phased model projects the above across thirteen years, including three pre-implementation years (*Base Year*, *Year -1* and *Shadow Year*) and ten post-implementation years.

The model is, however, based on 2025/26 prices and does not include any adjustment for future inflation for both costs as well as savings. The phased model also does not include the impact of any Council Tax Harmonisation due to uncertainty of implementation.

The inputs as well as outputs have been prepared and validated with Section 151 officers. These reflect the best estimates as of the writing of this case.

Appendix B – Savings Assumptions:

The overall savings assumptions have been prepared using a mix of top down and bottom-up savings approaches, as outlined below.

Top-down approach:

The overall savings assumptions for the current reorganisation has been calculated based on the outlined savings of unitary authorities as outlined within previous local government reorganisation documentation. These included 14 previous cases for change across England ranging from cases submitted between 2009 and 2023. The data included Low Case and High case savings.

For each individual previous case, an average savings per population base was calculated for Low and High case savings, with the average of these reflecting the Base case savings. These were subsequently indexed up from the relevant transition year (per the previous case for change) to April 2025 prices. A simple arithmetic average of indexed savings per population base informed the overall average indexed saving per population, which was used to calculate the total 'top-down' savings. The savings were reduced by 10% to reflect the erosion of benefits of having four new mainland unitaries.

The top-down savings were split into underlying savings categories (as reflected in table below) using a percentage allocation mix based on internal discussions and experience.

Saving Name	Description	Rationale and Assumptions	% of Total Savings
Optimising Leadership	Reviewing the number of managerial roles to eliminate duplication and enhance operational efficiency, by merging similar responsibilities into fewer and more impactful positions.	Assumes a single senior leadership team for each new unitary replaces multiple councils' executives (Chief Execs, Directors, S151s, Monitoring Officers). Assumes no significant delays from legal/TUPE or governance negotiations.	5%
Right Sizing the Organisation	Determining the right size of the organisation, proportionate to the services that are being delivered, offset by the costs of new technology and upskilling individuals. Reducing overall workforce through role consolidation and automation.	Assumes c. 5% of workforce (primarily back-office/admin roles) reduced through consolidation, automation and voluntary redundancy. Realisation depends on culture change, system integration and union engagement.	40%

Centralising Corporate Services	Consolidating back-office functions, such as Human Resources (HR), Finance and Information Technology (IT) to streamline operations, enhance efficiencies and unlock savings.	Merger of finance, HR, payroll, legal and comms into centralised functions for each new unitary. Requires effective digital systems, unified policies and process harmonisation.	1%
Service Contract Consolidation	Understanding current and joint service arrangements between Councils, and what savings (or costs) may be incurred on consolidation. Determining the optimum sourcing arrangements for contracts that are either currently outsourced or could be outsourced. This will need to consider both financial and operational efficiency and will consider existing arrangements with third parties.	Assumes merging of contracts (waste, highways, care) and renegotiation over time. Dependent on contract cycles, procurement capacity and provider cooperation.	30%
Proportionate Democratic Services	Reviewing the costs of democratic services (elections, committee support, etc.) to be proportionate to the new authorities. Reducing the number of councillors and governance costs (e.g. committees, elections).	Assumes reduction in number of councillors and associated committee and democratic support costs. Assumes new governance models implemented immediately post-reorganisation.	4%
Improved Digital & IT Systems	Implementing unified digital platforms, automating repetitive tasks, streamlining workflows, and eliminating manual processes, can lead to significant time and cost savings. Unified platforms and systems rationalisation reduce licensing, support, and admin overheads.	Streamlining systems and licenses, introducing self-service platforms, rationalising IT estate. Dependent on investment in digital infrastructure and culture shift to online services.	7%

Asset & Property Optimisation	Reviewing property portfolio to ensure alignment with the council's overall objectives and community needs.	Release of surplus office space, lease terminations, or revenue from letting/disposals. Contingent on lease terms, capital receipt strategy and local market conditions.	3%
Customer Engagement	Enhancing customer contact facilities, determining the needs of citizens in the new authorities and developing proportionate customer contact centres, where appropriate including self-service through digital channels, to improve customer engagement, satisfaction and drive operational efficiencies and cost savings.	Channel shift to digital, contact centre consolidation, and automation of transactions. Assumes digital access for residents, workforce reskilling, and strong comms.	6%
Consolidating Fleets & Optimising Routes	Exploring consolidation of fleets and any route efficiencies, to reduce costs and minimise environmental impact. Reducing fleet size and improving vehicle routing to lower transport costs.	Integration of transport assets across services (e.g. waste, social care, facilities). Benefits depend on fleet management tools, depot locations and service redesign.	4%
Total			100%

Savings by category as calculated from the top-down approach was subsequently compared with the savings calculated using the bottom-up approach.

Bottom-up approach:

To estimate the potential savings using the bottom-up approach, an overall spend against each of the savings' categories (as per above table) was identified and a corresponding high-level saving against spend (in percentage terms) was made against each of the categories.

The total savings were then aligned across the bottom-up and top-down approaches to ensure a realistic savings assumption by category. The alignment continued to assume a 10% saving erosion due to Hampshire and the Isle of Wight local government

reorganisation having four new mainland unitaries, across all options. The savings were then allocated to individual unitaries based on the unitary's share of total population.

No savings from LGR have been assumed to be realised in Base Year and Year -1. However, they start to ramp up in Shadow Year and build up to be fully realised per annum by Year 3. The savings have then been phased based on expected realisation as per the below table:

	Shadow Year	Year 1	Year 2	Year 3
Optimising Leadership	10%	40%	50%	
Right Sizing the Organisation	10%	20%	40%	30%
Centralising Corporate Services		20%	40%	40%
Service Contract Consolidation	10%	35%	35%	20%
Proportionate Democratic Services		80%	20%	
Improved Digital & IT Systems		15%	35%	50%
Asset & Property Optimisation		40%	40%	20%
Customer Engagement		20%	40%	40%
Consolidating Fleets & Optimising Routes		30%	40%	30%

The savings assumptions are consistent across all 3 options being assessed.

Appendix C – Implementation Cost Breakdown:

The overall implementation cost assumptions have been prepared using a top-down approach only, based on the implementation costs as outlined within previous Case for Change documentation. These included the same previous cases for change used to inform the top-down Savings assumptions, to ensure consistency. The data included Low Case and High case implementation costs.

These were calculated as One-off implementation costs and Disaggregation costs.

One-off implementation costs:

For each individual previous case, an average one-off implementation cost per population base was calculated for both the Low case and High case, with the average of the two informing the Base case. These were subsequently indexed up from the relevant transition

year (per the previous case for change) to April 2025 prices. A simple arithmetic average of indexed one-off implementation cost per population base informed the overall average indexed one-off implementation per population.

These were subsequently adjusted for an increase of £11.8 million to reflect that there will be a total of four new mainland unitaries and that each new authority requires its own setup processes, including establishing governance structures, IT systems, and administrative frameworks, leading to higher cumulative transition costs. An additional 25% increase in costs were subsequently applied to reflect optimism bias risk of delivering the programme. These have been assumed consistently across all cases.

The final figure was then apportioned across the cost categories underpinning the one-off implementation costs (see below table).

Category	Description	Rationale and Assumptions	% of Total Costs
Workforce - Exit	Compensation paid to employees as a result of restructuring/redundancies, including redundancy payments, pension strain, TUPE, salary harmonisation, and other contract termination fees.	Redundancy and termination costs reflect staff length of service.	30%
Workforce - Development	Additional costs to upskill and reskill employees to adapt to new roles and responsibilities.	Cost allowed for retraining through redeployment of workforce.	4%
Transition - Team	Implementation programme team including Legal, Contract Negotiation, Project and Programme Management, and specialist support.	A significant transition team required for each unitary authority. Includes legal, HR, project support, public consultation. Some benchmarks include change management and creation of new councils.	11%
Transition - Culture and Communications	Costs to develop communications, branding, training, and public information in relation to new	Cost allowed for other culture and comms change. Includes all rebranding, change, and engagement.	4%

	authorities. This should inform the public, stakeholders, and employees of proposed changes and address concerns.		
Transition - Processes	Work required to harmonise processes and facilitate effective service transition. This includes specific constitutional changes and developments, democratic transition, and new policies and procedures.	Cost allowed for efforts to harmonise processes and procedures as part of the transition.	4%
Consolidation - Systems	Alignment of systems and digital infrastructure, including merging systems, data migration, commonality of cyber security, and training for new systems.	Costs reflect previous examples of system implementation. Some benchmarks do not include allowance for ERP and data migration, cleansing and interface development.	31%
Consolidation - Estates and Facilities	Reconfiguration of buildings, costs of disposal, and termination fees on leases.	Some benchmarks do not include capital receipts, which can be used to fund, for example transformation or regeneration.	8%
Contingency	Additional 10% contingency to allow for prudence in estimates.	Standard across Cases to build out contingency.	8%
Total			100%

One-off implementation costs have been assumed to start ramping-up from Base Year and build up by Year 3. These have then been phased as per the below table:

	Base Year	Year -1	Shadow Year	Year 1	Year 2	Year 3
Workforce - Exit			10%	20%	30%	40%
Workforce - Development			40%	40%	20%	

Transition - Team	20%	35%	35%	10%		
Transition - Culture and Communications	20%	35%	35%	10%		
Transition - Processes	20%	35%	35%	10%		
Consolidation - Systems	10%	10%	60%	20%		
Consolidation - Estates and Facilities			15%	35%	50%	
Contingency	6%	10%	18%	10%	31%	26%

Disaggregation costs:

The disaggregation costs have been assumed due to the additional costs of providing Adult Social Care Services, Children Social Care Services, Place Services and Corporate & Support Services, resulting from the disaggregation of County's services. These have been quantified based on a percentage of the County's 2025/26 budget spend against each service (summarised in table below).

The high-level percentages assumed and rationale for the disaggregation costs across the services are outlined in the below table.

Cost Category	Rationale and Assumptions	Calculation method
Adult Social Care Inefficiencies	Management - Assumes additional DASS's and ADs, head of legal roles. ICT & Systems - Requires data segregation, integrations, separate instances and eventually separate case management systems. Performance & Strategy - Additional statutory reporting and strategic development.	+1.6% of budget
Children's Services Inefficiencies	Management - Requires additional DCS's and other new roles required. ICT & Systems - Requires data segregation, integrations, separate instances and eventually separate case management systems. Performance & Strategy - Additional statutory reporting and strategic development.	+0.9% of budget

Place Service Inefficiencies	Management - Assumes shared service for Emergency Planning but additional management roles. Could hold resilience and Emergency Planning County wide. Procurement / Third Party - New contracts required ICT costs - Small increase in systems costs through multiple contracts.	+1.4% of budget
Corporate & Support Services to the Council Duplication	Management - Small increase in management roles Staff - Increase in Finance, HR, legal and policy, ICT/digital and performance roles ICT costs - Requires data segregation and integrations	+3.8% of budget

These disaggregation costs are assumed to be validated for the Base case, while the High case assumes these to be 10% higher than Base case. These costs have been allocated to the individual unitaries based on the share of population within the new mainland unitaries, excluding the population of existing upper tier authorities.

These costs are all assumed to be reflected 100% from Year 1 of the implementation, without any ramp-up.

The implementation cost assumptions are consistent across all 3 options being assessed.

Appendix D – Boundary Change Costs Breakdown:

Boundary Change Costs reflect the additional one-off implementation costs associated with additional complexity due to splitting existing Districts. No Boundary Change costs have been assumed for Option 1 and Option 2. However, Option 1A assumes changes in boundary for Winchester, East Hampshire, Test Valley and New Forest and therefore assumes additional Boundary Change Costs.

The Boundary Change Costs have been quantified as 5% of the current total service expenditure associated with client facing services. As there has not been a precedent for Boundary Changes within Local Government Reorganisation, the quantification assumption of 5% is based on Local Government judgement. Where a District is being split across two Unitaries, the associated Boundary Change Costs are assumed to be split equally among the new Unitaries, to support Unitary analysis.

Districts with Boundary Changes	Total Service Expenditure FY 25/26 (£'000)	Boundary Change Cost % Total Service Expenditure	Boundary Change Cost (£'000)	Boundary Change Costs by Unitary (£'000)			
				Mid	North	South West	South East
Winchester	23,354	5%	1,168	584			584
East Hampshire	18,614	5%	931	465			465
Test Valley	26,052	5%	1,303	651		651	
New Forest	26,916	5%	1,346	673		673	
	94,936		4,747	2,373	0	1,324	1,049

These costs are assumed to be consistent across the Base and High scenarios and are phased to be incurred 30% incurred in Year -1 (2026/27) and 70% incurred in Shadow Year (2027/28).